



Red Herring Prospectus

Please read Section 60B of the Companies Act, 1956

Dated October 4, 2005

100% Book Building Issue

## BANNARI AMMAN SPINNING MILLS LIMITED

(Originally incorporated as Shiva Textiles (CBT) Limited on July 10, 1989 under the Companies Act, 1956 and was issued Certificate for Commencement of Business on September 14, 1989. The name of the Company was changed to "Bannari Amman Spinning Mills Ltd." on October 11, 1991. The registration number of the Company is 181-002476)

Registered Office: 252, Mettupalayam Road, Coimbatore 641 043. Tel.: +91-422-243 5555 Fax: +91-422-243 0233

Contact Person: Mr. Govind M. Joshi, CFO, Company Secretary & Compliance Officer,

(E): govindjoshi@vsnl.net. (W): www.bannaritex.com

**PUBLIC ISSUE OF 7,000,000 EQUITY SHARES OF FACE VALUE RS. 10/- EACH AT A PRICE OF RS. [●] FOR CASH AT A PREMIUM AGGREGATING TO RS. [●] MILLION (HERE IN AFTER REFERRED TO AS THE "ISSUE"). THE ISSUE WOULD CONSTITUTE 44.44% OF THE POST ISSUE PAID-UP CAPITAL OF BANNARI AMMAN SPINNING MILLS LIMITED.**

**PRICE BAND: Rs. 115 TO Rs. 135 PER EQUITY SHARE OF FACE VALUE Rs. 10**

**ISSUE PRICE IS 11.5 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 13.5 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

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

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, at least 15 % of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Cut-off 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 shares is Rs. 10/- and the Issue Price is [.] times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Managers ("BRLMs"), 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 the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" beginning on page no. ix of this Red Herring Prospectus.

### COMPANY'S ABSOLUTE RESPONSIBILITY

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

### LISTING

The Equity Shares issued through this Red Herring Prospectus are proposed to be listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). We have received in-principle approvals from NSE and BSE for the listing of our Equity Shares pursuant to letters dated September 30, 2005 and September 26, 2005, respectively. NSE shall be the Designated Stock Exchange.

### BOOK RUNNING LEAD MANAGERS

### REGISTRAR TO THE ISSUE

#### IL&FS INVESTSMART

IL&FS Investsmart Limited  
The IL&FS Financial Centre,  
Plot C-22, G Block,  
Bandra-Kurla Complex,  
Bandra (East), Mumbai 400051  
Phone: 91-22-2653 3333  
Fax : 91-22-2653 3075  
Email : basml.ipo@investsmartindia.com  
Website : www.investsmartindia.com

#### ICICI Securities

ICICI Securities Limited  
ICICI Centre  
H. T. Parekh Marg,  
Churchgate,  
Mumbai 400 020  
Phone: 91-22-2288 2460  
Fax : 91-22-2282 6580  
E-mail: basml\_ipo@iseconline.com  
Website: www.iseconline.com



Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg,  
Bhandup (W)  
Mumbai 400 078  
Phone : 91-22-5555 5491  
Fax : 91-22-5555 5499  
Email: basml@intimespectrum.com  
Website: www.intimespectrum.com

### ISSUE PROGRAMME

**BID/ISSUE OPENS ON : OCTOBER 19, 2005**

**BID/ISSUE CLOSURES ON : OCTOBER 25, 2005**

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## DEFINITIONS AND ABBREVIATIONS

### Conventional / General Terms

Term	Description
BASML "our Company", "we", "us", and "our"	Bannari Amman Spinning Mills Ltd., a Public Limited Company incorporated under the Companies Act, 1956. Erstwhile the name of our Company was Shiva Textiles (CBT) Limited.

### Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to this Issue
Allottee	The successful Bidder to whom the Equity Shares are being issued
Articles/ Articles of Association / AoA	Articles of Association of our Company, Bannari Amman Spinning Mills Limited
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Auditors	The Statutory Auditors of our Company, M/s. P. N. Raghavendra Rao & Co., Chartered Accountants
Banker(s) to the Issue	ICICI Bank Limited and UTI Bank Limited, the banks in which the Public Issue Account will be opened and which will act as such, in terms of this Red Herring Prospectus.
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid / Issue Closing Date	The date after which the Syndicate Members will not accept any Bids for the Issue, which shall be notified in a widely circulated English and Hindi national newspaper and a Tamil newspaper with wide circulation at the place of the Registered Office of our Company.
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 the issue of the Equity Shares 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 the Issue, which shall be notified in a widely circulated English and Hindi national newspaper and a Tamil newspaper with wide circulation at the place of the Registered Office of our Company.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid-cum-Application Form.
Bidding Period/ Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.



Term	Description
Board of Directors/ Board/ Directors / BoD	The Board of Directors of Bannari Amman Spinning Mills Limited or a committee constituted thereof.
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is made.
Book Running Lead Managers / BRLMs	Book Running Lead Manager(s) to the Issue, in this case being IL&FS Investsmart Limited and ICICI Securities Limited.
Brokers to the Issue	Brokers registered with any recognized stock exchange, appointed by the members of the Syndicate.
BSE	Bombay Stock Exchange Limited
Cap Price	The higher end of the Price Band above which the Issue Price will not be finalized and above which no bids will be accepted
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 after discovery of the Issue Price in accordance with the Book Building Process.
CDSL	Central Depository Services Limited
Companies Act	The Companies Act, 1956, as amended from time to time.
Cut-off Price	Any price within the Price Band finalized by our Company in consultation with the BRLMs. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 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 RoC, following which the Board of Directors shall allot Equity Shares to successful bidders.
Designated Stock Exchange	National Stock Exchange of India Limited
Equity Shares	Equity shares of the Company of Rs.10/- each unless otherwise specified in the context thereof.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into amongst the Company, the Registrar, the Escrow Collection Bank(s), the BRLM(s) and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Bankers to the Issue at which the Escrow Account for the Issue will be opened.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.



<b>Term</b>	<b>Description</b>
FII/ Foreign Institutional Investor	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
Financial Year/Fiscal/FY	The twelve months ended March 31 of that particular year.
FIPB	Foreign Investment Promotion Board
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.
Fresh Issue	The Issue of 70,00,000 Equity Shares at the Issue Price by the Company in terms of this Red Herring Prospectus.
Government/ GOI	Government of India
HUF	Hindu Undivided Family
ILL	IL&FS Investsmart Limited
i-Sec	ICICI Securities Limited
Indian GAAP	Generally accepted accounting principles in India
Issue Period	The Issue period shall be October 19, 2005, the Issue opening date, to October 25, 2005, the Issue closing date.
Issue Price	The final price at which Equity Shares will be allotted in terms of this Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLMs, on the Pricing Date.
I.T. Act	The Income-Tax Act, 1961, as amended from time to time, except as stated otherwise.
I.T. Rules	The Income-Tax Rules, 1962, as amended from time to time, except as stated otherwise.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount.
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company, Bannari Amman Spinning Mills Limited.
NAV	Net Asset Value
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers for this Issue or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000.
Non-Institutional Portion	The portion of the Issue being minimum 15% of the Net Issue to the Public i.e. 1,050,000 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders.
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India.
NRE Account	Non Resident External Account



Term	Description
NRI/ Non Resident Indian	Non-resident Indian, is a person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
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 money at the time of bidding, as applicable.
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Price Band	Price band with a minimum price (floor of the price band) of Rs.115 and the maximum price (cap of the price band) of Rs.135 and includes revisions thereof.
Pricing Date	The date on which Company in consultation with the BRLMs finalize the Issue Price.
Promoters	Dr. S. V. Balasubramaniam, Mr. S. V. Alagappan, Dr. S. V. Kandasami, Mr. S. V. Arumugam, Mr. S. V. Balakrishnan and Shiva Distilleries Limited
Prospectus	The Prospectus to be filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the 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, trilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs.250 million.
QIB Portion	The portion of the Net Issue to the Public being at least 50% of the issue i.e. 35,00,000 Equity Shares of Rs. 10 each available for allocation to QIBs.
RBI	Reserve Bank of India
Red Herring Prospectus	Red Herring Prospectus is 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 issued and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/Issue Opening Date. It will become a Prospectus after filing it with the Registrar of Companies after the pricing and allocation.



<b>Term</b>	<b>Description</b>
Registered Office of our Company	252, Mettupalayam Road, Coimbatore 641 043.
Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Ltd. having its registered office as indicated on the cover page of this Red Herring Prospectus.
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000, in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being minimum 35% of the Net Issue to the Public i.e. 2,450,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
RoC	Registrar of Companies, Tamil Nadu, Coimbatore.
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
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 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of the Bids in the Issue.
Syndicate Members	Intermediaries registered with SEBI and eligible to act as Underwriters, Syndicate Members are appointed by the BRLMs.
TRS/ Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid.
UIN	Unique Identification Number issued in terms of the SEBI (Central Database of Market Participants) Regulations, 2003.
Underwriters	The BRLMs and Syndicate Members.
Underwriting Agreement	The Agreement between the members of the Syndicate and the Company, on its own behalf to be entered into on or before the Pricing Date.



## Company / Industry related Terms

Term	Description
AGM	Annual General Meeting
ATC	Agreement on Textiles and Clothing
ATDC	Apparel Training and Design Centres
CAGR	Compounded Annual Growth Rate
CFO	Chief Financial Officer
DEPB	Duty Entitlement Pass Book Scheme
DGFT	Director General of Foreign Trade
DNV	Det Norske Veritas
EGM	Extra-Ordinary General Meeting
EPCG	Export Promotion Capital Goods
EPS	Earnings Per Share
GATT	General Agreement on Tariff and Trade
GDP	Gross Domestic Product
HSD	High Speed Diesel
IPO	Initial Public Offer
ITAT	Income Tax Appellate Tribunal, Chennai
ITMF	International Textile Manufacturers Federation
MFA	Multi Fibre Agreement
MW	Mega Watts
NIFT	National Institute of Fashion Technology
NTxP-2000	New Textile Policy
P/E Ratio	Price to Earnings Ratio
RONW	Return on Net Worth
SIMA	South India Mills Association
TCIDS	Textile Centres Infrastructure Development Scheme
TNEB	Tamil Nadu Electricity Board
TUFS	Technology Upgradation Fund Scheme
WTO	World Trade Organisation





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## **CERTAIN CONVENTIONS, USE OF MARKET DATA**

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from the restated financial statements of Bannari Amman Spinning Mills Limited as of and for the fiscal years ended March 31 2001, 2002, 2003, 2004 and 2005 and for the five months period ended August 31, 2005, all prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year, except for the year ended March 31, 2001 which was for a period of 18 months. In this Red Herring Prospectus, any discrepancies in any table between the total and sums of the amounts listed are due to rounding.

### **MARKET DATA**

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from industry publications, newspaper and magazine articles etc. Such publications generally state that content therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that the industry data used in this Red Herring Prospectus is reliable, it has not been verified by any independent source.



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## FORWARD-LOOKING STATEMENTS

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

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to:

- Regulatory changes pertaining to the textile industry in India and our ability to respond to the same
- Our ability to successfully implement our strategy;
- Our growth and expansion plans and technological changes;
- Monetary and fiscal policies of India;
- Equity prices or other rates and prices;
- Performance of financial markets in India and globally;
- Inflation, deflation and unanticipated fluctuations in interest rates;
- General economic and business conditions in India;
- Changes in the value of the Rupee and other currencies; and
- Changes in laws and regulations that apply to the Indian and global textile industry.

For further discussion of factors that could cause our actual results to differ, see section titled “Risk Factors” beginning on page no. ix of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the BRLMs nor any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLMs 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. One should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding of our Company, one should read this section in conjunction with the sections titled "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page nos.119 and respectively. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the trading price of our Equity Shares could decline, and one may lose all or part of their investment.*

### INTERNAL RISK FACTORS AND RISKS RELATING TO OUR BUSINESS

#### PROJECT RELATED RISK FACTORS

**1. We have planned capital expenditures, which may not yield the benefits intended.**

Our operations require capital expenditure to increase capacity. We have planned a capital expenditure of Rs. 2900 million plan aimed at meeting the growing demand. Please refer to the section entitled "Objects of the Issue" beginning on page no. 17 and "Business" beginning on page no. 43 for details of proposed capital expenditure. The figures in our capital expenditure plans are based on management estimates and have not been appraised by any bank, financial institution or any other independent organisation. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns and non-availability of financing on acceptable terms, among others. In view of the reasons stated above, we cannot assure you that we will be able to execute our capital expenditure plans as contemplated.

**2. We have not made definite arrangements for procurement of some equipment/machinery for the project, which may cause a delay in implementation of the project.**

We are yet to place orders for some of the equipments/machinery for Rs. 1475.55 million constituting 50.81% of the estimated cost of project. Some of these plant and machinery are second hand and the cost estimates are based on management estimates. Please refer to the section titled "Objects of the Issue" beginning on page no. 17 of this Red 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 have appointed Oriental Bank of Commerce to monitor the use of such proceeds. Some of the plant and machinery we intend to deploy are expected to be imported and must be paid for in foreign currency. Changes in foreign exchange rates adversely affecting the value of the Rupee may adversely affect the cost of the project.

**3. We are yet to finalise the land for setting up our processing and garment/ home textile divisions.**

We are in the process of finalizing locations at Cuddalore for processing and at Coimbatore for the garment/home textile division. As per the schedule of implementation we plan to complete this process in November 2005 and October 2005 respectively. For details refer to the section titled "Objects of the Issue" beginning on page no. 17. However, we cannot assure that we will be able to finalize and complete the purchase of the land as per the planned schedule.



**4. We intend acquiring second hand projectile looms aggregating to Rs. 80.96 million. We have not yet placed the order for the looms.**

We intend to acquire second hand projectile looms aggregating to Rs. 80.96 million for the proposed project. The management is in discussions with brokers/dealers and has short listed few sources and is in the process of final negotiations. The residual life of the looms that are proposed to be acquired is estimated at 20 years. As we have not yet finalised these looms, we cannot assure that the same will be available and in that eventuality we may have to use an alternate technology, which may increase the cost of the project.

**5. We are yet to receive certain Government approvals for our proposed expansion**

We need to obtain licenses/permissions, a summary of which is described in section titled "Government and Other Approvals" beginning on page no. 136 of this Red Herring Prospectus. We are yet to obtain these licenses / permissions as required for our expansion project using the proceeds of the Issue.

**6. We are expanding our capacity without firm commitments**

We are expanding our capacity in spinning and weaving, which will require a larger customer base. In the absence of guaranteed customers for the increased production, there can be no assurance that we will be successful in selling our increased production. This may result in lower capacity utilization and adversely affect our operations and financial results.

**7. We are entering into new lines of business.**

We are entering into new lines of business like processing and home textiles / garmenting, which could require a different set of customers. We are in the process of identifying potential markets and customers and cannot give any assurance that we shall be successful in selling our entire production.

**8. Cotton is the primary raw material for our manufacturing operations. We procure our annual requirement of cotton during the cotton season. Any fall in cotton prices subsequent to the cotton season may have an adverse impact on the price of cotton yarn.**

The primary raw material for our manufacturing operations is cotton. In order to manufacture yarn of consistent quality, we procure our annual requirement of cotton during the cotton season. Fall in cotton prices may result in a fall in the prices of cotton yarn also. We are hence exposed to the risk of variation in cotton prices and the resultant variation in cotton yarn prices.

**9. Availability of Cotton, our primary raw material is subject to the vagaries of nature.**

We source most of our cotton requirements directly from ginners in Gujarat, Andhra Pradesh and Maharashtra. We are dependent on external suppliers for cotton procurement. Cotton is an agriculture product and its supply and quality are subject to the forces of nature. Any shortage or interruption in the domestic supply could result in increased costs and impact our operations.

**OTHER RISK FACTORS**

**1. Our top five customers account for more than 30% of our total sales. In case any of these customers reduce their requirement or discontinue their purchases from the Company it could adversely affect our Company's operations.**

The top five customers accounted for 31.43%, 32.28% and 45.49% of sales during the financial year 2004-05,



2003-04 and 2002-03 respectively. We are conscious about the concentration and have over the period of three years reduced our concentration of sales. We are, however, still dependent on a few customers for about 30% of our current sales and can give no assurance that they will continue to source their requirement of cotton yarn from us.

**2. Cash flow from operations for the financial year ended March 31, 2004 is negative.**

During the year 2003-04, we generated cash surplus from operations of Rs. 123.28 million. The cash flow from operations was negative for the year mainly on account of inventory build-up, which was partly financed by cash generated from operations and short-term borrowings. We had anticipated an increase in cotton prices and hence, based on our experience decided to stock additional raw material. Procurement of cotton at the right price and quality is critical to our business and depending on our assessment of future trends we may stock additional quantity of cotton.

**3. We have installed 4 windmills with a rated capacity of 5 MW. Generation of power from windmill is subject to fluctuation in wind speed and grid availability.**

Generation of power depends on various factors including grid availability and speed of wind. The supply and the speed of wind are subject to the forces of nature. Our agreement with vendor provides for a compensation for any shortfall in generation for a period of two years from the 30<sup>th</sup> day of commissioning. This guarantee will expire on October 2006. Any shortfall in generation beyond the guarantee period will require us to source more power from the electricity grid. As the cost of generation of wind energy is lower than the cost at which we source electricity from the state electricity board, any shortfall in wind power generation will result in higher cost of power.

**4. We have an export obligation of Rs 35.02 million as on September 31, 2005.**

We have a total export obligation of Rs 35.02 mn, details of which is given under heading "Export Obligation" on page no 48 of this Red Herring Prospectus. Our export turnover during the last three years has been Rs 169.03 mn, Rs 192.72 mn and Rs 144.33 mn for 2004-05, 2003-04 and 2002-03 respectively. While we have regularly exported our products in the past, we cannot give any assurance that we will continue to export our products in future. In case we are not able to meet our export obligation, it will be subject to monetary liabilities that could have an adverse effect on the cash flow.

**5. We are subject to restrictive covenants in certain short-term and long-term debt facilities provided to us by our lenders.**

There are restrictive covenants in agreements we have entered into with certain banks and financial institutions for short-term loans and long-term borrowings. These restrictive covenants require us to seek the prior permission of the said banks / financial institutions for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger/amalgamation/restructuring, change in management etc. However, these restrictive covenants may affect some or all of the rights of our shareholders.

**6. We may not be able to attract and retain skilled professionals.**

Our ability to sustain our growth depends, in large part, on our ability to attract, train, motivate and retain skilled and unskilled personnel. As on August, 2005 we had 435 permanent employees. Our inability to hire and



retain additional qualified personnel will impair our ability to continue to expand our business. An increase in the rate of attrition for our experienced employees, would adversely affect our growth strategy. While we have never experienced a work stoppage as a result of labour disagreements or otherwise and we believe our relationship with our employees and their association is cordial, we cannot guarantee that we will not experience any strike, work stoppage or other industrial action in the future.

**7. We may not be able to sustain effective implementation of our business and growth strategy.**

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. Whilst we have successfully executed our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget, or that we will meet the expectations of targeted customers. Our inability to manage our business and growth strategy could have a material adverse effect on our business, financial condition and results of operations.

**8. With the opening up of international markets after removal of quotas we may face price pressures on our products.**

The end of Multi Fibre Agreement (MFA) quota restrictions on textile products has resulted in price competition among suppliers from low cost economies. Our Company could further face pricing pressure as various suppliers who were hitherto restrained by quotas will start competing for the same orders in the international markets.

**9. We may face difficulty in keeping up with the technological advances taking place in the industry.**

Technology plays a vital role in the textile industry. Our failure or inability to incorporate any change in technology might place our competitors at an advantage in terms of costs, efficiency and timely delivery of the final products.

**10. There exists a potential conflict with one of our promoter group companies.**

One of our group companies, Shiva Texyarn Limited is also engaged in the manufacture of cotton yarn and to that extent there exists a potential conflict of interest, which may have certain implications on operations and profiling.

**11. We are parties to certain legal proceedings, incidental to our business and operations, which if not determined in our favour, could have a material adverse impact on our business, results of operations and/or financial condition.**

We are parties to certain legal proceedings, incidental to our business and operations, which if not determined in our favor, could have a material adverse impact on our business, results of operations and or financial implications. The summary of cases is as mentioned below.

Particulars	No. of cases	Amount (Rs. Mn)
<b>Cases Against</b>		
Government Authorities	3	2.29
<b>Cases Filed By</b>		
Government Authorities	7	22.96
Recovery of dues	2	0.52



For further details refer to the heading “Outstanding Litigation” appearing on Page No 124 of this Red Herring Prospectus.

## 12. Outstanding litigation involving Promoter, Promoter Group Companies and Directors

Our Promoter and our Promoter Group Companies are parties to certain legal proceedings. The summary of cases is as mentioned below.

### Shiva Distilleries Limited - Promoter Company

Particulars	No. of Cases	Amount (Rs. Mn)
<b>Cases Against</b>		
Government Authorities	3	29.96
Other Civil Proceedings	1	Unascertainable
<b>Cases Filed By</b>		
Government Authorities	4	16.03

### Promoter Group Companies

Particulars	No. of Cases	Amount (Rs. Mn)
<b>Cases Against</b>		
Government Authorities	10	154.68
Other Civil Proceedings	29	4.45
Recovery of Dues	19	29.08
Securities Law	3	1.80
<b>Cases Filed By</b>		
Government Authorities	31	178.68
Other Civil Proceedings	3	0.18
Recovery of Dues	608	331.71
Criminal Proceedings	2	0.32

For further details refer to the heading “Outstanding Litigation” appearing on Page No 124 of this Red Herring Prospectus.

## 13. There has been a shortfall in promise v/s performance of our group companies Bannari Amman Sugars Ltd. and Shiva Taxyarn Ltd.

Our group companies Bannari Amman Sugars Limited and Shiva Taxyarn Limited have accessed the capital market in the past. There has been shortfall in the promises made by the group companies at the time of raising capital, for details see “Group Companies” on page no. 94 of this Red Herring Prospectus.



#### 14. Some of our group companies have incurred losses

Some of our group companies have incurred losses in recent years, as set forth in the table below:

(Rs. in million)

Name of the Company	Net Profit / Loss		
	FY2003	FY2004	FY2005
Shiva Automobiles Private Limited	-0.81	0.74	0.56
Sakthi Murugan Transports Private Limited	-0.25	1.28	1.95
Coimbatore Agro Industries Limited	-4.96	1.03	0.79
Sangameswar Agencies Private Limited	-0.15	0.08	-0.06
Cream Investment & Trading Company Limited	-2.43	0.08	1.38
Bannari Infotech Private Limited	-1.00	-1.21	0.24
Bannari Amman Exports Limited	-11.70	-4.26	5.61
Sangameswarar Finance	-0.21	-0.33	-0.04
Coral Garments	-2.22	1.37	0.86
Anamallais Agencies	-2.81	2.89	4.95
Annamalai Retreading Company	0.82	21.90	-0.30
SVB Enterprise Private Limited	0.05	0.03	-0.06

#### 15. Promoters will continue to control a significant percentage of our share capital and may pursuant to our Articles or otherwise, exercise substantial influence over us. Their interests may conflict with your interests as a shareholder.

After the completion of the Issue, the Promoters and the Promoter Group will own approximately 55.60% of our issued Equity Share Capital. As a result our Promoters will be able to control most matters affecting us including the appointment and removal of our officers; our business strategy and policies; our dividend payout; and our capital structure and financing. Further, our Promoters will have the ability to determine the outcome of all actions requiring the approval of our shareholders, excepting resolutions that require two-thirds majority.

#### 16. Mishaps or accidents at the Company's facilities could lead to property damages, property loss and accident claims

The Company has insured itself against property damages, loss of assets, theft, natural calamities, etc. While we believe that we have adequate insurance coverage to take care of certain contingencies, no assurances can be given that the various insurance policies taken by us will be sufficient to cover one or more large claims.

#### 17. As of August 31, 2005, BASML had contingent liabilities as disclosed in the statement given below:

We have a total contingent liability as on August 31, 2005 of Rs 21.36 million, of which Rs 5 million is on account of contracts yet to be executed on capital account. We have disputed a levy of 5% additional electricity tax by





the Tamil Nadu Electricity Board and have obtained a stay against the same for a quantum of Rs 10.17 million and also disputed an amount of Rs 6.19 million relating to tariff concession given by the Tamil Nadu Electricity Board, which was later withdrawn.

**18. The Company has opted not to submit itself for coverage of the employees under the Employees State Insurance Act, 1948**

The Company understands that the area where the mills of the Company are located has been notified for coverage under the Employee's State Insurance Act, 1948 and the rules framed there under. However the said notification has been challenged by neighbouring industries including Shiva Texyarn Limited, which is a group company and the Hon'ble High Court of Madras has stayed the operation of the said notification. No notice has been issued by the local ESI Authorities directing the Company to pay the employers' and employees' contribution. In the above circumstances the Company has opted not to submit itself for coverage of the employees under the Employees State Insurance Act, 1948, and the Rules framed thereunder.

If it is ultimately decided by the Hon'ble Court that the coverage would be with retrospective effect, the total amount the Company may have to pay towards employers' and employees' contribution cannot be presently ascertained.

**EXTERNAL RISKS FACTORS**

**1. Changes in economic policies and the political situation in India could adversely affect the fortunes of the industry.**

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Since 1991, the Government of India has pursued policies of economic liberalization. We cannot assure you that these liberalization policies will continue in future. Protest against liberalization could slowdown the pace of economic development. The rate of economic liberalization could change, specific laws and policies could change, and foreign investment, currency exchange rates and other matters affecting investing in our securities could change as well.

Our business, and the market price and liquidity of the Equity Shares, may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

**2. Force majeure events, terrorist attacks and other acts of violence or war involving India, or other countries could adversely affect the financial markets, result in a loss of client confidence and adversely affect our business, results of operations, financial conditions and cash flows.**

South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries, such as between India and Pakistan. In recent years, there have been military confrontations along the India-Pakistan border. Military activity or terrorist attacks in the future could influence the Indian economy. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Any such event could adversely affect our financial performance or the market price of the Equity Shares.



**3. The price of the Equity Shares may be volatile, or an active trading market for the Equity Shares of our Company may not develop.**

Prior to the Issue, there has been no public market for the Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after this Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions, volatility in the Indian Stock Exchanges and securities markets elsewhere in the world.

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

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

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

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

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

Environmental laws and regulations in India have been increasing in stringency and it is possible that they will become significantly more stringent in the future. As a result of compliance we will continue to incur costs in complying with regulations. As a result, our overall operating expenses will increase and our profits will decrease.

**7. Increase in taxes and other levies imposed by the Central or State Governments in India on the acquisition of capital goods/components, purchase of raw materials or finished goods may have an adverse effect on the profitability of our Company.**

**NOTES TO RISK FACTORS**

1. Public Issue of 7,000,000 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating to Rs. [●] million comprising of [●]. The Issue would constitute 44.44 % of the post issue paid-up capital of the Company.
2. The Issue is being made under clause 2.2.1 of SEBI (DIP) GUIDELINES, 2000 through a 100% Book Building Process wherein upto 50% of the Issue will be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.



3. The Net worth of our Company before the Issue as on August 31, 2005 is Rs. 501.65 million.
4. The Company had issued bonus shares in the ratio of 3:2 on January 3, 2005
5. The average cost of acquisition of the Equity Shares of Rs. 10/- by our Promoters are given below:

Promoter	Average cost of acquisition (in Rs)
Dr. S. V. Balasubramaniam	4.00
Mr. S. V. Alagappan	4.00
Dr. S. V. Kandasami	4.00
Mr. S. V. Arumugam	4.00
Mr. S. V. Balakrishnan	4.00
Shiva Distilleries Ltd.	5.52

6. Net Asset Value of the Equity Shares of our Company as on August 31, 2005 is Rs. 57.32 per Equity Share.
7. Investors may contact the BRLMs for any complaints, clarifications or information pertaining to the Issue.
8. Investors are advised to refer the paragraph on "Basis for the Issue Price" on page no. 27 of this Red Herring Prospectus.
9. The Promoter Group / Directors of the Company have not purchased and or sold / financed any shares of the Company during the past six months.
10. Other than as disclosed either in related party transaction or otherwise, the Promoters / Directors / Key Management personnel of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits arising out of the shareholding in the Company or out of any business relation with any of the ventures in which they are interested.
11. Refer to our financial statements relating to related party transactions in the section titled "Restated Financial Statements" on page no. 74 of this Red Herring Prospectus.



## 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" beginning from page no. ix to xvii and our financial statements and related notes on page no. 74 in this Red Herring Prospectus, before deciding to invest in our Equity Shares.*

The Bannari Amman Spinning Mills Ltd. commenced commercial operations in the year 1995. We have evolved to be a significant player in cotton yarn spinning in South India, commanding a premium in the market for our products. We have a strong domestic presence in Tirupur, Kanpur and Kolkota markets, and we have exported our products to several countries including Israel, Mauritius, Egypt, Taiwan and South Korea.

We are a part of the Coimbatore based Bannari Amman Group, which is involved in manufacturing, trading and distribution activities. Our group has business interests in sugar, textiles, food processing, transportation, distillery, automobile distribution, healthcare, etc with a turnover of over Rs.12,000 million and net worth of about Rs.4,500 million.

All our manufacturing facilities are located in South India. As on March 31, 2005, we have two factories housed around 2.85 lakh square feet in Tamil Nadu. The spinning division in Dindigul, Tamil Nadu has an installed capacity of 29,232 spindles, producing around 16 tonnes of cotton yarn per day. The weaving division located in Coimbatore, Tamil Nadu, has an installation of 28 Sulzer projectile machines. Our export sales constituted 24% of total revenue as on March 31, 2005. Furthermore, in May 2002 we have been awarded a Certificate of Recognition as an Export House by the Joint Director General of Foreign Trade.

Our strategy is to expand our existing capacity in spinning and weaving, as well as enter other areas in the textile chain including processing and garmenting/home textiles. Work has already begun on expansion of the spinning and weaving capacities and we are in the process of acquiring land for the processing and garmenting/home textile divisions.

### Our Vision

To achieve excellence in all sectors of the textile industry, from fibre to finished product, constantly striving to be at the forefront of our industry and to generate highest possible value to all stakeholders.

### Our Mission

- To manufacture international quality yarn and fabric, with the highest level of competitiveness on all parameters
- To effectively harness and integrate all available technology across various elements of the textile chain
- To cater to product innovation by mastering value added areas like processing and finishing

### Our Strengths

- Experienced Management Team:** We have an experienced management team with hands-on experience in all areas of operations. Key members of the team have served or are currently serving as officers of various industry bodies, giving us access to trend forecasts and strategic planning at macro and micro levels.
- Strategic Sourcing:** Since cotton sourcing is the single most important element in the spinning industry, our focus has been to develop competencies in this area. We source directly from the market and have created long-standing relationship with our suppliers. Our own staff is permanently stationed at the sources of supply, giving daily feedback on the market conditions to help us plan the procurement strategy. Our international relationships give us the leeway to source instantly from global markets if so desirable.
- Operational Efficiency:** We use the latest machines and equipment, scientifically monitor our labour productivity and have adopted a policy of constant improvement. In addition, we also use MIS tools for operating at optimal efficiency. We have provided adequate attention to many other related areas, like shipping and logistics, spare parts sourcing and financial planning to increase our overall efficiency.
- Inhouse Power Generation :** Power is one of the major constituents of cost in the textile industry. Wind power has been generally recognized as a low cost source of energy. As, both, our factories and our wind turbines are located in Tamil Nadu, we can captively consume the power generated by windmills, resulting in substantial reduction of power cost.



- (v) Innovation and Product Excellence: Most of our customers are repeat customers. This is testimony to our product quality and standardization. Our aim has been to always lead in the area of product development.
- (vi) Good Labour Relations: By following a proactive labour policy, we have been able to develop a workforce that identifies themselves as a part of a family rather than as mere employees. Our units have enjoyed the distinction of never having suffered any labour unrest from inception.
- (vii) Goodwill: Our fair policies and consistent quality have earned us significant goodwill in the markets we operate in, giving us an advantage against competition.
- (viii) Proximity to Major Markets: Our yarn unit enjoys the proximity to the Tirupur knitwear cluster and the Erode – Somanur weaving cluster. We enjoy a good market in both areas, with all the inherent advantages that proximity brings.

## THE ISSUE

Fresh Issue of Equity Shares by the Company	7,000,000 Equity Shares
Of which :	
Qualified Institutional Buyers Portion (QIBs)	3,500,000 Equity Shares (allocation on a discretionary basis)
Non-Institutional Portion	1,050,000 Equity Shares (allocation on a proportionate basis)
Retail Portion	2,450,000 Equity Shares (allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	8,751,250 Equity Shares
Equity Shares outstanding after the Issue	15,751,250 Equity Shares
Objects of the Issue	Please refer to the section titled "Objects of the Issue" on page no. 17 of this Red Herring Prospectus.

*Undersubscription, if any, of the categories, would be allowed to be met with spill-over from any of the other categories, at the discretion of the Company, in consultation with the BRLMs.*



## SUMMARY OF THE FINANCIAL INFORMATION

The following table sets forth summary financial information derived from our restated unconsolidated financial statements as of and for the fiscal years ended March 31, 2001, 2002, 2003, 2004 and 2005 and for the five months period ended August 31, 2005, which are included in this Red Herring Prospectus under the section titled "Restated Financial Statements" on page no.74. The restated financial statements have been prepared in accordance with Indian GAAP and the SEBI Guidelines and have been described in the Auditors' report attached thereto. The summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page no. 119 of this Red Herring Prospectus.

## SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT

(Rs. in Million)

Details	For the Year/Period ended					
	August 2005**	March 2005	March 2004	March 2003	March 2002	March 2001*
<b>Income</b>						
Net Sales of products manufactured by the Company	300.72	696.01	721.24	596.34	621.36	928.73
Income from Wind Mill	33.64	25.69	0.00	0.00	0.00	0.00
Other Income	12.43	17.61	4.77	4.93	5.43	4.72
Increase / (Decrease) in Stock	22.06	16.96	(6.68)	2.08	(22.05)	7.06
<b>Total</b>	<b>368.85</b>	<b>756.28</b>	<b>719.33</b>	<b>603.34</b>	<b>604.75</b>	<b>940.50</b>
<b>Expenditure</b>						
Raw Material Consumed	203.33	419.23	440.86	334.16	376.26	544.73
Employees Cost	7.85	21.30	21.72	19.72	19.42	15.23
Power & Fuel	31.45	68.93	72.45	63.07	59.48	87.75
Other Manufacturing Cost	15.60	28.00	24.02	25.26	24.78	36.88
Administration Expenses	3.81	10.17	12.82	11.38	9.25	12.08
Selling & Distribution Expenses	7.70	17.60	18.79	14.03	18.51	27.94
Interest	8.67	12.10	7.98	17.33	23.41	45.60
Depreciation	17.44	32.14	27.71	24.17	23.19	31.23
<b>Total</b>	<b>295.85</b>	<b>609.48</b>	<b>626.34</b>	<b>509.13</b>	<b>554.29</b>	<b>801.44</b>
<b>Net profit before Extra ordinary items &amp; Tax</b>	<b>73.00</b>	<b>146.80</b>	<b>92.99</b>	<b>94.21</b>	<b>50.46</b>	<b>139.06</b>
Current Tax (Provision and Payment)	6.14	11.50	20.36	16.80	9.20	23.60
Deferred Tax	12.87	19.97	1.62	4.10	5.02	6.03
<b>Net Profit after Tax</b>	<b>53.98</b>	<b>115.32</b>	<b>71.01</b>	<b>73.30</b>	<b>36.24</b>	<b>109.43</b>

\* for a period of 18 months

\*\* for a period of 5 months



## SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(Rs. in Million)

Details	As at the Year/Period ended 31 <sup>st</sup>					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001
<b>Fixed Assets</b>						
Gross Block	872.44	866.89	531.22	502.42	484.13	451.67
Less: Depreciation	208.40	191.31	171.24	143.53	119.92	103.82
<b>Net Block (A)</b>	<b>664.04</b>	<b>675.59</b>	<b>359.98</b>	<b>358.88</b>	<b>364.21</b>	<b>347.85</b>
<b>(B) Investments</b>	<b>29.94</b>	<b>29.94</b>	<b>29.94</b>	<b>29.94</b>	<b>24.44</b>	<b>20.54</b>
<b>Current Assets, Loans &amp; Advances</b>						
Inventories	198.96	320.16	304.10	185.10	156.95	237.21
Sundry Debtors	30.75	25.94	20.63	19.57	33.35	23.45
Cash and Bank Balances	70.77	7.96	7.14	10.51	50.11	14.99
Loans and Advances	104.07	46.82	39.29	36.38	36.93	43.64
Other Current Assets	43.86	23.13	0.85	0.70	1.35	0.61
<b>Sub Total (C)</b>	<b>448.41</b>	<b>424.00</b>	<b>372.01</b>	<b>252.26</b>	<b>278.69</b>	<b>319.90</b>
<b>Less: Loans and Liabilities</b>						
Secured Loans	303.21	341.47	116.45	96.10	121.83	182.86
Unsecured Loans	125.86	127.87	128.10	107.02	189.51	176.39
Current Liabilities and Provisions	67.32	81.03	58.48	43.80	35.29	45.74
<b>Sub Total (D)</b>	<b>496.39</b>	<b>550.38</b>	<b>303.03</b>	<b>246.91</b>	<b>346.63</b>	<b>404.98</b>
<b>Deferred Tax (E)</b>	<b>144.36</b>	<b>118.15</b>	<b>102.24</b>	<b>100.63</b>	<b>79.80</b>	<b>74.78</b>
<b>Net Worth (A+B+C-D-E)</b>	<b>501.65</b>	<b>461.00</b>	<b>356.66</b>	<b>293.54</b>	<b>240.92</b>	<b>208.53</b>
<b>Represented by</b>						
Share Capital	87.51	87.51	35.01	35.01	35.01	35.01
Reserves & Surplus	414.13	373.49	321.65	258.54	205.92	173.54
Less: Miscellaneous Expenditure	0.00	0.00	0.00	0.01	0.01	0.01
<b>Net Worth</b>	<b>501.65</b>	<b>461.00</b>	<b>356.66</b>	<b>293.54</b>	<b>240.92</b>	<b>208.53</b>



## GENERAL INFORMATION

### REGISTERED OFFICE OF OUR COMPANY

Bannari Amman Spinning Mills Limited  
252, Mettupalayam Road,  
Coimbatore 641 043.  
Registration Number : 181-002476

### REGISTRAR OF COMPANIES

Registrar of Companies, Tamil Nadu, Coimbatore  
Stock Exchange Building,  
2<sup>nd</sup> Floor, 683, Trichy Road,  
Singanallur,  
Coimbatore 641 005.

### BOARD OF DIRECTORS

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

Name	Designation
Dr. S. V. Balasubramaniam	Chairman
Mr. S. V. Alagappan	Vice Chairman
Mr. S. V. Arumugam	Managing Director
Mr. S. K. Sundararaman	Executive Director
Mr. K. N. V. Ramani	Director
Mr. C. S. K. Prabhu	Director

For more details regarding our Directors please refer to the section titled "Our Management" on page no. 57 of this Red Herring Prospectus

### COMPANY SECRETARY & COMPLIANCE OFFICER

**Mr. Govind M. Joshi**  
CFO and Company Secretary  
252, Mettupalayam Road,  
Coimbatore 641 043  
Tel.: +91-422-2435 555  
Fax: +91-422-2430 233  
Email: govindjoshi@vsnl.net

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

### LEGAL ADVISORS TO THE ISSUE

**AZB & Partners**  
Advocates & Solicitors  
Express Towers, 23<sup>rd</sup> floor  
Nariman Point, Mumbai 400 021.  
Tel : +91-22-56396880  
Fax: +91-22-56396888  
E-mail : shoban.thakore@azbpartners.com





## **BANKERS TO THE COMPANY**

### **The Karur Vysya Bank Ltd.**

577, Oppanakara Street,  
Coimbatore : 641 001  
Ph No. : +91-422-2390 463  
Fax No: +91-422-2390 463  
Email : cbemain@kvbmail.com

### **Corporation Bank**

816, Oppanakara Street,  
Coimbatore : 641 001  
Ph No. : +91-422-2398 589  
Fax No.: +91-422-2395 486  
Email : cb0021@corbank.co.in

### **ICICI Bank Ltd.**

Cheran Plaza  
1090, Trichy Road,  
Coimbatore 641 018  
Ph No. : +91-422-2301 684  
Fax No.: +91-422-2301 373  
Email : sathishK@icicibank.com

## **BOOK RUNNING LEAD MANAGERS**

### **IL&FS Investsmart Limited**

The IL&FS Financial Centre, Plot C-22, G Block,  
Bandra-Kurla Complex,  
Bandra (E), Mumbai 400 051  
Tel : +91-22-2653 3333  
Fax: +91-22-2653 3075  
Contact Person: Mr. Bhavin Ranawat  
Website: [www.investsmartindia.com](http://www.investsmartindia.com)  
E-mail : [basml.ipo@investsmartindia.com](mailto:basml.ipo@investsmartindia.com)

### **ICICI Securities Ltd.**

ICICI Centre  
H.T. Parekh Marg, Churchgate  
Mumbai 400 020  
Tel : +91-22-22882 460  
Fax: +91-22-22826 580  
Contact Person: Mr. Venkatesh Saha  
Website: [www.iseconline.com](http://www.iseconline.com)  
E-mail: [basml\\_ipo@isecltd.com](mailto:basml_ipo@isecltd.com)

## **SYNDICATE MEMBERS**

### **ICICI Brokerage Services Limited**

ICICI Centre, H. T. Parekh Marg  
Churchgate, Mumbai- 400 020  
Tel : +91-22-2288 2460  
Fax : +91-22-2282 6580  
Contact Person: Mr. Anil Mokashi  
Website: [www.iseconline.com](http://www.iseconline.com)  
E-mail: [basml\\_ipo@isecltdcom](mailto:basml_ipo@isecltdcom)



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## **ESCROW COLLECTION BANKS**

### **ICICI Bank Limited**

Capital Markets Division  
30, Mumbai Samachar Marg, Fort  
Mumbai - 400 001  
Tel: +91- 22- 2265 5285  
Fax: +91- 22- 2261 1138  
E-mail: [sidhartha.routray@icicibank.com](mailto:sidhartha.routray@icicibank.com)  
Contact Person: Mr. Sidhartha Sankar Routray  
Website: [www.icicibank.com](http://www.icicibank.com)

### **UTI Bank Limited**

Universal Insurance Building  
Ground Floor, Sir P.M. Road, Fort  
Mumbai - 400 001  
Tel: +91- 22 - 2202 0447  
Fax: +91- 22 - 2283 5785  
E-mail: [roshan.mathias@utibank.co.in](mailto:roshan.mathias@utibank.co.in)  
Contact Person: Mr. Roshan Mathias  
Website: [www.utibank.com](http://www.utibank.com)

## **REGISTRAR TO THE ISSUE**

### **Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound, LBS Marg  
Bhandup (West)  
Mumbai – 400 078  
Tel : +91-22-55555491  
Fax : +91-22-55555499  
Contact Person: Mr. Vishwas Attavar  
Website: [www.intimespectrum.com](http://www.intimespectrum.com)  
E-mail: [basml@intimespectrum.com](mailto:basml@intimespectrum.com)

## **AUDITORS TO THE COMPANY**

### **P.N. Raghavendra Rao & Co.**

Chartered Accountants  
33, Desabandhu Street,  
Ramnagar Coimbatore : 641 009  
Tel No.: +91-422-2236997  
Fax No.: +91-422-2230375  
E-mail: [audit@pnr-co.org](mailto:audit@pnr-co.org)



## STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST BRLMs

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the BRLMs as under:

Sr. No.	ACTIVITIES	RESPONSIBILITY	CO-ORDINATOR
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	IIL, i-Sec	IIL
2.	Due diligence of the Company's operations / management / business plans/legal etc.	IIL, i-Sec	IIL
3.	Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI.	IIL, i-Sec	IIL
4.	Drafting and approval of Issue and statutory publicity material, etc.	IIL, i-Sec	IIL
5.	Drafting and approval of all corporate advertisement, brochure and other publicity material.	IIL, i-Sec	i-Sec
6.	Appointment of Ad agency	IIL, i-Sec	i-Sec
7.	Appointment of Registrar, Bankers and Printer	IIL, i-Sec	i-Sec
8.	Marketing of the Issue, 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 Issue material including form, prospectus and deciding on the quantum of the Issue material	IIL, i-Sec	i-Sec
9.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	IIL, i-Sec	i-Sec
10.	Finalizing of Pricing & Allocation	IIL, i-Sec	i-Sec
11.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	IIL, i-Sec	IIL
12.	The post Issue activities of the Issue 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 Issue, Bankers to the Issue 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.	IIL, i-Sec	IIL

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Brokers, Advertising agencies, Public Relations agencies etc. will be finalized by the Company in consultation with the BRLM(s) in terms of the inter-se allocation of responsibilities. Even if many of these activities will be handled by other intermediaries, the designated BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.



## CREDIT RATING

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

## TRUSTEES

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

## PROJECT APPRAISAL DETAILS

The project has not been appraised.

## BOOK BUILDING PROCESS

Book building refers to the process of collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- The Company;
- Book Running Lead Manager(s);
- Syndicate Member, who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as Underwriters and
- Registrar to the Issue

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

Pursuant to amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. For further details refer to the section titled "Terms of the Issue" on page no. 145 of this Red Herring Prospectus.

Our Company shall comply with the Guidelines issued by SEBI for this Issue. In this regard, our Company has appointed IL&FS Investsmart Limited and ICICI Securities Limited as the BRLMs to procure subscription for 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 this Issue.**

**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 the 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 3,000 equity shares and receipt of five bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the 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	16.67%
1000	23	1,500	50.00%
1500	22	3,000	100.00%
2000	21	5,000	166.67%
2500	20	7,500	250.00%



The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired 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 BRLMs 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.

#### Steps to be taken by the Bidders for bidding:

- Check eligibility for bidding (refer section titled "Issue Procedure" on page no. 148 of this Red Herring Prospectus);
- Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form;
- If your bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attach copies of your PAN card to the Bid-cum-Application Form (refer section titled "Issue Procedure" on page no. 148 of this Red Herring Prospectus);
- 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.

#### UNDERWRITING AGREEMENT

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

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in Million)
IL&FS Investsmart Limited	3,500,000	[●]
ICICI Securities Limited	3,499,900	[●]
ICICI Brokerage Services Limited	100	[●]

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

In the opinion of our Board of Directors (based on a certificate dated [.] given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). The above Underwriting Agreement has been accepted by the Board of Directors acting through our Chairman and Managing Director and we have issued letters of acceptance to the Underwriters.

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



## CAPITAL STRUCTURE

The Share Capital (before and after the Issue) as on the date of filing of this Red Herring Prospectus with SEBI is set forth below :

(Rs. in Million)

	Aggregate nominal value	Aggregate value at Issue Price
<b>A. Authorised Capital</b>		
1,60,00,000 Equity Shares of Rs. 10 each	160.00	
50,000 Redeemable Cumulative Preference Shares of Rs. 100 each	5.00	
<b>B. Issued Subscribed And Paid-Up Capital before the Issue</b>		
8,751,250 Equity Shares of Rs. 10 each fully paid-up	87.51	
<b>C. Present Issue to the public in terms of this Red Herring Prospectus</b>		
7,000,000 Equity Shares of Rs. 10 each fully paid-up	70.00	[●]
<b>D. Paid-up Equity Capital after the Issue</b>		
15,751,250 Equity Shares of Rs. 10 each fully paid-up	157.51	
<b>E. Share Premium Account</b>		
Before the Issue		NIL
After the Issue		[●]

### CHANGES IN AUTHORISED SHARE CAPITAL

The authorized share capital was Rs. 10 million divided into 25,000 Redeemable Cumulative Preference Shares of Rs. 100 each and 7,50,000 Equity Shares of Rs. 10 each. Subsequently, the authorized share capital was reclassified on October 5, 1994 to Rs. 10 million divided into 10,00,000 Equity Shares of Rs. 10 each. Thereafter, the authorized share capital of the Company was increased to Rs. 55.00 million divided into 5,000,000 Equity Shares of Rs. 10 each aggregating to Rs. 50.00 million and 50,000 Redeemable Cumulative Preference Shares of Rs. 100 each aggregating to Rs. 5 million through a special resolution passed at the Extra-Ordinary General meeting held on October 7, 1994. The authorized capital was further increased to Rs. 155 million on December 29, 2004 divided into 15,000,000 Equity Shares of Rs. 10 each and 50,000 Redeemable Cumulative Preference Shares of Rs. 100 each. The authorized capital was further increased to Rs. 165 million on July 4, 2005 divided into 16,000,000 Equity Shares of Rs. 10 each and 50,000 Redeemable Cumulative Preference Shares of Rs. 100 each.



## NOTES TO CAPITAL STRUCTURE

### 1. Share Capital History of our Company

Date of Allotment / Date on which fully paid-up	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (cash/bonus)	Cumulative Paid-up Capital (Rs. in million)	Cumulative Share Premium (Rs.)	Remarks
05.01.1989	3,507	10	10	Cash	0.04	Nil	Subscription to MOA /AOA
05.10.1994	996,493	10	10	Cash	10.00	Nil	Allotment to promoters
07.10.1994	2,500,000	10	10	Cash	35.00	Nil	Allotment to promoters & others
01.04.1997	500	10	10	Cash	35.01	Nil	Allotment to promoter
03.01.2005	5,250,750	10	10	Bonus	87.51	Nil	Bonus in the ratio of 3:2

### 2. Promoters' Contribution and Lock-in Period

Name of the Promoter	Date of Allotment/ Acquisition	Date when made fully Paid-up	Consideration (Cash, bonus, kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition Price (Rs.)	Percentage of pre-Issue paid-up capital (%)	Percentage of Post-Issue paid-up capital (%)	Lock-in Period (in years)
Shiva Distilleries Limited	09.03.2000	NA*	Cash	733,010	10	**	8.38%	4.65%	3 yrs
	03.01.2005	03.01.05	Bonus	2,417,240	10	-	27.62%	15.35%	3 yrs
<b>Total</b>				3,150,250			36.00%	20.00%	

\* Not applicable as it was not a fresh allotment

\*\* Acquired at various rates

The Promoter has vide its letter dated August 11, 2005 given its consent for lock-in as stated above. The minimum promoters contribution shall be locked in for a period of 3 years beginning from the date of allotment in the public issue. The balance shareholding of the Promoter and Promoter Group i.e. 5,601,000 Equity Shares shall be locked in for a period of 1 year from the date of allotment in the present issue, details of which are given here under:

Name of the Promoter	Date of Allotment/ Acquisition	Date when made fully Paid-up	Consideration (Cash, bonus, kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition Price (Rs.)	Lock-in Period (in yrs)
Shiva Distilleries Limited	07.10.1994	07.10.1994	Cash	386493	10	10	1 yr
	09.03.2000	NA	Cash	491990	10	**	1 yr
Dr. S. V. Balasubramaniam	05.01.1989	05.01.1989	Cash	501	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	752	10	-	1 yr
Mr. S. V. Alagappan	05.01.1989	05.01.1989	Cash	501	10	10	1 yr
	01.04.1997	01.04.1997	Cash	500	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	1501	10	-	1 yr
Dr. S.V. Kandasami	05.01.1989	05.01.1989	Cash	501	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	751	10	-	1 yr
Mr. S. V. Arumugam	19.03.1999	NA	Cash	501	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	752	10	-	1 yr



Name of the Promoter	Date of Allotment/ Acquisition	Date when made fully Paid-up	Consideration (Cash, bonus, kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition Price (Rs.)	Lock-in Period (in yrs)
Mr. S. V. Balakrishnan	05.01.1989	05.01.1989	Cash	501	10	10	1 yr
	10.12.2004	NA	Cash	501	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	1503	10	-	1 yr
Mrs. K. Leelavathi	05.01.1989	05.01.1989	Cash	501	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	751	10	-	1 yr
Shiva Texyarn Ltd.	09.02.2001	NA	Cash	10,000	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	15,000	10	-	1 yr
SVB Enterprise Pvt. Ltd.	27.08.2004	NA	Cash	375000	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	562500	10	-	1 yr
Vadivelan Enterprise Pvt. Ltd.	27.08.2004	NA	Cash	375000	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	562500	10	-	1 yr
Sundar Ram Enterprise Pvt. Ltd.	27.08.2004	NA	Cash	375000	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	562500	10	-	1 yr
Murugan Enterprise Pvt. Ltd.	27.08.2004	NA	Cash	375000	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	562500	10	-	1 yr
Vedanayagam Enterprise Pvt. Ltd.	27.08.2004	NA	Cash	375000	10	10	1 yr
	03.01.2005	03.01.2005	Bonus	562500	10	-	1 yr
<b>Total</b>				<b>5,601,000</b>			

\*\* Acquired at various rates

Locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16 (b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and amongst the Promoters/Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Further, in terms of clause 4.16 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

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

### 3. Shareholding pattern of the Company before and after the Issue:

Category	Pre-Issue		Post-Issue	
	Number	%	Number	%
<b>Promoters</b>				
Shiva Distilleries Limited	4,028,733	46.04%	4,028,733	25.58%
Dr. S. V. Balasubramaniam	1253	0.01%	1253	0.01%
Mr. S. V. Alagappan	2502	0.03%	2502	0.02%
Dr. S. V. Kandasami	1252	0.01%	1252	0.01%
Mr. S. V. Arumugam	1253	0.01%	1253	0.01%
Mr. S. V. Balakrishnan	2505	0.03%	2505	0.02%
<b>Sub Total (A)</b>	<b>4,037,498</b>	<b>46.14%</b>	<b>4,037,498</b>	<b>25.63%</b>





Category	Pre-Issue		Post-Issue	
	Number	%	Number	%
<b>Promoter Group</b>				
Shiva Texyarn Limited	25,000	0.29%	25,000	0.16%
SVB Enterprise Private Limited	937,500	10.71%	937,500	5.95%
Vadivelan Enterprise Private Limited	937,500	10.71%	937,500	5.95%
Sundar Ram Enterprise Private Limited	937,500	10.71%	937,500	5.95%
Murugan Enterprise Private Limited	937,500	10.71%	937,500	5.95%
Vedanayagam Enterprise Private Limited	937,500	10.71%	937,500	5.95%
Mrs. K. Leelavathi	1,252	0.01%	1,252	0.01%
<b>Sub Total (B)</b>	<b>4,713,752</b>	<b>53.86%</b>	<b>4,713,752</b>	<b>29.93%</b>
<b>Total Promoter and Promoter Group Holdings (C= A+B)</b>	<b>8,751,250</b>	<b>100.00%</b>	<b>8,751,250</b>	<b>55.56%</b>
<b>Public Issue (D)</b>	-	-	<b>7,000,000</b>	<b>44.44%</b>
<b>Total</b>	<b>8,751,250</b>	<b>100.00%</b>	<b>15,751,250</b>	<b>100.00%</b>

4. The list of top 10 shareholders of the Company and the number of Equity Shares held by them:

The list of top ten shareholders of our Company and the number of Equity Shares held by them as on the date of filing this Red Herring Prospectus with RoC is as follows:

Sr. No.	Name of the Shareholders	Number of Equity Shares
1.	Shiva Distilleries Limited.	4,028,733
2.	SVB Enterprise Pvt. Limited.	937,500
3.	Vadivelan Enterprises Pvt. Limited.	937,500
4.	Sundar Ram Enterprise Pvt. Limited.	937,500
5.	Murugan Enterprise Pvt. Limited.	937,500
6.	Vedanayagam Enterprises Pvt. Limited.	937,500
7.	Shiva Texyarn Limited	25,000
8.	Mr. S. V. Balakrishnan	2,505
9.	Mr. S. V. Alagappan	2,502
10.	Dr. S. V. Balasubramaniam	1,253
11.	Mr. S. V. Arumugam	1,253



The list of top ten shareholders of our Company and the number of Equity Shares held by them 10 days prior to the date of filing this Red Herring Prospectus with RoC is as follows:

Sr. No.	Name of the Shareholders	Number of Equity Shares
1.	Shiva Distilleries Limited.	4,028,733
2.	SVB Enterprise Pvt. Limited.	937,500
3.	Vadivelan Enterprises Pvt. Limited.	937,500
4.	Sundar Ram Enterprise Pvt. Limited.	937,500
5.	Murugan Enterprise Pvt. Limited.	937,500
6.	Vedanayagam Enterprises Pvt. Limited.	937,500
7.	Shiva Texyarn Limited	25,000
8.	Mr. S. V. Balakrishnan	2,505
9.	Mr. S. V. Alagappan	2,502
10.	Dr. S. V. Balasubramaniam	1,253
11.	Mr. S. V. Arumugam	1,253

The list of top ten shareholders of our Company and the number of Equity Shares held by them two years prior to the filing this Red Herring Prospectus with RoC is as follows:

Sr. No.	Name of the Shareholders	Number of Equity Shares
1.	Shiva Distilleries Limited	3,486,493
2.	Shiva Texyarn Limited	10,000
3.	Mr. S. V. Alagappan	1,001
4.	Mr. S. V. Balakrishnan	501
5.	Dr. S. V. Balasubramaniam	501
6.	Dr. S. V. Kandasami	501
7.	Mrs. K. Leelavathi	501
8.	Mr. S. V. Arumugam	501
9.	Mr. M. N. Sakthivelsamy	501

5. As of the date of this Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. The shares locked in by the promoter are not pledged to any party. The Promoter may pledge the Equity Shares with banks or FIs as additional security for loan whenever availed by him from banks/FIs.
6. Buyback and Standby Arrangements: Neither we nor our Directors or the Promoters, their respective directors or the BRLMs have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.
7. We have not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see the section titled "Objects of the Issue" on page 17 of this Red Herring Prospectus.



8. Shiva Distilleries Limited is one of the Promoters of our Company. The shareholding of Shiva Distilleries Limited is as mentioned below:

Sr. No.	Name of the Shareholder	Number	Percentage
1.	Dr. S. V. Kandasami	49,500	9.90
2.	Dr. S. V. Balasubramaniam	46,000	9.20
3.	Shiva Texyarn Limited	45,000	9.00
4.	Mr. B. Saravanan	44,200	8.84
5.	Mr. S. V. Arumugam	41,000	8.20
6.	Mr. S. V. Alagappan	40,500	8.10
7.	Sakthi Murugan Transports Private Limited	25,000	5.00
8.	Others	208,800	41.76
	<b>Total</b>	<b>5,00,000</b>	<b>100.00</b>

There is no sale or purchase of shares by the promoters, directors of Shiva Distilleries Limited during the six months prior to the date of filing of this Red Herring Prospectus with RoC.

9. Our Promoters and our Directors have not purchased or sold any Equity Shares during a period of six months preceding the date of this Red Herring Prospectus.
10. Up to 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 35% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription in any category would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLMs.
11. An oversubscription to the extent of 10% of the Issue size can be retained for the purpose of rounding off while finalizing the basis of allotment.
12. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, i.e., 7,000,000 Equity Shares, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
13. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner until the Equity Shares offered through this Red Herring Prospectus have been listed.
14. Our Company presently does not have any proposal, intention, negotiations, consideration to alter the capital structure by way of split/consolidation of the denomination of the shares, or issue of shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities, within a period of six months from the date of opening the present issue.
15. Our Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash, except for the bonus Equity Shares issued out of free reserves.
16. At any given point of time, there shall be only one denomination for the Equity Shares of our Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
17. Our Company had a total of 13 holders of Equity Shares as of August 31, 2005.
18. Our Company has not issued any shares under the ESOP scheme.



## OBJECTS OF THE ISSUE

We believe that there exist strong opportunities for growth in the global textile industry in a quota free regime (for details on the opportunities in the global textile industry see section titled "Industry"). To take advantage of the opportunities and with a view to improve the margins through value addition, we are planning an expansion in spinning and weaving capacity as well as setting up of processing and garment/home textile facilities (hereinafter referred to as "expansion plan"). The expansion plan also involves installation of windmills to effectively manage our power costs. The objects of the Issue is to raise capital for part financing the above described expansion plan. We believe that the listing of our shares will also enhance our Company's visibility and brand value.

Our assessment of fund requirement and deployment is based on internal management estimates and have not been appraised by any bank or financial institution or any independent organisation. Our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals including availability of working capital finance on acceptable terms; and changes in management's views of the desirability of current plans, among others. In case of any variations in the actual utilization of funds earmarked for the above activities, the difference, if any, may be adjusted against the availability/requirement of funds in the areas identified as part of the expansion plan and/or increased fund deployment for a particular activity, the shortfall, if any, may be met with by surplus funds, if any available in the other areas and/or our Company's internal accrual, and/or the term loans/working capital loans that may be availed from the banks. The balance proceeds of the Issue in addition to the above mentioned requirements, if any, will be used for general corporate purposes including but not restricted to repayment of loans.

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

### REQUIREMENT OF FUNDS

The total estimated fund requirement is given below:

(Rs in million)						
PARTICULARS	Spinning	Weaving	Processing	Garment / Home Textile	Windmill	Total
<b>A. Expansion Plan</b>						
Land and site development	5.00	-	8.00	3.00	-	16.00
Building	245.00	12.00	20.00	27.00	-	304.00
Plant & Machinery	1367.08	163.70	347.50	12.82	500.50	2391.60
Contingencies	80.90	17.50	18.00	2.00	-	118.40
Margin money for working capital	50.00	5.00	10.00	5.00	-	70.00
<b>B. Issue Expenses</b>						[●]
<b>TOTAL</b>	1,747.98	198.20	403.50	49.82	500.50	[●]

### MEANS OF FINANCE

The total cost of the project of Rs. 2900 million is proposed to be financed as given below:

(Rs. in million)	
Rupee Term loan under TUFS	1,750
Issue Proceeds	[●]
Internal accruals	[●]
<b>Total</b>	[●]



**Note :** The cash and bank balance of our company as on August 31, 2005 is Rs. 70.77 million.

### **Rupee Term loan under TUFS**

For the proposed expansion, we have been sanctioned a Rupee Term Loan of Rs. 1750 million (under the Technology Upgradation Fund Scheme) from UTI Bank at 8.65% interest per annum (with an interest reset at the end of every 36 months), with repayment starting from March 2009 and ending on June 2016. We are entitled to interest subsidy of 5% per annum. Our effective interest cost for the project will be 3.65% per annum.

We confirm that firm arrangements of finance through verifiable means towards 75% of the stated means of finance excluding the amount to be raised through the proposed public issue has been made.

### **Shortfall of Funds**

The shortfall in funds, if any, will be met by internally generated cash accruals. As of August 31, 2005 we had a cash and bank balance of Rs. 70.77 million. Our reserves and surplus as on August 31, 2005 was Rs. 414.13 million.

The expansion plan is explained below:

#### ***Spinning***

We propose to increase the spinning capacity by 75,600 spindles, which will increase the total installed capacity to 104,832 spindles. The production capacity will increase from about 16,000 kg (medium count) of yarn per day to about 45,000 kg (medium and high count) of yarn per day on completion of the project. We already have 45 acres of land located around 7 km away from the existing spinning unit in Dindigul district which will be utilized for the proposed project. The details of the site development are given below:

- Construction of boundary walls (4,865 R ft.)
- Construction of internal roads and drains (60,900 Sq ft)
- Under ground sump of capacity 800 KL of water
- Overhead water tank of capacity 200 KL water / sanitary arrangements

We have incurred an expenditure of Rs. 1.41 million on site development as on July 31, 2005. We propose to construct an industrial shed for installing the spinning machines, a building for storage of yarn and cotton, a humidification plant and other standard buildings such as power house and generator shed for the proposed project. The industrial shed will measure 3,60,000 sq. ft. along with 2,60,000 sq. ft. of under ground trenches and 3,60,000 sq. ft. of false ceiling. The shed will be made from RCC foundation. We anticipate the site development and building costs at Rs. 250 million.

Details of machinery to be installed in the Spinning division are as follows:

<b>Sr. No</b>	<b>Machine</b>	<b>Units</b>	<b>Total Cost (Rs mn)</b>	<b>Date of quotations</b>	<b>Supplier</b>
1	Blow Room and Accessories	3	25.75	May 2005	Lakshmi Machine Works
2	Carding LC 300A / V3	60	119.82	May 2005	Lakshmi Machine Works
3	Draw Frames LDO / 6	26	38.92	May 2005	Lakshmi Machine Works
4	Lap Formers LH 10 and Combers LK 54	38	123.74	May 2005	Lakshmi Machine Works
5	Speed Frames	30	74.77	May 2005.	Lakshmi Machine Works
6	Ring Frames LR – 6 – 1008 spindles	63	187.90	May 2005	Lakshmi Machine Works
7	Yarn Conditioning	2	4.90	-	Elgi Electric Ltd.
8	Overhead traveling cleaners	93	9.58	-	Elgi Electric Ltd.



Sr. No	Machine	Units	Total Cost (Rs mn)	Date of quotations	Supplier
9	Waste Collection Systems	1	9.87	May 2005	VXL Systems
10	Various Equipment for energy	-	93.84	May 2005	Powerica, PETE, ECC Ltd.
11	Humidification	-	43.85	-	Luwua Ltd., Batliboi Ltd.
12	TFO m/c	36	68.72	-	Veejay Ltd.
13	Compressor and Other accessories	-	28.50	-	Elgi Electric, Premier Evolvics Essae-Terroka Ltd.
14	Precision Winders	6	15.84	-	Peass Mettlers Ltd.
15	Sussen Compact	12	76.82	Feb 2005	Sussen, Germany
16	Autoconer	26	250.25	Feb 2005	Schlafhorst, Germany

### Spinning Equipments ordered for the project as on September 30, 2005

(Rs in million)

Name of Equipment	Name of the Supplier	Date of Order	Purchase Order	Amount paid till date	Expected date of Delivery
Lap Reformer, Comber, Carding Machine & other accessories	Lakshmi Machine Works Ltd.	01.06.2005	147.19	14.71	March – December 2006
Bale Plucker & other accessories	Lakshmi Machine Works Ltd.	01.06.2005	154.71	15.47	
Draw Frame, Speed Frame, Ring Frame & other accessories	Lakshmi Machine Works Ltd.	15.06.2005	171.22	17.12	
Auto Coner Plant, Spinning –I Ring Frame with Compact SPG & other control equipments	Batliboi Ltd.	10.09.2005	16.64	1.66	January – June 2006
Continuous waste collection system, Rotary pre-filter, Radial Flow fan etc.	Luwa India Pvt. Ltd	10.09.2005	3.68	0.36	
Humidification plant & parts thereof	Luwa India Pvt. Ltd	10.09.2005	145.00	0.44	
Digi Control System, Dust & waste reoval plant for blowing, carding and combing & other parts	Zellweger Luwa AG (CHF)	10.09.2005	4.33	0.00	March – December 2006
Continuous waste collection system & others	VXL Systems	12.09.2005	3.78	0.38	January 2006



## Weaving

For the weaving division, we are augmenting capacity at our existing unit at Annur near Coimbatore. We have at our current facility a total land area of 6.87 acres, which is adequate to accommodate the proposed expansion as well.

We propose to install 60 numbers of looms to increase the weaving capacity to 88 looms with a production capacity of around 10,000 metres of woven fabric per day. At peak capacity, the weaving division will consume about 3,500 kg of yarn per day out of the production of the spinning division. The production of the weaving division is planned to be utilized for the proposed garments and home textile division.

We are in discussions with brokers/agents for acquiring the second hand projectile shuttle-less looms. We have shortlisted a couple of sources and are in the process of final negotiations. The second hand machinery that we propose to acquire have an anticipated minimum average balance life of around 20 years. The division will also have other accessories and fixed assets such as material handling systems, testing equipments, weighing balances etc.

We propose to construct a building for housing the weaving machines, storage yard and miscellaneous fixed assets. The building, measuring around 30,000 sq. ft., is estimated to cost Rs. 12 million at an average cost of Rs. 400 per sq ft. (with AC sheet), based on prevailing building construction costs in Tamil Nadu

Details of the plant and machinery are given here under

Sr. No	Machine	Units	Total Cost (Rs mn)	Date of quotations	Supplier
<b>Second Hand Machinery</b>					
1	Projectile Wider Width Looms – Cam motion	16	27.20	Aug 2005	Sulzer Limited, Switzerland
2	Projectile Wider Width Looms – Dobby Motion	12	22.80	Aug 2005	Sulzer Limited, Switzerland
3	Projectile Wider Width Looms – Jacquard Motion	12	30.96	Aug 2005	Sulzer Limited, Switzerland
<b>New Machinery</b>					
4	Airjet Wider Width Looms – Cam Motion	20	56.00	Aug 2005	Toyoto, Japan
5	Tools Gauges for above rooms	-	4.50	Aug 2005	Sulzer Limited, Toyoto Limited
6	Accessories (Droppers and Beams)	-	4.70	-	Mayur Industries Ltd.
7	Weighing Balance	1	0.10	-	Essae-Terroka Ltd.
8	Material Handling System	1	0.80	-	Ferro Foundries Ltd.
10	Testing Equipments	-	0.40	-	Paramount Industries Ltd.
11	Other infrastructure	-	2.80	-	Mark Engineers Limited
12	Warp Leasing Machines	1	1.20	-	Todo, Japan
13	Warp tying machine with frame	2	2.50	-	Staubli, Switzerland
14	Accessories	-	9.80	-	Grob, Germany Blureed, Spain

## Processing

We propose to set up a woven fabric processing unit with an installed capacity of 30,000 metres per day. The capacity of the processing unit will be predominantly used by our garment and home textile division. We also propose to source grey fabric, process it and sell it in the processed form. In addition, any surplus capacity will be selectively offered to other garment manufacturers. The processing unit will require around 15 acres of land and we are currently evaluating suitable locations in



Tamil Nadu. The land and site development expenses are estimated to be Rs. 8 million, which includes construction of boundary walls, sewer and water channels, internal roads, etc.

In the processing division we propose to construct 50,000 sq. ft. building to install machinery and miscellaneous fixed assets. The cost of the building is estimated at Rs. 20 million at an average cost of Rs. 400/sq.ft, based on prevailing building construction costs in Tamil Nadu.

Details of the plant and machinery are given here under:

Sr. No	Machine	Units	Total Cost (Rs mn)	Date of Quotations	Supplier
1	Open Width Singeing and Desizing machines	1	15.0	Aug 2005	Kuster Calico Ltd.
2	Open width automatic Jiggers	6	10.0	Aug 2005	Bhatt Engineers Ltd.
3	Open Width multi chamber Stenter	1	40.0	Aug 2005	Montex Ltd.
4	A-Frames / Trollies / Inspection Systems	-	2.3	-	Almac Ltd. Ronson Ltd.
5	Utility Service Providers	-	5.5	-	Thermax Ltd.
6	Water Tank / Other Infrastructure	-	7.5	-	URC Constructions Ltd.
7	Pipeline infrastructures	-	12.5	-	Mark Engineers
8	Heat recovery systems	-	12.5	-	Ion Exchange Ltd.
9	Other Accessories	-	1.5	-	Elgi Electric Ltd. Essae-Terroka Ltd.
10	Lab Equipments	-	7.5	-	Paramount Industries Ltd.
11	Power equipments	-	5.2	-	Powerica Ltd. ECC Ltd.
12	Effluent Treatment Plant	1	53.0	-	Simem
13	Open Width Continuous Bleaching Range	1	40.0	Aug 2005	Kuster Germany
14	Open Width Chain Merceriser	1	45.0	-	Benninger, Switzerland
15	Open Width pad-batch padding Mangle	1	30.0	Aug 2005	Kuster, Germany
16	Calendering Machine	1	10.0	Aug 2005	Ramisch Guarneri, Italy
17	Open-Width continuous dyeing range	1	50.0	Aug 2005	Monforts, Germany

### Home Textile and Garments Division

We propose to set up a unit with an installed capacity to process 15,000 metres per day of woven fabric to produce 0.8 million pieces per annum. This unit will manufacture home textiles viz., bed-sheets, curtains, table cloths and pillow covers for the export market. The unit would be set up close to the weaving division at Annur, near Coimbatore. We have identified about 5 acres of land nearby and are in the process of acquiring the same.

The land and site development expenses are estimated at Rs. 3 million, which includes construction of sewer and water channels and internal roads.

We propose to construct 60,000 sq. ft. building to install machinery and miscellaneous fixed assets. The cost of the building is estimated at Rs. 27 million at an average cost of construction of Rs.450 per sq.feet.





Details of the plant and machinery are given here under

Sr. No	Machine	Units	Total Cost (Rs mn)	Date of Quotations	Price Estimated
1	Accessories	-	5.039	Aug 2005	Ramson Ltd. Paramount Ltd.
2	Single Needle lock stitch machines	95	3.407	Aug 2005	Juki, Japan
3	Five Thread overlock machine	24	1.563	Aug 2005	Juki, Japan
4	Five Thread cylinder bed machine	13	1.642	Aug 2005	Juki, Japan
5	Four Thread overlock machine	8	0.50	Aug 2005	Juki, Japan
6	Single Needle Zig Zag lick stitch machine	2	0.158	Aug 2005	Juki, Japan
7	Special five thread overlock machine	2	0.089	Aug 2005	Juki, Japan
8	Special Single needle lock stitch machine	8	0.422	Aug 2005	Juki, Japan

### **Windmill**

We presently have 4 windmills of 1250 KVA each in Tirunelveli district, Tamil Nadu. We propose to install additional capacity of around 10.4 MW to meet the power requirements of the proposed project. Our total windmill capacity would be around 15.4 MW after completion of the project.

The current power generated is about 14.80 million units and the total power from the windmills after completion of the expansion would be around 41 million units per annum. Our total power requirement after completion of the project is estimated at 60 million units per annum and the power from windmills will meet around 68% of Company's power requirement on completion of the project. The windmills will be located in Tamil Nadu. The cost of windmill includes cost of land and civil works. We have placed orders for 7 windmills aggregating to 5.6 MW in the month of September 2005 and expect to place order for the balance in the month of November 2005. Installation of windmills will be completed by February 2006. We expect to commence generating energy from new windmills from March 2006.

We are currently in the process of acquiring the additional windmill capacity and estimate the cost as follows:

(Rs. in million)

Sr. No.	Description	Cost
1.	Wind Turbine Generators	461.50
2.	Cost of land, civil and foundation work	19.50
3.	Erection and Commissioning Charges	19.50
	<b>Total</b>	<b>500.50</b>



### Margin Money for Working Capital

Margin money for working capital is assumed at 25% of the total closing stock (Rs. 280 million) as on March 31, 2007. The breakup would be as follows:

(Rs. in million)

Sr. No	Process	Spinning	Weaving	Processing	Garments/ Home Textile	Total
1.	Raw Materials	149.76	6.43	11.22	8.22	175.63
2.	Stock in Process	20.65	3.59	8.57	2.80	35.61
3.	Stock of Spares	4.00	2.00	5.00	3.00	14.00
4.	Finished Goods	25.59	7.98	15.21	5.98	54.76
	<b>Total Stock</b>	<b>200.00</b>	<b>20.00</b>	<b>40.00</b>	<b>20.00</b>	<b>280.00</b>
	<b>Margin money</b>	<b>50.00</b>	<b>5.00</b>	<b>10.00</b>	<b>5.00</b>	<b>70.00</b>

No part of the Issue Proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel, or companies promoted by our Promoters.

### SCHEDULE OF IMPLEMENTATION

The Company proposes to commence construction of civil works by August 2005. The first lot of placement of order for the spinning machinery has been done in May 2005. The expected completion dates of the projects are as follows:

Activity	Spinning	Weaving	Processing	Garments / Home Textile
Land	Existing land	Existing land	November 2005	October 2005
Site Development	Already Developed	Already developed	January 2006	November 2005
Construction of Industrial Shed / RCC	March 2006	January 2006	September 2006	March 2006
Plant and machinery placement of orders	Majority % placed. Balance by September 2005	Part order in October 2005 and part order in December 2005	March 2006 to May 2006	November 2005
Arrival of Machines	In phases from March 2006 to March 2007	January 2006 to March 2006	October 2006 to December 2006	March 2006
Installation	April 2006 onwards	January 2006 to March 2006	November 2006 to January 2007	March 2006
Trial Run	April 2006 onwards	February to March 2006	February to March 2007	April 2006
Production	May 2006	May 2006	April 2007	May 2006



## FUNDS DEPLOYED

We have spent a total of Rs. 105.45 million as on September 30, 2005 on the expansion of the spinning division, through our internal accruals. Of the above Rs 1.41 million was spent on land and site development, Rs 50.14 million has been given as advance for equipment and the balance of Rs. 53.90 million has been given towards supply of windmills..The same has been certified by the Auditors, M/s. P. N. Raghavendra Rao & Co., Chartered Accountants vide their certificate dated October 3, 2005.

## DETAILS OF BALANCE FUND DEPLOYMENT

### 2005-06

(Rs. in Million)

Division	Q3	Q4	Total
Spinning	168.25	272.70	440.95
Weaving	124.00	74.20	198.20
Processing	0.00	6.00	6.00
Garments / Home Textile	0.00	49.82	49.82
Windmill	246.10	200.50	446.60

### 2006-07

(Rs. in Million)

Division	Q1	Q2	Q3	Q4	Total
Spinning	540.00	530.00	185.48	0.00	1255.48
Weaving	0.00	0.00	0.00	0.00	0.00
Processing	12.00	10.00	200.00	175.50	397.50
Garments / Home Textile	0.00	0.00	0.00	0.00	0.00
Windmill	0.00	0.00	0.00	0.00	0.00

## 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 authorised by our Board or a duly authorised committee thereof. We may also use the same to fund our working capital requirement on a temporary basis.

## MONITORING OF UTILIZATION OF FUNDS

Oriental Bank of Commerce has been appointed to monitor the utilization of the proceeds of the Issue.



## BASIC TERMS OF THE ISSUE

Public Issue of **70,00,000** Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating to Rs. [●] million. The Issue would constitute 44.44% the fully diluted post issue paid-up capital of the Company. The Issue is being made through the 100% Book Building process.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
<b>Number of Equity Shares*</b>	Up to <b>3,500,000</b> Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of <b>1,050,000</b> Equity Shares or Issue less allocation to QIBs and Retail Individual Bidders.	Minimum of <b>2,450,000</b> Equity Shares or Issue less allocation to QIBs and Non-Institutional Bidders.
<b>Percentage of Issue Size available for allocation</b>	Up to 50% of Issue or Issue size less allocation to Non Institutional Bidders and Retail Individual Bidders	Minimum 15% of Issue or Issue size less allocation to QIBs and Retail Individual Bidders.	Minimum 35% of Issue or Issue size less allocation to QIBs and Non Institutional Bidders.
<b>Basis of Allocation if respective category is oversubscribed</b>	Discretionary	Proportionate	Proportionate
<b>Minimum Bid</b>	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. 100,000 and in multiples of 50 Equity Shares thereafter.	50 Equity Shares and in multiples of 50 Equity Share thereafter
<b>Maximum Bid</b>	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
<b>Mode of Allotment</b>	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
<b>Trading Lot</b>	One Equity Share	One Equity Share	One Equity Share
<b>Who can Apply**</b>	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.



	minimum corpus of Rs. 250 million in accordance with applicable law.		
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate.
Margin Amount	Nil	Full Bid amount on Bidding	Full Bid amount on Bidding

\* *Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spillover from any other categories at the discretion of our Company, in consultation with the BRLMs, in consultation with the Designated Stock Exchange.*

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



## BASIS FOR THE ISSUE PRICE

The Price Band will be decided prior to the filing of the Red Herring Prospectus with the RoC. The Issue Price will be determined by our Company in consultation with the BRLMs, on the basis of assessment of market demand for our Equity Shares in this Issue. The face value of the Equity Shares is Rs.10 and the Issue price is 11.5 times the face value at the lower end of the Price Band and 13.5 times the face value at the higher end of the Price Band.

### QUALITATIVE FACTORS

- (i) **Experienced management team:** We have an experienced management team with hands-on experience in all areas of operations. Key members of the team have served or are currently serving as officers of various industry bodies, giving us access to trend forecasts and strategic planning at macro and micro levels.
- (ii) **Strategic Sourcing:** Since cotton sourcing is the single most important element in the spinning industry, our focus has been to develop competencies in this area. We source directly from the market and have created long-standing relationship with our suppliers. Our own staff is permanently stationed at the sources of supply, giving daily feedback on the market conditions to help us plan the procurement strategy. Our international relationships give us the leeway to source instantly from global markets if so desirable.
- (iii) **Operational Efficiency:** We use the latest machines and equipment, scientifically monitor our labour productivity and have adopted a policy of constant improvement. In addition, we also use MIS tools for operating at optimal efficiency. We have provided adequate attention to many other related areas, like shipping and logistics, spare parts sourcing and financial planning to increase our overall efficiency.
- (iv) **Inhouse Power Generation :** Power is one of the major constituents of cost in the textile industry. Wind power has been generally recognized as a low cost source of energy. As, both, our factories and our wind turbines are located in Tamil Nadu, we can captively consume the power generated by windmills, resulting in substantial reduction of power cost.
- (v) **Innovation and Product Excellence:** Most of our customers are repeat customers. This is testimony to our product quality and standardization. Our aim has been to always lead in the area of product development.
- (vi) **Good labour relations:** By following a proactive labour policy, we have been able to develop a workforce that identifies themselves as a part of a family rather than as mere employees. Our units have enjoyed the distinction of never having suffered any labour unrest from inception.
- (vii) **Goodwill:** Our fair policies and consistent quality have earned us significant goodwill in the markets we operate in, giving us an advantage against competition.
- (viii) **Proximity to major markets:** Our yarn unit enjoys the proximity to the Tirupur knitwear cluster and the Erode – Somanur weaving cluster. We enjoy a good market in both areas, with all the inherent advantages that proximity brings.

### QUANTITATIVE FACTORS

Information presented in this section is derived from our restated audited financial statements

#### 1. Adjusted earning per share (EPS)

(Rs. in Million)

Period	Adjusted PAT	EPS (Rs.)	Weights
Year ended March 31, 2003	73.30	20.94	1
Year ended March 31, 2004	71.01	20.29	2
Year ended March 31, 2005**	115.32	23.96	3
<b>Weighted Average</b>		<b>22.23</b>	

\*\* Earning per share calculation is based on weighted average method



2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. [●] per share of Rs. 10 each

- P/E based on year ended March 31, 2005 EPS is [●]
- P/E based on the weighted average EPS of Rs is [●]

3. Weighted Average Return on Net Worth

(Rs. in Million)

Period	Adjusted PAT	Net Worth	%	Weights
Year ended March 31, 2003	73.30	293.54	24.97	1
Year ended March 31, 2004	71.01	356.66	19.90	2
Year ended March 31, 2005	115.32	461.00	25.01	3
<b>Weighted Average</b>			<b>23.30</b>	

The average return on net worth has been computed on the basis of adjusted profits & losses for the respective year/period.

4. Minimum return on increased Net Worth required to maintain the pre- issue EPS is [●]%

5. Net Asset Value per Equity Share as at March 31, 2005 – Rs. 51.15 per share

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.)
Bannari Amman Spinning Mills Limited	23.32	[●]	25.01%	51.15
<i>Industry</i>				
GTN Textiles	2.80	34.20	3.40%	89.60
Super Spinning Mills Limited	19.70	14.40	12.00%	177.70
Rajapalayam Mills Limited	21.50	26.40	9.50%	252.50
Ambika Cotton Mills Limited	21.60	14.80	26.10%	137.20

Earnings per share, Return on Net Worth and Net Asset Value are based on last audited financial results for the period ending March 31, 2005 and considered bonus issue.

Industry Composite P/E : 16.10

Source: Capital Market [September 12 – 25, 2005] (Industry : Textiles – Cotton / Blended)

- Issue Price is 11.5 times of the face value at the lower end of the price band and 13.5 times of the face value at the higher end of the price band. The Issue Price of Rs. [●] has been determined by us in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.
- The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. See the section titled "Risk Factors" on page ix of this Red Herring Prospectus and the financials of our Company including important profitability and return ratios, as set out in the Auditors Report on restated financial statements on page 74 of this Red Herring Prospectus to have a more informed view.



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## STATEMENT OF TAX BENEFITS

To

**Bannari Amman Spinning Mills Limited,  
252, Mettupalayam Road,  
Coimbatore 641 043.**

We hereby report that the enclosed annexure states the tax benefits available to Bannari Amman Spinning Mills Limited (the "Company") and its shareholders under the tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependant upon them fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

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

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

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

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

**For P.N. Raghavendra Rao & Co.,**  
Chartered Accountants

(sd/-)  
**(P R Vittel)**  
Partner

Place: Coimbatore

Date: August 12, 2005





## STATEMENT OF BENEFITS AVAILABLE TO BANNARI AMMAN SPINNING MILLS LIMITED AND ITS SHAREHOLDERS

### Under the Income-tax Act, 1961 ('The Act')

#### 1. Benefits to the company

##### 1.1 Profits from Windmill division

The profits of windmill division would be exempt at the rate of 100% under Section 80-IA of the Act for the period of any ten consecutive assessment years out of fifteen years beginning from the year in which the undertaking generates power. The profits of the division for the purpose Sec 80-IA deduction shall be computed on stand alone basis and the divisions must satisfy other conditions prescribed in Section 80-IA of the Act.

##### 1.2. Depreciation on fixed assets

As per the provisions of Section 32 of the Act, the company is eligible to claim depreciation on tangible and specified intangible assets as explained in the said section and the relevant IT rules there under.

##### 1.3. Dividends exempt under section 10(34)

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

##### 1.4. Computation of capital gains

1.4.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other listed securities or units of UTI or specified Mutual Fund units or zero coupon bonds) are considered to be long term capital assets if they are held for a period more than 36 months. Shares held in a company, any other listed securities, units of UTI, specified mutual fund units and zero coupon bonds are considered as long term capital assets if these are held for a period more than 12 months. The gains arising from the sale/transfer of long term capital assets would be considered as long term capital gains and in case of short term capital assets it would be considered as short term capital gains.

1.4.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, arising on capital assets excluding bond or debentures other than capital indexed bonds issued by the Government, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition/ improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time. Further, as per the proviso to section 48 no deduction would be allowed for any sum paid on account of securities transaction tax while computing capital gains.

1.4.3 As per the provision of section 112(1)(b) of the Act, long term gains (in cases not covered under section 10(38) of the Act) would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to section 112(1), if the tax payable on long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 percent with indexation benefits exceeds tax payable on the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge and education cess).

1.4.4 Under section 111A of the Act short term capital gains arising on sale of share or a unit of an equity oriented fund where the transaction of sale is entered into on a recognized stock exchange in India, and Securities Transaction Tax is paid, shall be subject to tax at the rate of 10 percent (plus surcharge and education cess).

##### 1.5 Exemption of capital gain from Income tax

1.5.1 In terms of section 10(38) long-term capital gains arising from the sale of equity shares in a company or a unit of an equity oriented fund would be exempted from tax subject to the following conditions:

- the sale transaction has been entered on or after the notified date i.e. October 01, 2004;
- the transaction is entered into in a recognized stock exchange;



- the transaction is chargeable to securities transaction tax ('STT')

1.5.2 As per the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains arising to the company on transfer of a long term capital asset (in cases not covered under section 10(38) of the Act) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the company transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

1.5.3 As per the provisions of Section 54ED of the Act and subject to the conditions and extent specified therein, capital gains arising from transfer of long term assets (in case not covered under Section 10(38) of the Act) being listed securities or units 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" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

1.6 As per Section 88E of the Act, the securities transaction tax paid in respect of the taxable securities transactions entered into in the course of business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profit and gains of business or profession' arising from taxable securities transactions.

## 2. Benefits to resident shareholders

### 2.1 Dividends exempt under Section 10(34)

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

### 2.2. Computation of capital gains

2.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other listed securities or units of UTI or specified Mutual Fund Units or a zero coupon bond) are considered to be long term capital assets if they are held for a period more than 36 months. Shares held in a company, any other listed securities, units of UTI, specified Mutual Fund units and zero coupon bonds are considered as long term capital assets if these are held for a period more than 12 months. The gains arising from the sale/transfer of long term capital assets would be considered as long term capital gains and in case of short term capital assets it would be considered as short term capital gains.

2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, arising on capital assets excluding bond or debentures other than capital indexed bonds issued by the Government, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time. Further, as per the fifth proviso to Section 48 no deduction would be allowed for any sum paid on account of securities transaction tax while computing capital gains.

2.2.3 As per the provisions of Section 112(1)(a) of the Act, long term gains (in cases not covered under Section 10(38) of the Act) would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax payable on long term capital gains resulting on transfer of listed securities or units or zero coupon bond calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

2.2.4 Under the newly inserted Section 111A of the Act, short term capital gains arising on sale of share or a unit of an equity oriented fund where the transaction of sale is entered into on a recognized stock exchange in India, on or



after 1st October 2004 and on which Securities Transaction Tax has been charged shall be subject to tax at the rate of 10 percent (plus surcharge and education cess).

### 2.3. Exemption of capital gain from income tax

2.3.1 In terms of Section 10(38) long-term capital gains arising from the sale of equity shares in a company or a unit of an equity oriented fund are exempt subject to the following conditions:

- the sale transaction has been entered on or after October 01, 2004;
- the transaction has been entered into in a recognized stock exchange; and
- the transaction is chargeable to securities transaction tax ('SIT').

2.3.2 As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising on transfer of a long term capital asset (in case not covered under Section 10(38) of the Act) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

2.3.3 As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets (in cases not covered under Section 10 (38) of the Act) being listed securities or units 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" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

2.3.4 As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset, not being a residential house (in case not covered under Section 10(38) of the Act) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

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 if capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

2.3.5 As per Section 88E of the Act, the securities transaction tax paid in respect of the taxable securities transactions entered into in the course of business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'profit and gains of business or profession' arising from taxable securities transactions.

### 3. Benefits to Non-Resident / Non-Resident Indian shareholders

#### 3.1 Dividends exempt under Section 10(34)

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

#### 3.2 Computation of capital gains

3.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other listed securities or units of UTI or specified Mutual Fund units or zero coupon bonds) are considered to be long term capital assets if they are held for a period more than 36 months. Shares held in a company, any other listed securities, units of UTI, specified Mutual Fund units and zero coupon bonds are considered as long term capital assets if these are held for a period more than 12



months. The gains arising from the sale/transfer of long term capital assets would be considered as long term capital gains and in case of short term capital assets it would be considered as short term capital gains.

- 3.2.2 Section 48 of the Act contains special provisions in relation to computation of long term capital gains on transfer of an Indian Company's shares by non-residents. Computation of long term capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gains (i.e., sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange. Further, as per the proviso to Section 48 no deduction would be allowed for any sum paid on account of securities transaction tax while computing capital gains.
- 3.2.3 In case investment is made in Indian rupees, the capital gains is to be computed after indexing the cost. As per the provisions of Section 112(1) (c) of the Act, long term gains (in cases not covered under Section 10(38) of the Act) would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax payable on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).
- 3.2.4 Under the newly inserted Section 111A of the Act, short term capital gains arising on sale of share or a unit of an equity oriented fund where the transaction of sale is entered into on a recognized stock exchange in India, on or after 1st October 2004 shall be subject to tax at the rate of 10 percent (plus surcharge and education cess).
- 3.2.5 Capital gains tax – Options available to a Non-resident Indian under the Act

Where shares have been subscribed in convertible foreign exchange, the non-resident Indians (as defined in Section 115C (e) of the Act), being shareholders of an Indian company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- i) As per the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains (in cases not covered under Section 10(38) of the Act) arising on transfer of an Indian Company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- ii) As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (in cases not covered under Section 10(38) of the Act) being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10 (4B) of the Act then such gains would be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three year from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

- iii) As per the provisions of Section 115G of the Act, non-resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- iv) Under Section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under



Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

- v) As per the provisions of Section 115 (I) of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

### 3.2.6 Exemption of capital gain from Income tax

3.3.1 In terms of Section 10(38) long-term capital gains arising from the sale of equity shares in a company or a unit of an equity oriented fund are exempt subject to the following conditions:

- the sale transaction has been entered on or after October 01,2004;
- the transaction has been entered into in a recognized stock exchange; and
- the transaction is chargeable to securities transaction tax ('SIT').

3.2.7 As per the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains arising to the assessee on transfer of a long term capital asset (in cases not covered under section 10(38) of the Act) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

3.2.8 As per the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, (in cases not covered under section 10(38) of the Act) being listed securities or units 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" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

3.2.9 As per the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset, not being a residential house (in cases not covered under section 10(38) of the Act) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such 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. For this purpose, net consideration mean full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

3.2.10 As per section 88E of the Act, the securities transaction tax paid in respect of the taxable securities transactions entered into in the course of business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profit and gains of business or profession' arising from taxable securities transactions

### 3.2.11 Provisions of the Act vis-à-vis provisions of the tax treaty

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.



#### 4. Benefits to Foreign Institutional Investors('FIIs')

##### 4.1 Dividends exempt under section 10(34)

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

##### 4.2 Taxability of capital gains

4.2.1 The income by way of short term capital gains or long term capital gains (in cases not covered under section 10(38) of the Act) realized by FIIs on sale of shares in the company would be taxed @ 10% as per section 115AD of the Act. However in case of such long term capital gains, the tax is levied on the capital gains computed without considering the cost indexation and protection against foreign exchange fluctuation.

4.2.2 Under the newly inserted section 111A of the Act, short term capital gains arising on sale of shares or a unit of an equity oriented fund where the transaction of sale is entered into on a recognized stock exchange in India, on or after 1st October 2004 shall be subject to tax at the rate of 10 percent (plus surcharge and education cess).

##### 4.3 Exemption of capital gain from income tax

4.3.1 In terms of Section 10(38) long-term capital gains arising from the sale of equity shares in a company or a unit of an equity oriented fund are exempt subject to the following conditions:

- the sale transaction has been entered on or after October 01,2004;
- the transaction has been entered into in a recognized stock exchange; and
- the transaction is chargeable to securities transaction tax ('STT').

4.3.2 As per the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains arising to the FII on transfer of a long term capital asset (in cases not covered under section 10(38) of the Act) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the FII transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

4.3.3 As per the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, (in cases not covered under section 10(38) of the Act) being listed securities or units 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" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

4.4 As per section 88E of the Act, the securities transaction tax paid in respect of the taxable securities transactions entered into in the course of business would be eligible for rebate from the amount of income tax on the income chargeable under the head 'profit and gains of business or profession' arising from taxable securities transactions.

#### 5. Benefits to Mutual Funds

As per the provisions of section 10(23D) of the Act, any income of mutual funds ('MF') registered under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder, MF set up by public sector banks or public financial institutions or MF 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.

#### 6. Benefits to Venture Capital Companies / Funds

As per the provisions of section 10(23FB) of the Act, any income of venture capital companies / funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

#### 7. Benefits available under the Wealth-tax Act, 1957

Asset as defined under section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares



are not liable to wealth tax.

8. Benefits available under the Gift-tax Act

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

However, in terms of clause (V) of sub-section 2 of section 56 any sum exceeding Rupees Twenty-five thousand received without consideration by an individual or a Hindu undivided family from any person other than that specified in the clause, on or after September 01, 2004 would be taxed as income from other sources.

**Notes:**

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005.
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 general 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.





## INDUSTRY

In this section, we have included data relating to the textile industry, Indian economy and other statistics. This information, estimates and expectations stated herein are based on various publications including "Annual Report 2004-2005", Ministry of Textiles, Government of India, "Vision Statement for the Textile Sector (2004)" Indian Cotton Mills Federation and inputs from the South India Mills Association ("SIMA").

### OVERVIEW

The textile industry in India is an important sector, which contributes significantly to industrial production, employment generation and foreign exchange earnings. Currently, it adds about 14 per cent to the industrial production and about 4 per cent to the GDP. It provides direct employment to about 35 million people and is the second largest provider of employment after agriculture. The contribution of this industry to the gross export earnings of the country is about 21 per cent.

The industry is extremely complex and varied with the hand-spun and hand-woven sectors at one end of the spectrum and the capital-intensive sophisticated mill sector at the other, with the decentralized powerloom and knitting sectors coming in between. This industry uses natural fibres – cotton, jute, silk and wool, as well as synthetic/ man made fibres – polyester, viscose nylon, acrylic and their multiple blends.

Cotton is one of the key raw materials for this sector. The main cotton producing States are Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Punjab, Haryana, Rajasthan, Karnataka and Tamil Nadu.

### CHANGING GLOBAL SCENARIO

Until December 1994, exports of textiles to certain developed countries (US, EU member countries and Canada) were governed by bilateral textile agreements entered into between India and the respective countries under the aegis of the MFA (Multi-Fibre Agreement), outside the rules of the General Agreement on Tariffs and Trade (GATT).

From January 1995, the quantitative restrictions (import quotas) on the bilateral agreements under the MFA were governed by the Agreement on Textiles and Clothing (ATC), contained in the Final Act of the Uruguay Round negotiations of the GATT. As per ATC, the textile quotas have been phased out and textile sector is fully integrated into WTO with effect from January 2005.

The liberalized trading regime is expected to increase global trade in textiles thus providing greater export opportunities. It is reckoned that the following benefits would accrue to textile industry after quota abolition:

- Average growth rate of export from the supplying countries would increase
- Investment in the textile and clothing sector on the basis of comparative advantage amongst supplying countries will be promoted
- An equitable international system for free flow of goods between suppliers, buyers and consumers will be established
- The multilateral system enshrined under the WTO will be strengthened
- Consumer prices and transaction costs for consumers and distributors will be reduced

### INDIAN TEXTILE INDUSTRY

India has traditionally enjoyed many competitive advantages in the textile industry:

- (i) India has a strong and diverse raw material base for manufacturing fibres/yarn from the natural i.e., cotton, wool, silk, jute to the artificial i.e., synthetic, cellulosic and multiple blend of such fibres/yarn.
- (ii) India also has a competitive advantage in terms of labour cost. In a study of comparative manufacturing costs (of 7 countries including India), the International Textile Manufacturers Federation (ITMF) has indicated that Indian industry has competitive advantage in terms of raw material cost and labour cost in the manufacture of yarn and fabric.





### Capacity:

These advantages have encouraged a growth in capacity in the sector. For instance, the spindle-age capacity of the sector has increased from 33.15 million in 1997 to 34.15 million as of November 2004. The production of spun yarn is anticipated to touch 3,221.37 million kg during 2004-05. The production of fabrics in different sectors is given in the table below:

(Million. Sq mtrs; A = anticipated)

Fiber	Mill Sector			Handloom Sector			Powerloom Sector			Hosiery Sector		
	02-03	03-04	04-05 (A)	02-03	03-04	04-05 (A)	02-03	03-04	04-05 (A)	02-03	03-04	04-05 (A)
Cotton	1,019	969	932	5,098	4,519	4,499	6,761	6,370	7,488	6,422	6,182	6,636
Blended	263	253	233	118	117	105	4,695	4,688	5,184	800	1010	819
100% Non Cotton	214	212	206	764	857	689	14,498	15,889	16,131	659	655	738
<b>Total</b>	<b>1,496</b>	<b>1,434</b>	<b>1,371</b>	<b>5,980</b>	<b>5,493</b>	<b>5,293</b>	<b>25,954</b>	<b>26,947</b>	<b>28,803</b>	<b>7,881</b>	<b>7,847</b>	<b>8,193</b>

Source: Annual Report 2004 - 2005, Ministry of Textiles, Government of India

### Tamil Nadu: A Leading Textile Hub

Tamil Nadu is the leading textile producing state in the country. Cities like Coimbatore, once known as the 'Manchester of South India', and Tirupur are at the forefront of this development. The following table (2003-2004) compiled by the SIMA shows how Tamil Nadu stacks up vis-à-vis the rest of the country:

S. No	Item	All India	Tamil Nadu	%	Position of TN
1.	Number of textile mills (Non SSI)	1791	835	47	1
	Number of workers (lakh)	8	2	22	1
	Installed spindles (million)	34	13	38	1
2.	Number of spinning mills under SSI	1163	900	77	1
	Number of workers ('000s)	41	31	76	1
	Installed spindles (million)	3	3	85	1
3.	Number of powerlooms (lakhs)	18	3	18	2
	Number of workers (lakhs)	46	8	18	2
4.	Number of handlooms (lakhs)	39	4	11	2
	Number of workers (lakhs)	65	7	10	2
5.	Cotton production (lakh bales)	232	4	2	9
6.	Cotton requirement for mills (lakh bales)	156	68	44	1
7.	Cotton productivity (kilos/hectare)	440	574	130	2
8.	Number of processing units	2324	741	32	1

Source: Office of the Textile Commissioner, Mumbai



The Textile Industry occupies a place of unique importance in the economy of Tamil Nadu by virtue of its significant share in industrial production, large work force employed and the fact that it not only caters to the domestic textile needs but also accounts for sizeable portion in the country's exports.

Of the 1791 organised textile mills in the country, Tamil Nadu accounts for 835 units. Of the all India spinning capacity of 37.49 million spindles, Tamil Nadu alone has 15.83 million (42.2%). Textile mills in Tamil Nadu provide direct employment to about 2.24 lakh workers. Indirectly dependent on this industry are 6.63 lakh handloom workers, 8.36 lakh powerloom workers and several lakhs of workers in garment, hosiery and processing units. Around 45% of the cotton yarn produced in the country comes from Tamil Nadu textile mills and 47% of the cotton yarn exports valued at Rs. 30,650 million came from these mills. In addition, powerloom and hosiery sectors from Tamil Nadu export around Rs.100,000 million per annum.

According to SIMA, Tamil Nadu has various unique advantages to its credit when compared to other states in India like good industrial relations and work culture, technical know-how, highly skilled entrepreneurship, availability of locally manufactured hi-tech machinery and testing equipment, availability of cost effective and quality spares and accessories, leading garment, made-ups and fabric manufacturing centers like Tirupur, Karur, Madurai, Palladam, Erode, Salem, etc.

Confederation of Indian Textile Industry (formerly ICMF) and Government of India have envisaged an investment of Rs.1,400,000 million for strengthening the competitiveness of the Indian textile industry in the next 5 years. This investment is expected to create 12 million additional jobs. Taking advantage of this, Tamil Nadu being the hub of the textile industry, the State would attract at least one third of the proposed investment and could generate 4 million new jobs apart from retaining the large existing work force.

#### Competitive landscape:

The spindle equivalent spinning capacity can be classified into public, co-operative and private sector ownership. The share of the public and co-operative sectors in spindle capacity has shrunk over the past decade due to an increase in sick units and losses. Meanwhile, increasing investments and an improvement in operations have increased the private sector's share of installed capacity. The private sector remains highly fragmented and none of the players have a dominating share.

#### Government Initiatives / Policies:

Post liberalization, the Indian government has removed many of the barriers hindering the textile sector's growth. To fulfill the potential of the country's apparel-export industry, the government needs to eliminate remaining restrictions that perpetuate the lack of scale and poor operational and organizational performance of local manufacturers and that discourage investment, particularly foreign direct investment. Some of the important initiatives taken by the Government of India in this sector are as follows:

- (i) New Textile Policy: - One of the main objectives of the New Textile Policy (NTxP-2000) announced in November 2000 is to facilitate the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The policy endeavours to achieve the target of textile and apparel exports from the present level to US \$ 50 billion by 2010, of which the share of garments will be US \$ 25 billion. Subsequent to the announcement of NTxP-2000, the woven segment of readymade garment sector and the knitting sector have been de-reserved from SSI.
- (ii) The Technology Upgradation Fund Scheme (TUFS): TUFS is the "flagship" Scheme of the Ministry of Textiles which aims at making available funds to the domestic textile industry for technology upgradation of existing units as well as to set up new units with state-of-the-art technology to enhance their viability and competitiveness in the domestic as well as international markets. To meet the challenges of the post quota regime, the industry is required to become competitive, cost effective and quality oriented. With this background, Government of India has launched a Technology Upgradation fund scheme (TUFS) for Textiles and Jute Industries, w.e.f. 01.04.1999 for a period of 5 years, i.e., up to 31.03.2004, which was subsequently extended up to 31.03.2007. The main feature of the scheme is a 5% interest reimbursement in respect of loans availed thereunder from the concerned financial institution on a project of technology upgradation in conformity with this scheme. During the Tenth Plan Period, there is a provision of Rs. 1,270 crore for TUFS. Additionally the Ministry of Finance, Mr. P. Chindambaram while presenting the Union Budget for the Year 2005-06 stated that the TUFS was being continued with an enhanced allocation of Rs. 4350 million and proposed to introduce the 10% capital subsidy scheme for the textile processing sector in addition to the normal benefits available under TUFS. Operational guidelines on this behalf



were announced by the Ministry of Textiles on April 25, 2005. Among other things, the guidelines provide that the additional 10% capital subsidy is admissible on investments made in specified processing machinery during a period of one year from April 20, 2005 to April 19, 2006.

- (iii) Liberalization of FDI Policy: Government has allowed foreign equity participation upto 100%, through automatic route.
- (iv) Export Promotion Capital Goods (EPCG) Scheme: The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods without any restriction on age is also allowed under the new Foreign Trade Policy, which came into effect on September 1, 2004. The Foreign Trade Policy also permits EPCG license holders to opt for technological upgradation for their existing capital goods imported under the EPCG license, subject to certain prescribed conditions.
- (v) 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.
- (vi) Duty Entitlement Pass Book (DEPB) Scheme: DEPB credit rates have been prescribed for 83 textiles and clothing products. The scheme aims to neutralise the incident of basic and special custom duty on the import content of the export product, by way of grant of duty credit against the export product at specified rates. However, these export incentives may be reviewed shortly to make them WTO – compatible.
- (vii) Duty Drawback Scheme: The exporters are allowed refund of the excise and import duty suffered on inputs of the export products under the Scheme. The Ministry of Finance has recently announced the revised 'All Industry Rates of Duty Drawback', which came into effect on May 5, 2005. The drawback rates have been determined on the basis of certain broad parameters including, inter alia, the prevailing prices of input, standard input/output norms published by the DGFT, share of imports in the total consumption of inputs and the applied rates of duty. An education cess is being collected as duties of excise/customs, the element of education cess has been factored in the drawback rates. The incidence of duty on HSD/ furnace oil has also been factored in the drawback calculation. The changes in the drawback rates reflects the changes in applied duties and change in prices.
- (viii) Human Resource Development: Attention has also been paid to Human Resource Development in the textile sector. National Institute of Fashion Technology (NIFT) which is imparting training to Fashion Designers and Fashion Technologists to cater to the human resource requirements of garment industry has 7 branches at Delhi, Mumbai, Calcutta, Hyderabad, Bangalore, Chennai and Gandhinagar. Ministry of Textiles has established a Nodal Centre for Upgradation of Textile Education at the Indian Institute of Technology, Delhi with funding from the Ministry of Textiles. The Apparel Export Promotion Council has been running Apparel Training and Design Centres at important apparel centres located at Chennai, Delhi, Kolkata, Hyderabad, Jaipur, Bangalore, Noida, Gurgaon, Ludhiana and Thiruvananthapuram in order to impart training at shop floor level to meet the growing needs of apparel industry.
- (ix) Construction of Apparel International Mart: Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from the Government.
- (x) Setting up of modern laboratories: The Ministry of Textiles has assisted the Textile Committee in setting up of modern textile laboratories to ensure that the textiles exported from the country meet all international environmental standards.
- (xi) 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 centres and to give fillip to exports. Since the inception of scheme in March 2002, twelve Project Proposals have 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), Mahal (Jaipur, Rajasthan) and Butibori-Nagpur (Maharashtra).
- (xii) 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.
- (xiii) Organisation of buyer-seller meets / fairs in the country as well as abroad: The Textile Export Promotion Councils have been regularly conducting seminars, organizing buyer seller meets, participating in exhibitions abroad to promote textile



exports. Besides, events like TEXSTYLES India, Indian Handicrafts and Gift Fair, India International Garment Fair are also organized in the country to provide an exposition of India's capabilities in textile and clothing sectors to the visiting foreign buyers.

(xiv) The Union Budget for the year 2005-06 provides for a reduction in custom tariffs on import of textile machinery from 20% to 10% in order to help the textile industry acquire a competitive edge in the post-quota regime.

### COTTON-/ MAN-MADE-FIBER TEXTILE MILL INDUSTRY

Cotton/ Man-made Fiber Textile Mill Industry, amongst the largest organized industries in the country (employing nearly 10 lakh workers), has been growing over the past decade. The table below captures the growth of capacity in spinning and weaving sectors of the industry since 1997-98.

Year Ending	Number of Mills			Installed Capacity		
	Spinning	Comp	Total	Spindles (Million)	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

Source: Annual Report 2004 - 2005, Ministry of Textiles, Government of India

The spindleage increased from 33.15 million as on March 1997 to over 34 million in February 2005 and rotors increased from 2.76 lakh as on March 1997 to 3.85 lakh as on February 2005. The loomage has however, declined from 1.24 lakh in March 1997 to 0.86 lakh in November 2004 in the organized sector.

The production of spun yarn increased from 3,160 million kg during 2000-01 to 3,051.81 million kg during 2003-04 and is anticipated to reach 3,221.37 million kg during 2004-05. A table showing the production of spun yarn (including SSI units) during the last four years along with anticipated figures for the current year is in the following table .

(million kgs)

Year	Cotton Yarn	Blended Yarn	100% Non-Cotton Yarn	Total Yarn
2000 - 01	2,267.00	646.00	247.00	3,160.00
2001 - 02	2,212.00	609.00	280.00	3,101.00
2002 - 03	2,177.00	585.00	319.00	3,081.00
2003 - 04	2,120.71	589.33	341.76	3,051.80
2004 - 05 (A)	2,232.15	611.91	377.31	3,221.37

Source: Annual Report 2004 - 2005, Ministry of Textiles, Government of India



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## TEXTILE EXPORTS

Textile products continue to play an important role in the total export basket of the country. For 2004-05 the target for the export of textiles was fixed at US\$ 15,160 million, against US\$13,500 million set during 2003-04.

### Cotton Textile Exports

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

Cotton yarn exports have been largely directed to the erstwhile non-quota markets (i.e. countries other than the US, EU and Canada). Quota markets accounted for less than 10 per cent of the total yarn exports. Among the non-quota markets, the largest buyers were Korea, Hong Kong, Italy, Bangladesh, China and Japan. Post 2005, China is expected to be the biggest beneficiary of the removal of quotas, given its larger economies of scale. India is likely to become the next dominant player, given the advantages of its fully integrated textile industry and its cost-efficiencies.

### **FORECASTS FOR THE POST QUOTA REGIME**

According to various studies, the Indian textile exports are expected to receive a big push after the dismantling of the quota regime. Top textile importing countries like USA and the EU are looking towards India for meeting their import requirements. India, according to several recent studies, is going to emerge as alternative source of supply to China. India's growth in exports will be driven by value added made ups and apparel as India has comparative advantages over its competitors in relation to (i) availability of relatively inexpensive and skilled workforce; (ii) design expertise; (iii) large production base of basic raw material like home grown cotton, yarns and fabrics; and (iv) availability of wide range of textiles.

According to a recent study by CRISIL {commissioned by Indian Cotton Mills Federation (ICMF)}, the Indian textiles and apparel industry can achieve a business of US\$ 85 billion by 2010, of which the domestic market share would be US\$ 45 billion and the share of export would be US\$ 40 billion. The liberalized trading regime would result in increased international trade in textiles thus providing greater export opportunities and in further creating additional jobs. It is reckoned that post quota regime would create 12 million job opportunities, which would include 5 million direct jobs in textile industry, and 7 million jobs in allied sectors.



## BUSINESS

### OVERVIEW

The Bannari Amman Spinning Mills Ltd. commenced commercial operations in the year 1995. We have evolved to be a significant player in cotton yarn spinning in South India, commanding a premium in the market for our products. We have a strong domestic presence in Tirupur, Kanpur and Kolkata markets, and we have exported our products to several countries including Israel, Mauritius, Egypt, Taiwan and South Korea.

We are a part of the Coimbatore-based Bannari Amman Group, which is involved in manufacturing, trading and distribution activities. Our group has business interests in sugar, textiles, food processing, transportation, distillery, automobile distribution, health, etc. with a turnover of over Rs.12,000 million and net worth of about Rs.4,500 million.

All our manufacturing facilities are located in South India. As on March 31, 2005, we have two factories housed around 2.85 lakh square feet in Tamil Nadu. The spinning division in Dindigul, Tamil Nadu has an installed capacity of 29,232 spindles, producing around 16 tonnes of cotton yarn per day. The weaving division located in Coimbatore, Tamil Nadu, has an installation of 28 Sulzer projectile machines. Our export sales constituted 24% of total revenue as on March 31, 2005. Furthermore, in May 2002 we have been awarded a Certificate of Recognition as an Export House by the Joint Director General of Foreign Trade.

Our strategy is to expand our existing capacity in spinning and weaving, as well as enter other areas in the textile chain including processing and garmenting/home textiles. Work has already begun on expansion of the spinning and weaving capacities and we are in the process of acquiring land for the processing and garmenting/home textile divisions.

### Our Vision

To achieve excellence in all sectors of the textile industry, from fiber to finished product, constantly striving to be at the forefront of our industry and to generate highest possible value to all stakeholders.

### Our Mission

- To manufacture international quality yarn and fabric, with the highest level of competitiveness on all parameters
- To effectively harness and integrate all available technology across various elements of the textile chain
- To cater to product innovation by mastering value added areas like processing and finishing

### OUR BUSINESS

We are in the business of cotton yarn and fabric manufacture. Our installed capacity of the spinning division as on March 31, 1996 was 27,216 spindles. Our spinning operations are located at Vadamadurai in Dindigul district, Tamil Nadu. We presently manufacture cotton hosiery yarn in the count range of 20s to 40s with an installed capacity of 29,232 spindles. During 2004-05, we set up our weaving division with an installed capacity of 28 looms. We have also invested in captive power generation to meet our internal power requirements. We currently have four Suzlon wind turbines at Sanganeri near Kanyakumari, Tamil Nadu.

Geographical Segmentation of sales for the last three years is as under:

Geography	2002-2003		2003-2004		2004-2005	
	Sales (Rs. in million)	As a % of total sales	Sales (Rs. in million)	As a % of total sales	Sales (Rs. in million)	As a % of total sales
Domestic	489.76	77.24	569.29	74.91	537.06	76.06
Exports	144.33	22.76	190.72	25.09	169.03	23.94
<b>Total</b>	<b>634.09</b>	<b>100.00</b>	<b>760.01</b>	<b>100.00</b>	<b>706.09</b>	<b>100.00</b>

Until the removal of the quota regime, we primarily exported to non-quota markets. Since January 2005, we have begun scaling up our exports to countries such as Portugal, Spain, Poland and USA.



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## OUR BUSINESS STRATEGY

Our principal operating strategies are to:

- (i) increase our presence in the yarn business in international markets after phasing out of quota restrictions
- (ii) expand our spinning capacity and to become an integrated textile manufacturer by entering the processing and garmenting/home textile businesses

### **(i) increase our presence in the yarn business in international markets after phasing out of quota restrictions**

#### Spinning

We intend to consolidate our position in the cotton yarn segment by investing in substantial capacity expansion in our spinning and weaving divisions. Our differentiating factor will be our continued focus on niche products and markets. Our strategy in the light of the scenario happening around us is to greatly strengthen our process chain and logistics, in addition to expanding our facilities to a scale that can withstand competition. Our plan is to expand the spinning capacity significantly, especially increasing capacity for the manufacture of very fine count yarns as well as giving provision for specialized features like compact spinning. This will go hand in hand with an increase in captive power generation to exploit efficiencies to the maximum.

#### Weaving

The weaving unit will also be expanded to around 90 looms with sophisticated sizing and warping facilities. The focus will be on creating specialized capacity that is in high demand and which would accommodate the trends of the market in terms of product quality and range for a few years to come.

### **(ii) Future Prospects - become an integrated textile manufacturer by entering the processing and garmenting/home textile businesses**

We plan to branch into other areas of the textile value chain - processing and garmenting/home textile.

#### Processing

With the increasing necessity of being a one stop shop for global buyers, a processing plant is envisaged in the near future. The land area has already been identified. The plant will give us the ability to compete in the finished product market, while at the same time give us the R&D facility to develop new products like technical textiles.

#### Garmenting and Home Textiles

The processing unit will be complemented by a state of the art garmenting and home textiles unit. The unit will comply with all international standards and certifications, right from inception. The group is already in the process of identifying world class garmenting process consultants to assist us in this regard.

We believe the way forward is to visualize new opportunities before others and also create those opportunities. This is the only path to global leadership in the highly competitive textile industry.



## PROPERTY PURCHASED

The following is the list of our properties as of June 30, 2005:

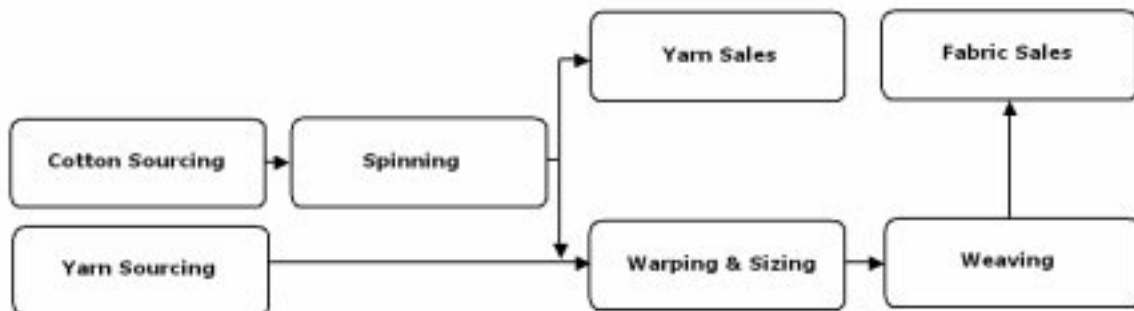
Sr. No	Location	Extent	Type of ownership	Use
1.	Vadamadurai Village, Vedasandur Taluk, Dindigul District	20.74 acres	Freehold Land	Factory and quarters
2.	Irunkanthurai Village, Tirunelveli District	6 acres	Freehold Land	Wind Turbines
3.	Dhanakarkulam Village, Tirunelveli District	2.06 acres	Freehold Land	Wind Turbines
4.	Kunnathur Village, Coimbatore District	6.87 acres	Freehold Land	Factory and quarters
5.	Velvarkotai Village, Vedasandur Taluk, Dindigul District	41.33 acres	Freehold Land	Factory and quarters

The following properties have been acquired from group companies:

Sr. No	Location	Extent	Date of Acquisition	Previous Owner	Total consideration (Rs. in million)
1.	Kunnathur Village, Coimbatore District	6.87 acres	27-08-2004	Annamallai Retreading Company Limited	0.75
2.	Velvarkotai Village, Vedasandur Taluk, Dindigul District	15.72 acres	23-12-1999	Annamallai Industries Limited	0.55

## OUR BUSINESS PROCESS

Our business process as given in the flow diagram below is supported by our highly skilled manpower at both our facilities:



### Sourcing of Raw Material

**Cotton procurement:** Cotton procurement is amongst the most important elements in the spinning of yarn. We specialize in sourcing cotton directly from the source, with our field experts permanently stationed in the cotton growing areas and inspecting every supply of cotton delivered to us. Great care is taken to source material of the highest quality.

Most of our cotton requirement is sourced directly from ginners (a ginning factory removes cotton seeds and other trash from the raw cotton) in Gujarat, Andhra Pradesh and Maharashtra. Cotton selectors from our company visit these ginning factories during the season and select cotton as per our requirement. For the year ended March 31, 2005, we consumed around 7.24 million tons of raw cotton.

**Yarn procurement:** If needed, we also procure yarn from the external market for weaving certain types of fabric. We enjoy a strong relationship with various yarn manufacturers in South India, which give us an edge in sourcing yarn directly from them.





Our raw material primarily comprises cotton and yarn. During FY 2003, FY 2004 and FY 2005, cotton has comprised majority of our raw material, which was used in our spinning operations. We commenced our weaving unit in FY2005 and have also purchased yarn from the external market to meet our requirements.

We have the option of sourcing our raw materials both from India and abroad. Since 2002, we have sourced all of our cotton domestically because Indian cotton prices and quality have been competitive with international cotton.

### **Production**

We manufacture and sell cotton yarn - product range includes Ne 20/1, Ne 24/1, Ne 34/1 and Ne 40/1 combed and carded knitting cotton yarn as well as fabric. Currently our production entails two main processes, spinning and weaving. We plan our production based on our understanding of the market as well as regular feedback from our agents, both in India and abroad. Our capacity utilization has been around 97% in 2004-05.

#### ● Spinning

With 29,232 spindles, our spinning plant produces around 16 tonnes of yarn per day. Our unit possesses a high level of process automation, from bale plucking to the final winding of the yarn. We have top of the line testing and monitoring equipment to monitor yarn quality. The various stages of yarn spinning are as follows:

- o *Blow room*: Raw cotton is cleaned and opened to a smaller size (cotton tuft)
- o *Carding*: These cotton tufts are transformed into a long strand of fiber (sliver), where the fibers are individualized
- o *Combing*: Short fibers are removed through the combing machine
- o *Simplex*: Sliver is further stretched and twisted as a first step for converting to yarn
- o *Ring spinning*: The output of the simplex is further stretched and twisted to form yarn
- o *Winding*: Yarn is wound on paper cones for packing and sale. Yarn faults are eliminated at this stage, through the use of automatic cone winders (Autoconers)

#### ● Warping and Sizing:

The next stage in the process, warping and sizing, is currently outsourced to a leading sizing company in Tamil Nadu. We are currently in the process of setting up our in-house facilities for the same.

- o *Warping*: Warping is the process of winding individual threads from numerous cones on to a beam to form a sheet of yarn.
- o *Sizing*: Sizing is the addition of starch and other materials that improve the strength of yarn to facilitate weaving

#### ● Weaving

We currently have 28 looms at our facility near Annur in Coimbatore district. Our production capacity ranges from 500-1500 sq. meters per loom per day depending on the fabric construction.

In the process of weaving, a sheet of yarn (warp) is loaded on to the machine and another yarn is introduced perpendicular to the sheet (weft). The inter lacing of both warp and weft creates woven fabric.

Our weaving unit specializes in manufacturing wide-width cotton fabric in the 500-1000 TC (thread count) range that make our products superior to other similar products. Our weaving division has Sulzer projectile looms. Projectile looms are very versatile machines in the weaving field, with the capability to weave across a range of fibers and counts in an economic manner.

#### ● Energy - Power Generation by Wind Mills

To enhance our global competitiveness and rationalize our power costs, we have invested in power generation from wind turbines. These four turbines, located at Sangneri near Kanyakumari, Tamil Nadu, have an installed capacity of 5 MW (1250KWx4) and expect to produce 14.9 million units of power per annum.

The infrastructure is maintained by Suzlon Energy Limited and the power produced is transferred to the State Electricity Board. Our spinning unit receives credit for the power generated by these wind turbines after deduction of the wheeling charges. Suzlon Energy Limited has guaranteed a production of 29.6 million units over a period of two years starting from



the 30<sup>th</sup> day of commissioning, failing which a compensation calculated on a unit rate basis as per the applicable tariff of the state electricity board will be payable at the end of the two year period. The two year period expires in October 2006.

### **Marketing and Sales**

Our marketing team strives to increase our business with existing customers as well as through expansion of our customer base.

*Channels :* We conduct marketing primarily through three channels:

- **International agents:** We use international agents primarily to assist us with local contacts and market know-how, in addition to local language in the respective countries. We pay them a pre-agreed commission based on the sales value.
- **Domestic markets / consignment agents and brokers:** The domestic market for yarn is highly fragmented. Domestic brokers and agents assist us with identifying buyers for our products and customer service. We appoint our brokers/agents on an exclusive basis for each domestic market.
- **Direct Sales:** We have direct sales to customers (India and abroad). These sales are through referrals and enquiries that come through our extensive network in the textile industry. We sell around 10% of our exports through this channel.

Our Company has not entered into any technical, marketing or financial collaboration.

### *Products*

- **Yarn**

Our yarn is marketed both directly to international customers as well as through a well established network of agents working with us across the country and abroad. About 24% of the production is exported to various countries and the rest is sold in the domestic market. We market our yarn to customers who are in the knitting and weaving segment.

- **Fabric**

Our specialized fabric is in great demand due to it's higher TC. We sell fabric in India directly to corporate customers. We intend to participate in the annual international trade fairs to expand our customer base.

### **Shipping and Logistics:**

- **Domestic:**

Based on the order booking by the agents, the goods from the factory are dispatched directly to the customers. Invoices, which contain the price, delivery terms and other details, are prepared as per the agent's confirmation. In the case of consignment agents, the goods are dispatched to the consignment agents and the agent sells the goods to the customers as per the agreed terms.

- **Exports:**

Goods are produced as per the order booking. We only sell internationally based on Letters of Credit (LC) or Telegraphic Transfer. The shipping documents are prepared as per LC conditions and the goods are moved to the nearest port (Tuticorin or Chennai). The terms of delivery are FOB, CFR or CIF.

We avail various credit facilities extended by our bank for our day-today activities, which include:

- 1) Rupee packing credit
- 2) PCFC (pre-shipment credit in foreign currency).

We are entitled to certain duty drawbacks and DEPB (Duty Entitlement Pass Book) benefits. We have open insurance policies which cover the risks up to the port of loading. When required, we cover insurance on CIF basis. On completion of shipment, the order is taken for closure and the concerned documents are stored in the archives as per buyer and/or legal requirement.

### **OUR COMPETITION**

Our competition is from other manufacturers and exporters of yarn who are manufacturing for the domestic and the international market. We also face competition from yarn manufacturers from countries such as Pakistan, Indonesia and Turkey. We compete



in the domestic and export markets on the basis of price as well as the quality of products. We also face competition from manufacturers in other cost efficient supplier countries such as China, Bangladesh, Thailand and Vietnam which have low labour costs.

We believe that our cost effective processes, strong relationships with buyers, global sourcing practices, prudent financial management and our network and goodwill in the market provide us with the requisite competitive advantage to deal with competition.

## EXPORT OBLIGATION

In term of the certificate dated October 3, 2005 given by M/s. P.N. Raghavendra rao & Co., Auditors of the Company, our Company has to fulfill an export obligation under the EPCG License Scheme for Rs. 35.02 million as on September 30, 2005. The details are as follows:

Sr. No.	EPCG License No	Date	Details Capital Goods Purchased	Nature of of Export requirement	Amount of Export Obligation	Period within which the obligation has to be fulfilled
1	3230002263/2/11/00	11.09.2003	Import of Auto Coner & Textile Machinery	Cotton Yarn	Rs. 97,00,750	Within 8 years from the date of EPCG License
2	3230004564/2/11/00	20.05.2005	Weaving Machine Spares	Cotton Fabrics	Rs. 37,48,980	-do-
3	3230004101/2/11/00	15.02.2005	-do-	Woven grey Fabrics	Rs. 42,45,710	-do-
4	3230003781/2/11/00	21.12.2004	-do-	Cotton Yarn & Grey Fabrics	Rs. 1,73,24,560	-do-

## OUR BUYERS

Our yarn has been sold to buyers across the globe including South Korea, Israel, Egypt and Taiwan. We sell yarn to several reputed knit wear and weaving companies in Tirupur, Kolkata, Kanpur and Erode. We sell our fabric in Mumbai, Ahmedabad, Delhi and Coimbatore. Concentration of our revenue across various buyers in the last three financial years is given in the following table:

	2002-2003		2003-2004		2004-2005	
	Sales (Rs. in million)	As a % of total sales	Sales (Rs. in million)	As a % of total sales	Sales (Rs. in million)	As a % of total sales
Top 1 customer	88.99	18.17	70.83	9.32	78.02	11.05
Top 5 customers	222.79	45.49	245.33	32.28	221.99	31.43
Top 10 customers	283.76	57.94	361.15	47.52	299.24	42.38
<b>Total</b>	<b>489.76</b>		<b>760.00</b>		<b>706.09</b>	

## OUR SUPPLIERS

Our cotton supplier base is spread across the globe. Most of our cotton requirement is sourced from ginneries (a ginning factory removes cotton seeds and other trash from the raw cotton) in Gujarat, Andhra Pradesh and Maharashtra. Cotton selectors from our Company visit these ginning factories during the season and select cotton as per our requirement. We have also sourced cotton from international trading corporations like Louis Dreyfus, Dunavant, Weil Brothers, Collyfarm, etc. with whom we have a long relationship. We receive daily quotations from the domestic agents of the international trading corporations based on the



daily prices on the New York Cotton Exchange. Depending on the prices and the specifications we decide whether to source it domestically or internationally.

Our supplier concentration is under:

	2002-2003		2003-2004		2004-2005	
	Value of the raw material sourced (Rs. in million)	As a % of total expenditure on raw material sourced	Value of the raw material sourced (Rs. in million)	As a % of total expenditure on raw material sourced	Value of the raw material sourced (Rs. in million)	As a % of total expenditure on raw material sourced
Top 1 supplier	25.74	7.45	37.21	6.81	26.74	6.81
Top 5 suppliers	98.28	28.44	148.49	27.16	98.48	25.08
Top 10 suppliers	183.92	53.22	245.00	44.82	185.00	47.12

We also source yarns for our weaving operations from different south Indian mills.

#### CAPACITY & CAPACITY UTILISATION

Product		Unit	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Spinning	Installed Capacity	Spindles	29,232	29,232	29,232	29,232	104,832	104,832
	% of Capacity Utilised	Spindles	97%	96%	97%	97%	57%	97%
Weaving	Installed Capacity	Looms	NA	NA	28	28	88	88
	% of Capacity Utilised	Looms	NA	NA	60%	75%	60%	75%
Processing	Installed Capacity	Mtrs per day	NA	NA	NA	NA	NA	30,000
	% of Capacity Utilised		NA	NA	NA	NA	NA	50%
Home Textiles/ Garments	Installed Capacity	Nos (Million)	NA	NA	NA	NA	0.80	0.80
	% of Capacity Utilised		NA	NA	NA	NA	75%	98%
Windmill	Installed Capacity	MW	NA	NA	5	15.4	15.4	15.4
	% of Capacity Utilised	MW	NA	NA	24%	34%	34%	34%

#### Notes:

1. The expanded spinning capacity will become operational in phases during the period May 2006 – March 2007. The capacity utilization projected for 2006-07 is the annualized weighted average of the available capacity during that period.
2. In the weaving sector, the normal machine efficiency is 75% - 80%.



## OUR PRODUCTION FACILITIES

Our production facilities are located in Tamil Nadu. Details of our factories, as on March 31, 2005 are given in the following table.

### *Dindigul plant - Spinning*

Our Dindigul plant has 29,232 spindles with state of art of technology and well planned layout. We use the following major equipments in our operations in the spinning division

S. no	Machine	Units
1.	Lakshmi Rieter Blow Room, with automatic bale plucker	3 lines
2.	Lakshmi Rieter Cards	34
3.	Lakshmi Rieter Sliver lap and Ribbon lap	6
4.	Combers	37
5.	Lakshmi Rieter Drawing frames	8
6.	Lakshmi Rieter Simplex	11
7.	Lakshmi Rieter Ring frames	29
8.	Schlafhorst Autoconers 338 model	10
9.	Elgi Yarn Conditioner	1
10.	Premier Evenness Tester	1

Our facility is provided with all basic infrastructure requirements including humidification plants, compressor, generator, etc. The factory is managed by well experienced and trained technical staff. The factory has a canteen, rest house for the workers and staff quarter for housing executives and supervisory staff.

The Company has continually invested in technology upgradation as well as new machinery (both Indian and imported) in the spinning plant during each of the last three financial years. Major investments during 2004-05 have included an automatic bale plucker, a continuous waste collection system for Blow Room, Card and Comber and a 1008 spindles Ring Frame.

### *Annur Plant - Weaving*

Our weaving plant has 28 Sulzer shuttleless projectile looms. The plant is equipped with humidification plant, power house, standby generators and hostel facility for the workers.

### Utilities

#### 1. Raw Material

Our major raw material is cotton and we procure the same from external sources. The raw material procured by us is stored in specially designed warehouses within our factory premise at Dindigul.

#### 2. Power

We meet our electricity requirements by purchasing electricity from state electricity board. The sanctioned demand for the spinning plant is 2500 KVA and we are consuming around 47,000 units per day. Adequate backup in the form of diesel generators with a capacity of 4000 KVA is available. The sanctioned demand for weaving unit is 205 KVA and the consumption is around 2000 units per day. Adequate backup in the form of diesel generators with a capacity of 380 KVA is available.

#### 3. Water

The requirement of water is marginal for the spinning unit. The humidification plant consumes water for its operation. This is around 75,000 liters per day, which is met through bore wells. The requirement of water in the weaving plant is mainly for humidification plants and is estimated at around 6,000 litres per day. We have sufficient quantity of ground water with required quality at the factory sites.



#### 4. Effluent Disposal / Environmental Compliance

The production of yarn and grey fabric does not result in any pollution related hazards. We have obtained the necessary consents from the Tamil Nadu State Pollution Board. We believe that we are in material compliance with all applicable environmental laws and regulations.

#### EMPLOYEES

We had 435 total employees as of August, 2005. Our success depends on our ability to recruit, train and retain quality employees and workers. The details of the Key Managerial Personnel are given in the section titled 'Our Management' on page 57 of this Red Herring Prospectus. The following table sets the breakdown of our employees categorized by job function:

##### Spinning Division:

Sr. No	Department	Skilled Employees	Unskilled Employees	Total
1.	Mixing	2	10	12
2.	Blowroom & Card	6	10	16
3.	Preparatory	32	20	52
4.	Ring Frame	36	67	103
5.	Post Spinning	39	35	74
6.	Cleaning	8	24	32
7.	Maintenance	26	0	26
8.	Electrical	8	3	11
9.	Quality Control	7	0	7
10.	Staff	24	0	24
	<b>Total</b>	<b>188</b>	<b>169</b>	<b>357</b>

##### Weaving Division:

Sr. No	Department	Skilled Employees	Unskilled Employees	Total
1.	Weaving	31	5	36
2.	Drawing	-	3	3
3.	Accounts	-	3	3
4.	Personnel & Administration	-	3	3
5.	Maintenance	6	2	8
6.	Electrical	3	2	5
7.	Fabrication	5	-	5
	<b>Total</b>	<b>45</b>	<b>18</b>	<b>63</b>



Head Office:

Sr. No	Department	Skilled Employees	Unskilled Employees	Total
1.	Marketing	4	2	6
2.	Finance	4	1	5
3.	Human Resources	1	1	2
4.	Corporate	2	-	2
	<b>Total</b>	<b>11</b>	<b>4</b>	<b>15</b>

We have 244 skilled and 191 unskilled workers. We expect to increase staff hiring, in light of the growth of our business.

We have a well defined and articulated policy of Human Resource development at all stages, from internal development of our technical and administrative staff to augmenting our skills by recruiting the best technical personnel. In terms of our shop floor employee recruitment, we are situated in a region where there is availability of skilled manpower, which coupled with our fair policies towards employees, ensures that there is adequate supply of workers for our units.

We believe that our compensation package, including salary and benefits, follows industry norms in Tamil Nadu. For employees other than factory workers, we provide remuneration packages (including benefits and entitlements), which are competitive with other employers in similar industries. Benefits for employees include a superannuation scheme, gratuity, accident insurance and a provident fund scheme (contributed by both employees and the Company).

The production labourers are members of the BASML Employees Welfare Association. We have not experienced any strikes or labour actions resulting in any substantial production loss, and we consider our relationship with our employees satisfactory.

### Quality Control

We maintain strict quality control for customer compliance reasons. Our Quality Assurance team has adopted strict standards at each stage of production to ensure the quality of our products. The Quality Assurance department monitors the quality of raw material, process control and quality of end product. Our spinning unit has been certified ISO-9001-2000 by DNV in 2001 and it is valid till 27/04/2007.

### Insurance Coverage

We have insurance coverage, which we consider adequate to cover all normal risks associated with the operation of the business. The insurance covers the entire plant and machinery at both the factories, the transit and other risks of the raw materials and the finished goods and the breakdown of electrical and electronic equipments. We believe that our current level of insurance coverage is in line with industry norms in India.

### IT infrastructure and Logistics network

Both the spinning plant and the weaving unit are linked to the Head office in Coimbatore as well as with each other through Internet connections. There is a dedicated IT team at the Spinning plant, which maintains the IT infrastructure. The production, dispatch, cotton, stores, finance and personnel departments operate with fully computerized systems. MIS systems are in place and used by senior executives and management in day to day activities. We are working towards a full fledged, paperless, EDI system.

### OUR STRENGTHS

Various factors have contributed to our growth over the past decade. Our emphasis on quality, reliability and flexibility has made us the preferred vendor of cotton yarn for our domestic and international customers:

- i. **Experienced management team:** We have an experienced management team with hands-on experience in all areas of operations. Key members of the team have served or are currently serving as officers of various industry bodies, giving us access to trend forecasts and strategic planning at macro and micro levels.



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- ii. Strategic Sourcing: Since cotton sourcing is the single most important element in the spinning industry, our focus has been to develop competencies in this area. We source directly from the market and have created long-standing relationship with our suppliers. Our own staff is permanently stationed at the sources of supply, giving daily feedback on the market conditions to help us plan the procurement strategy. Our international relationships give us the leeway to source instantly from global markets if so desirable.
  - iii. Operational Efficiency: We use the latest machines and equipment, scientifically monitor our labour productivity and have adopted a policy of constant improvement. In addition, we also use MIS tools for operating at optimal efficiency. We have provided adequate attention to many other related areas, like shipping and logistics, spare parts sourcing and financial planning to increase our overall efficiency.
  - iv. Inhouse Power Generation : Power is one of the major constituents of cost in the textile industry. Wind power has been generally recognized as a low cost source of energy. As, both, our factories and our wind turbines are located in Tamil Nadu, we can captively consume the power generated by windmills, resulting in substantial reduction of power cost.
  - v. Innovation and Product Excellence: Most of our customers are repeat customers. This is testimony to our product quality and standardization. Our aim has been to always lead in the area of product development.
  - vi. Good labor relations: By following a proactive labour policy, we have been able to develop a workforce that identifies themselves as a part of a family rather than as mere employees. Our units have enjoyed the distinction of never having suffered any labour unrest from inception.
  - vii. Goodwill: Our fair policies and consistent quality have earned us significant goodwill in the markets we operate in, giving us an advantage against competition.
  - viii. Proximity to major markets: Our yarn unit enjoys the proximity to the Tirupur knitwear cluster and the Erode – Somanur weaving cluster. We enjoy a good market in both areas, with all the inherent advantages that proximity brings.





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## REGULATIONS AND POLICIES

### **REGULATIONS**

The Government of India, has over the years, formulated various legislations which apply to companies engaged in the Textiles in India.

Under the provisions of various Central Government and State Government Statutes / Legislations, our Company is required to obtain and regularly renew certain licenses / registrations and / or to seek statutory permissions to operate our business.

Pursuant to the applicable law in force in the State of Tamilnadu in which our Company and the manufacturing facilities are situated, the material registrations/licenses/consents/permissions under various statutes is set out below by way of illustration and is not exhaustive.

1. The Companies Act, 1956
2. The Income-Tax Act, 1961
3. The Central Excise Act, 1944
4. The Customs and Excise Act, 1962
5. The Tamil Nadu General Sales Tax Act, 1959.
6. The Central Sales Tax Act, 1956.
7. The Air (Prevention and Control of Pollution) Act, 1981
8. The Water (Prevention and Control of Pollution ) Act, 1974
9. The Foreign Exchange Management Act, 1999.
10. The Industries Development and Regulations Act, 1951.
11. The Tamil Nadu Shops and Establishments Act, 1947.
12. The Tamil Nadu Industrial Establishments (National and Festival Holidays) Act, 1958.
13. The Tamil Nadu Fire Services Act, 1985.

In addition to the above, our Company is required to comply with the various provisions of the Labour related legislations / statutes and the Rules framed from time to time thereunder to the extent applicable.

For details of the above mentioned licenses / registrations see the section titled 'Government and Other Approvals' in this Red Herring Prospectus beginning on page no. 136.



## HISTORY AND CORPORATE STRUCTURE

### HISTORY

Our Company was incorporated as Shiva Textiles (CBT) Limited on July 10, 1989 under the Companies Act, 1956 and was issued a Certificate of Commencement of Business on September 14, 1989. The name of our Company was changed to "Bannari Amman Spinning Mills Ltd. "on October 11, 1991.

### Major Events

Year	Event
September 14, 1989	Commencement of operations
January 8, 1997	First Export Order
October 20, 2001	ISO 9001:2000 given by DET NORSKE VERITAS
May 14, 2002	Registration as an export house
December 15, 2004	Commencement of weaving division
September, 2004	Erection of windmills

### OUR MAIN OBJECTS

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

To manufacture, deal, bleach, calendar, mercerize, dye, print, sell, import, export, process, bale finish, all types of hosieries, knitwears and other materials and also fabrics, mats, furnishings made from cotton, rayon, nylon, mylow wool, yarn, silk, synthetic fibres, stable fibres, jute, leather, flax, hemp, hessain linen and other materials; and to handle or deal in spinning mills, weaving mills or any other factories for pressing, ginning, carding, combing, scouring, curing, colouring, vending, spinning, doubling, mixing, processing, twisting, throwing, bleaching, mercerizing, printing, dyeing or finishing of any textiles of any description and kind.

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

### Changes in Memorandum of Association;

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

Date of Amendment	Amendment
October 11, 1991	Name of the Company changed from Shiva Textiles (CBT) Ltd., to Bannari Amman Spinning Mills Ltd.
October 5, 1994	Reclassification of authorized share capital.
October 7, 1994	Increase of authorised share capital from Rs. 10 million to Rs. 55 million.
April 30, 2004	Additions made to Object clause of the Company - Commencement of new line of business pursuant to amendment of Other Objects of Memorandum of Association
December 29, 2004	Increase of authorised share capital from Rs. 55 million to Rs. 155 million.
July 4, 2005	Increase of authorised share capital from Rs. 155 million to Rs. 165 million. Addition to the Other Objects of the Company – acquisition and operation of renewable energy equipment.



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## **SUBSIDIARIES**

The Company does not have any subsidiaries.

## **SHAREHOLDERS AND OTHER AGREEMENTS**

We have not entered into any shareholders agreement.

## **STRATEGIC PARTNERS & FINANCIAL PARTNERS**

We do not have any strategic or financial partners.



## OUR MANAGEMENT

### Board of Directors

We currently have six Directors. The following table sets forth certain details regarding the members of our Board as of date of filing this Red Herring Prospectus with the RoC:

Sr. No	Name, Designation, Father's Name, Address, Occupation	Age	Other Directorships/ Partner/ Trustee
1.	<p><b>Dr. S. V. Balasubramaniam</b> Chairman</p> <p>Late. A. Vedanayaga Gounder</p> <p>No. 1, Rukmani Nagar, Trichy Road, Ramanathapuram Coimbatore 641 045.</p> <p>Industrialist</p>	65 yrs.	<p>Bannari Amman Sugars Ltd. (Chairman &amp; Managing Director)</p> <p><b>Chairman</b></p> <p>Annamallai Enterprise Pvt. Ltd. Annamallai Estates Pvt. Ltd. Annamallai Industries Ltd. Annamallai Properties Ltd. Annamallai Retreading Co. Ltd. Annamallais Agencies Pvt. Ltd. Bannari Amman Automobiles Pvt. Ltd. Bannari Amman Exports Ltd. Bannari Infotech Private Ltd. Bannari Amman Finance Ltd. Cream Investment &amp; Trading Co. Ltd. Kerala Alcoholic Products Ltd. Sakthi Murugan Transports Pvt. Ltd. Sangameswar Agencies Pvt. Ltd. Shiva Automobiles Pvt. Ltd. Shiva Cargo Movers Ltd. Shiva Distilleries Ltd. Shiva Texyarn Ltd. SVB Enterprise Pvt. Ltd. Vedanayagam Enterprises Pvt. Ltd. Vedanayagam Hospital Pvt. Ltd. Coimbatore Agro Industries Ltd.</p> <p><b>Director</b></p> <p>Bannari Amman Enterprises Ltd. Indian Sugar Exim Corporation Ltd.</p> <p><b>Partner</b></p> <p>Annamallais Agencies Annamallai Retreading Company</p>
2.	<p><b>Mr. S. V. Alagappan</b> Vice Chairman</p> <p>Late A. Vedanayaga Gounder</p> <p>14/3-1, Kajamalai, Trichy 620 020.</p> <p>Business</p>	64 yrs.	<p><b>Director</b></p> <p>Annamallai Enterprise Pvt. Ltd. Annamallai Estates Pvt. Ltd. Annamallai Industries Ltd. Annamallai Properties Ltd. Annamallai Retreading Co. Ltd. Annamallais Agencies Pvt. Ltd. Bannari Amman Enterprises Ltd. Bannari Amman Exports Ltd. Bannari Amman Finance Ltd. Bannari Amman Sugars Ltd. Coimbatore Agro Industries Ltd.</p>



Sr. No	Name, Designation, Father's Name, Address, Occupation	Age	Other Directorships/ Partner/ Trustee
3.	<p><b>Mr. S. V. Arumugam</b> Managing Director</p> <p>Late. A. Vedanayaga Gounder</p> <p>68/1, Bharathi Park, 7<sup>th</sup> Cross Coimbatore –641 043.</p> <p>Industrialist</p>	56 yrs	<p>Cream Investment &amp; Trading Co. Ltd. Kerala Alcoholic Products Ltd. Sakthi Murugan Transports Pvt. Ltd. Sangameswar Agencies Pvt. Ltd. Shiva Automobiles Pvt. Ltd. Shiva Cargo Movers Ltd. Shiva Distilleries Ltd. Shiva Texyarn Ltd. Vadivelan Enterprises Pvt. Ltd. Vedanayagam Hospital Pvt. Ltd.</p> <p><b>Partner</b> Annamallais Agencies Annamallai Retreading Company Sangameswarar Finance</p> <p><b>Chairman</b> South India Mills Association (SIMA)</p> <p><b>Director</b> Annamallai Enterprise Pvt. Ltd. Annamallai Estates Pvt. Ltd. Annamallai Industries Ltd. Annamallai Properties Ltd. Annamallai Retreading Co. Ltd. Annamallais Agencies Pvt. Ltd. Bannari Amman Sugars Ltd. Bannari Amman Automobiles Pvt. Ltd. Bannari Amman Enterprises Ltd. Bannari Amman Exports Ltd. Bannari Amman Finance Ltd. Coimbatore Agro Industries Ltd. Cream Investment &amp; Trading Co. Ltd. Kerala Alcoholic Products Ltd. Murugan Enterprise Pvt. Ltd. Sakthi Murugan Transports Pvt. Ltd. Sangameswar Agencies Pvt. Ltd. Shiva Automobiles Pvt. Ltd. Shiva Distilleries Ltd. Shiva Texyarn Ltd. Shiva Cargo Movers Limited Vedanayagam Hospital Pvt. Ltd.</p> <p><b>Partner</b> Annamallais Agencies Annamallai Retreading Company Coral Garments Sangameswar Finance</p>



Sr. No	Name, Designation, Father's Name, Address, Occupation	Age	Other Directorships/ Partner/ Trustee
4.	<b>Mr. S. K. Sundararaman</b> Executive Director  Dr. S. V. Kandasami  107-1, West Periasamy Road, R.S. Puram Coimbatore 641 002  Business	32 yrs	Bannari Infotech Pvt. Ltd. (Managing Director)
5.	<b>Mr. K. N. V. Ramani</b> Director  Late K. V. Narayanaswamy  152, Kalidas Road, Ramnagar, Coimbatore 641 009.  Advocate / Corporate Lawyer	73 years	<b>Director</b> Sri Kannapiran Mills Limited Sri Chamundeshwari Sugars Limited KG Denim Limited
6.	<b>Mr. C. S. K. Prabhu</b> Director  Late Mr. K. Subramaniam  No. 2, Subramaniapuram, Street No. 2, R. S Puram, Coimbatore 641 002.  Chartered Accountant	50 years	<b>Director</b> Super Spinning Mills Limited The Scientific Fertilizer Company Private Limited

#### DETAILS OF DIRECTORS

**Dr. S. V. Balasubramaniam**, aged 65 years is the Chairman and Promoter of our Company. He holds a Bachelors degree in Commerce from Madras University and is a qualified Chartered Accountant as well as a Company Secretary. He is the recipient of the prestigious Doctor of Science (Honaris Causa) from Tamil Nadu Agricultural University, Coimbatore in the presence of Hon. President of India Dr. Abdul Kalam.

Dr. S. V. Balasubramaniam has more than 40 years experience in sugar, textile and engineering sector. He was the president of Indian Sugar Mills Association in the year 1990-91 and 2002-03. He was awarded with the "Seva Rathnakara Award" in the year 2000 from Sri Adichunhangiri Mahasamsthana Math, Sringeri, Karnataka, the "Baktha Siromani Award" by H. H. Kanchi Shankaracharya and the "TNF Excellence Award" from Tamil Nadu Foundation, USA.

**Mr. S. V. Alagappan**, aged 64 years is the Vice-Chairman and Promoter of our Company. He is a qualified law graduate and has experience in the field of textile for more than two decades. As Vice-Chairman, he assists the Chairman of the Company on policy matters, project expansions, finance outlays and Investments.

**Mr. S. V. Arumugam**, aged 56 years is the Managing Director and Promoter of our Company. He holds a Bachelors Degree in Science and is a qualified Chartered Accountant. He has more than two decades of experience in the textile industry in planning, procurement, execution and management. He is responsible for the overall operations of the Company inter alia finance, purchase, sales and marketing.



He is the Chairman of South India Mills Association (SIMA), which has 301 Textile Mills as its Members and was the past Chairman of Confederation of Indian Industry, Coimbatore Chapter. He is a Committee Member of the Indian Cotton Mills Federation (ICMF), Mumbai. He is the Honorary Secretary of Indian Wind Power Association, Chennai.

**Mr. S. K. Sundararaman**, aged 32 years is an MBA from the Judge Institute of Management Studies, Cambridge University, UK. He joined the Board as a Director on May 24, 2004 and was elevated as Executive Director on June 27, 2005. He is responsible for the weaving division and new initiatives. He has wide experience in the field of Information Technology and Technical Education, especially in the field of Textile Technology.

**Mr. K. N. V. Ramani**, aged 73 years, is a corporate Lawyer with more than 45 years of active practice specializing in legislations like The Companies Act, Taxation and Labour Laws. He is the legal advisor for many companies, PSU's, Banks and Financial Institutions, Trusts, Hospitals etc. He is presently the senior partner of the law firm M/s Ramani and Shankar, Advocates, Coimbatore.

**Mr. C. S. K. Prabhu**, aged 50 years, is a qualified Chartered Accountant having 26 years of independent practice and is the senior partner of M/s. CSK Prabhu & Co., Chartered Accountants, Coimbatore. He is a member of the Committee on Taxes and Budget of Indian Chamber of Commerce and Industry, Coimbatore.

### **BORROWING POWERS OF OUR BOARD OF DIRECTORS**

The shareholders of our Company have passed an Ordinary Resolution at the EGM of the Company held on July 4, 2005, authorizing the Board of Directors of our Company pursuant to Section 293(1)(d) of the Companies Act, 1956 to borrow, from time to time, any sums of monies not exceeding 2500 million on such terms as the Board of Directors may deem fit, notwithstanding that the aggregate amounts of monies borrowed exceeds the aggregate paid-up capital and free reserves of the Company.

### **APPOINTMENT OF OUR DIRECTORS**

The details of appointment and term of our existing Directors:

<b>Name of Director</b>	<b>Date of Appointment / Reappointment</b>	<b>Term</b>
Dr. S. V. Balasubramaniam	July 10, 1989	Non-retiring Director
Mr. S. V. Alagappan	July 10, 1989	Retiring Director
Mr. S. V. Arumugam	May 16, 1993	Non-retiring Director. Appointed for 5 years with effect from June 27, 2005
Mr. S. K. Sundararaman	May 24, 2004	Retiring Director. Appointed for 5 years with effect from June 27, 2005
Mr. K. N. V. Ramani	July 25, 2005	To hold office till next AGM
Mr. C. S. K. Prabhu	July 25, 2005	To hold office till next AGM

### **COMPENSATION OF OUR WHOLE TIME DIRECTORS**

#### **MANAGING DIRECTOR**

The Board of Directors of our Company at its meeting held on June 01, 2005 have appointed Mr. S. V. Arumugam as the Managing Director of our Company for a period of 5 years with effect from June 27, 2005 on the following terms and conditions:

#### **(a) Salary**

Rs. 75,000 (Rupees Seventy Five Thousand) only per month



#### **(b) Perquisites**

- a. Contribution to Provident Fund to the extent not taxable under the Income Tax Act
- b. Gratuity at the rate of half a month's salary for each completed year of service.
- c. Encashment of leave at the end of the tenure as per the rules of the Company.

#### **(c) Other Perquisites**

As may be decided by the Board of Directors of a value not exceeding annual salary.

The above salary and perquisites may be paid as minimum remuneration even in the event of loss or inadequacy of profits in any year.

#### **(d) Commission**

2% commission of the net profits of the Company, subject to the maximum ceiling specified in section of Part II of schedule XIII to the Companies Act, 1956.

### **EXECUTIVE DIRECTOR**

The Board of Directors of our Company at its meeting held on June 01, 2005 have appointed Mr. S. K. Sundararaman as the Executive Director of our Company for a period of 5 years with effect from June 27, 2005 on the following terms and conditions:

#### **(a) Salary**

Rs. 30,000 (Rupees Thirty Thousand) only per month

#### **(b) Perquisites**

- a. Contribution to Provident Fund to the extent not taxable under the Income Tax Act
- b. Gratuity at the rate of half a month's salary for each completed year of service.
- c. Encashment of leave at the end of the tenure as per the rules of the Company.

#### **(c) Other Perquisites**

As may be decided by the Board of Directors of a value not exceeding annual salary.

The above salary and perquisites may be paid as minimum remuneration even in the event of loss or inadequacy of profits in any year.

### **CORPORATE GOVERNANCE**

Corporate governance is administered through our Board of Directors and the committees of the Board. However, primary responsibility for upholding high standards of corporate governance and providing necessary disclosures within the framework of legal provisions and institutional conventions with commitment to enhance shareholders' value vests with our Board of Directors.

Pursuant to listing of our Equity Shares, we would be required to enter into listing agreements with the Stock Exchanges. We are in compliance with the applicable provisions of listing agreement pertaining to corporate governance, including appointment of independent Directors and constitution of the following committees of our Board:

The Company has complied with the requirements of Clause 49 of the Listing Agreement of the Stock Exchanges in respect of corporate governance with regard to the broad-basing of the Board and constituting the committees on the Board viz. Audit Committee, Remuneration Committee and Shareholders/Investors Grievances Committee, as set out below:

#### **AUDIT COMMITTEE**

The Audit Committee as on March 31, 2005 comprises of three directors namely Mr. S. V. Arumugam (Chairman of the Committee), Mr. S. K. Sundararaman and Mr. C. Sivasamy. The Committee was re-constituted on July 25, 2005 consisting of Mr.





C. S. K. Prabhu (Chairman of the Committee), Mr. S. V. Alagappan and Mr. K. N. V. Ramani.

### **Terms of Reference**

1. Oversee the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement(s) is / are correct, sufficient and credible.
2. Recommend the appointment and removal of the external auditor, fixation of audit fee and also approval for payment for any other services.
3. Review with the management the annual financial statements before submissions to the Board.
4. Review with the management, external auditors and internal auditors, the adequacy of internal control systems.
5. Review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
6. Discuss with internal auditors any significant findings and follow up thereon.
7. Review the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and report the matter to the Board.
8. Discuss with external auditors before the audit commences regarding nature and scope of audit as well as to have post audit discussion to ascertain any area of concern.
9. Review the company's financial and risk management policies.
10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.

### **INVESTORS GRIEVANCE COMMITTEE**

The Committee was constituted on July 25, 2005 and comprises of two Directors i.e: Mr. C. S. K. Prabhu and Mr. S. K. Sundararaman. The committee is headed by Mr. C. S. K. Prabhu, a Non-Executive Director.

### **Terms of Reference**

The Committee has been constituted to look into the redressal of shareholders and investors' complaints like non-receipt of share certificates sent for transfer, non receipt of balance sheets, non receipt of declared dividends etc. The committee also approves issue of duplicate share certificates and oversees the matters connected with the transfer of securities. Mr. Govind M. Joshi, CFO & Company Secretary is designated as Compliance Officer.

### **REMUNERATION COMMITTEE**

The Committee was constituted on January 3, 2005 and comprises of two non- executive directors namely Dr. S. V. Balasubramaniam (Chairman) and Mr. S. V. Alagappan. The Committee was re-constituted on October 4, 2005 consisting of Dr. S. V. Balasubramaniam (Chairman) Mr. K. N. V. Ramani and Mr. S. V. Alagappan.

### **Remuneration Policy**

Remuneration of employees largely consists of base remuneration, perquisites and benefits which vary for cadres and are governed by the industry pattern, qualification and experience of the employee, responsibilities handled and individual performance etc. The Remuneration Committee while approving the remuneration of whole time directors takes into account the financial position of the Company and trend in the industry.



## SHAREHOLDING OF DIRECTORS IN OUR COMPANY

Sr. No.	Name of the Directors	No. of shares
1.	Dr. S. V. Balasubramaniam	1,253
2.	Mr. S. V. Alagappan	2,502
3.	Mr. S. V. Arumugam	1,253
4.	Mr S. K. Sundararaman	Nil
5.	Mr. K. N. V. Ramani	Nil
6.	Mr. C. S. K. Prabhu	Nil

Our Directors are not required to hold any qualification shares as per article 79 of our AoA.

## INTEREST OF OUR DIRECTORS

All our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration of expenses payable to them under our Articles of Association. The Managing Director and the Executive Director are interested to the extent of remuneration paid to them for services rendered by them. The Chairman and the Vice-Chairman are related to the Managing Director and the Executive Director.

Our Directors may also be regarded as interested in the Equity Shares held by them as disclosed above or that may be subscribed by and allotted to the Companies and firms in which they are interested as Directors / Members / Partners.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company in which they hold Directorships or any partnership firm in which they are partners.

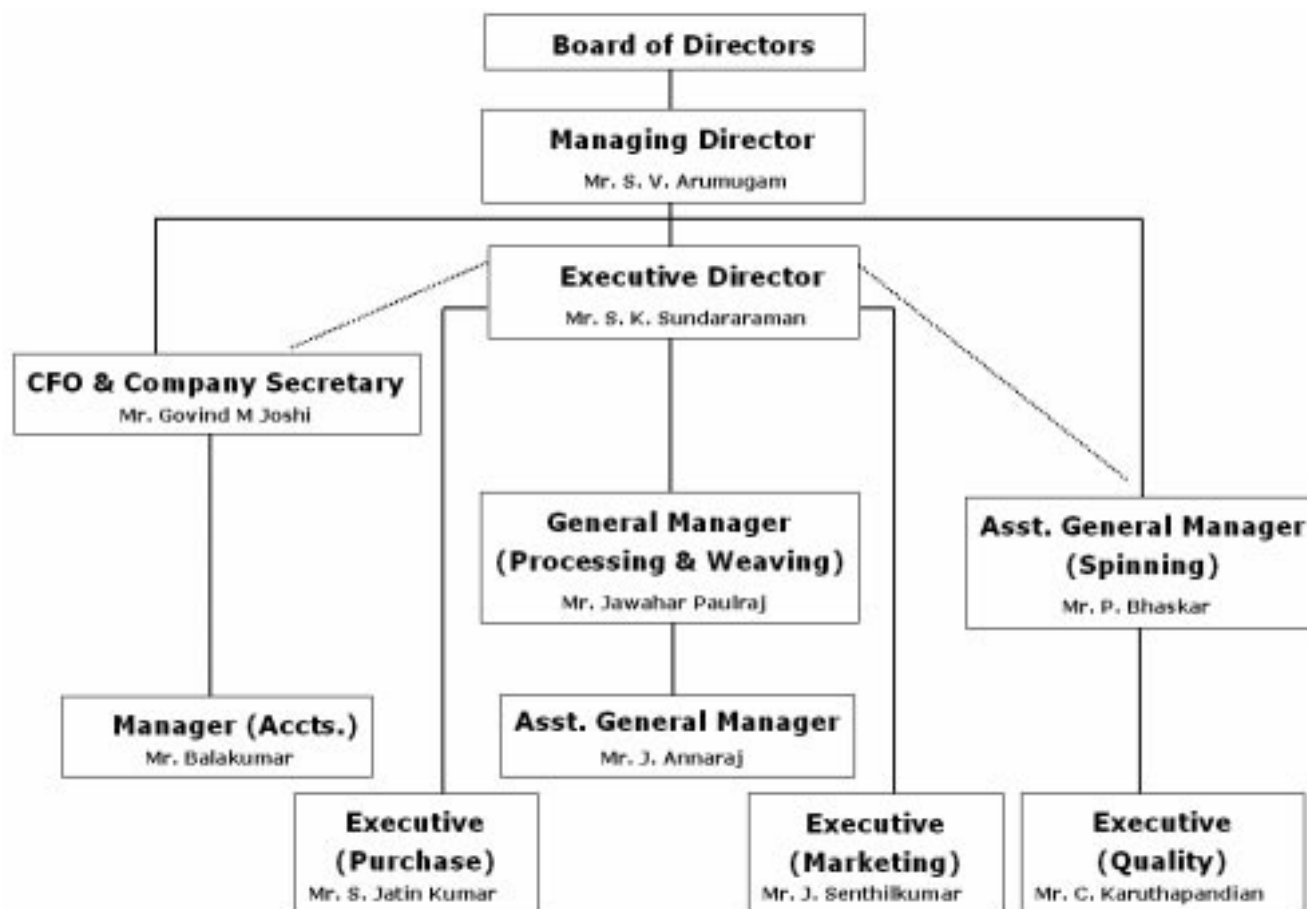
We have not entered into any contracts in the last two years from the date of this Red Herring Prospectus, in which our Directors are interested, directly or indirectly and no payments have been made to them in respect of these contracts are proposed to be made to them other than mentioned in "Financial Statements- Related Party Transactions on page no. 74 of this Red Herring Prospectus.

## CHANGES IN OUR BOARD OF DIRECTORS DURING THE LAST THREE YEARS

Name	Date of Appointment	Date of Resignation	Reasons
Mr. S. K. Sundaraman	May 24, 2004	-	Appointed as an Additional Director
Mr. M. N. Sakthivelsamy	-	May 24, 2004	Resigned due to personal reasons
Mr. S. V. Alagappan	-	June 27, 2005	Resigned as the Managing Director, continues to be the Vice-Chairman
Mr. S. V. Arumugam	June 27, 2005	-	Appointed as the Managing Director for a period of five years
Dr. S. V. Kandasami	-	July 25, 2005	Resigned due to personal reasons
Mr. S. V. Balakrishnan	-	July 25, 2005	Resigned due to personal reasons
Mr. C. Sivasamy	-	July 25, 2005	Resigned due to personal reasons
Mr. S. K. Sundararaman	June 27, 2005	-	Appointed as an Executive Director for a period of five years
Mr. K. N. V. Ramani	July 25, 2005	-	Appointed as an Additional Director
Mr. C. S. K Prabhu	July 25, 2005	-	Appointed as an Additional Director



## MANAGEMENT ORGANISATION STRUCTURE



### KEY MANAGERIAL PERSONNEL

The details of the key managerial personnel of our Company are as follows :

**Mr. S. V. Arumugam, Managing Director**

Please refer to the section on “Our Promoters” on page 67 of this Red Herring Prospectus.

**Mr. S. K. Sundararaman, Executive Director**

Please refer to the section on “Our Management” on page 59 of this Red Herring Prospectus.

**Mr. W. Jawahar Paulraj, General Manager - Processing and Weaving**

Mr. W. Jawahar Paulraj, aged 40 years, is a B.Tech in Textile Technology (1986) and MBA (1996) with over 18 years of varied experience in weaving, processing, garmenting and marketing. He joined the Company on April 1, 2005 and prior to joining the Company, he served as Deputy General Manager (Projects and Marketing) in Loyal Textile Mills Limited, Kovilpatti. He is responsible for the general administration, production and marketing of the weaving and processing divisions and reports to the Executive Director. His annual remuneration is Rs. 0.27 million.

**Mr. P. Bhaskar, Asst. General Manager - Spinning.**

Mr. P. Bhaskar, aged 39 years, is holding a Diploma in Textile Technology (1984) and has 20 years of experience of which 10 years have been in the textile industry. He is the overall incharge of the spinning unit and is functional responsible for



production, factory operations and personnel management at the Spinning division. He joined the Company in 1989 and prior to his joining the Company, he was working as Quality Control in charge with Sambandam Spinning Mills Limited, Salem. Mr Bhaskar reports to the Executive Director and draws an annual remuneration of Rs 0.20 million.

**Mr. J. Annaraj, Asst. General Manager – Weaving.**

Mr. J. Annaraj, aged 47 years holds a Diploma in Textile Technology (1977) and has to his credit over 25 years of varied experience in the Textile Industry. He joined the Company in April, 2005 and prior to his joining the Company, he was working as Assistant General Manager (Weaving) in Loyal Textile Mills Limited, Kovilpatti. His functional responsibility is production and he reports to the General Manager (Processing & Weaving). He draws an annual salary of Rs 0.26 million

**Mr. Govind M. Joshi, Chief Financial Officer & Company Secretary.**

Mr. Govind M. Joshi, aged 45 years, is a Chartered Accountant (1990) and Company Secretary (1990) with over 17 years of working experience in resource mobilization, funds management, issue management activities, budgeting, operational support besides all corporate secretarial functions of a widely held listed Company. He joined the Company on June 27, 2005 and prior to his joining the Company, he was working as Company Secretary for Shiva Texyarn Limited. He is responsible for the finance and secretarial functions and reports to the Managing Director. He draws an annual remuneration of Rs 0.23 million.

**Mr. C. S. Balakumar, Manager – Accounts.**

Mr. C. S. Balakumar, aged 44 years, is a Commerce Graduate (1981) and inter-CA and has over 17 years of experience in corporate accounting, resource mobilization, banking and taxation. He joined the Company in February, 1989 and prior to joining the Company, he was working as audit assistant with M/s. Rajamani & Co., Chartered Accountants, Coimbatore. Mr. Balakumar is responsible for the accounting function and reports to the CFO & Company Secretary. He draws an annual remuneration of Rs 0.19 million.

**Mr. J. Senthil Kumar, Manager – Marketing.**

Mr. J. Senthilkumar, aged 35 years, is a BSc (Computer Science) and a management graduate. He has an overall experience of 12 years with two years of experience in the textile industry. He joined the Company in January, 1988. Mr Senthilkumar is responsible for the marketing function and reports to the Managing Director of the Company. He draws an annual remuneration of Rs 0.15 million.

The Key managerial personnel whose names appear above are permanent employees and are on the rolls of the Company.

### CHANGES IN OUR KEY MANAGERIAL PERSONNEL DURING THE LAST THREE YEARS

Name of the Employee	Position Held	Date of Appointment	Date of Cessation
Mr. S. V. Alagappan	Managing Director	-	June 2005
Mr. S.V. Arumugam	Managing Director	June 2005	Continuing
Mr. S. K. Sundararaman	Executive Director	June 2005	Continuing
Mr. W. Jawahar Paulraj	General Manager - Weaving and Processing	April 2005	Continuing
Mr. J. Annaraj	Asst. General Manager – Weaving	April 2005	Continuing
Mr. Govind M. Joshi	Chief Financial Officer & Company Secretary	June 2005	Continuing

### SHAREHOLDING OF THE KEY MANAGERIAL PERSONNEL

None of our key managerial personnel other than the Directors hold shares of our Company as on day. Please refer to page no. 63 of this Red Herring Prospectus for the shareholding details of our Directors.

### BONUS OR PROFIT SHARING PLAN FOR THE KEY MANAGERIAL PERSONNEL

Currently, the Company does not have any performance linked Bonus or a profit sharing scheme for the employees. The Key managerial personnel of the Company do not have any interest in the Company other than to the extent of their remuneration to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.



## EMPLOYEES

Our Company has not granted any employee stock options to the employees of our Company.

## HUMAN RESOURCES AND HR POLICY INITIATIVES

Our success depends to a great extent on our ability to recruit, train and retain quality employees and workers. Accordingly, we place special emphasis on the human resources function in our Company.

Some of the important aspects of our human resource functions are as follows:

### Recruitment

All recruitments are made after carefully assessing the capabilities of the candidates in the personal interviews. The candidates will be interviewed by the respective heads of department who will assess the potential of the candidate in general and in the area of specialization. Promotions are based more on the performance of the employee than on seniority. The work of employees is reviewed periodically by the respective heads of department.

### Training

Every employee undergoes regular training at different intervals of time throughout the organization.

- In-house training: Training provided to the employees of the company within the company premises by internal and external trainers.
- On-the-job training: Training provided on the actual job itself under the supervision of a qualified supervisor or senior employee.

### Payment or Benefit to the Officers (Non-Salary related)

The Company provides accommodation facility for the supervisors, middle managerial personnel and the Officers in our spinning facility located at Vadamadurai village, Dindigul District. We also provide accommodation facility for the supervisors, middle managerial personnel and workers at our weaving facility located at Annur, near Coimbatore.

Relationship between the Directors and Key Management Personnel

S. No.	Director	Relation with	Relationships
1	Dr. S. V. Balasubramaniam	Mr. S. V. Alagappan Mr. S. V. Arumugam Mr. S. K. Sundararaman	Brother Brother Uncle
2	Mr. S. V. Alagappan	Dr. S. V. Balasubramaniam Mr. S. V. Arumugam Mr. S. K. Sundararaman	Brother Brother Uncle
3	Mr. S. V. Arumugam	Dr. S. V. Balasubramaniam Mr. S. V. Alagappan Mr. S. K. Sundararaman	Brother Brother Uncle
4	Mr. S. K. Sundararaman	Dr. S. V. Balasubramaniam Mr. S. V. Alagappan Mr. S. V. Arumugam	Nephew Nephew Nephew
5	Mr. K. N. V. Ramani	-	-
6	Mr. C. S. K. Prabhu	-	-

None of the Key Management Personnel, except as mentioned above have any family relationship with the Company's Directors.



## OUR PROMOTERS

The Promoters of our Company are Dr. S. V. Balasubramaniam, Mr. S. V. Alagappan, Dr. S. V. Kandasami, Mr. S. V. Arumugam, Mr. S. V. Balakrishnan and Shiva Distilleries Limited. Our Promoters and the promoter group companies, as disclosed in this Red Herring Prospectus, form part of the Rs. 4,500 million networth Bannari Amman Group which has business interests in diversified areas of industry.



### Dr. S. V. Balasubramaniam

Permanent Account Number : ABEPB2072Q  
Voter ID Number : Not Available  
Passport Number : Z 086830  
Driving License Number : C/TN/037/000785/2003  
Bank Account Number : 009800 0100038201, PNB

Dr. S. V. Balasubramaniam, aged 65 years is the Chairman and Promoter of our Company. He holds a Bachelors Degree in Commerce from Madras University and is a qualified Chartered Accountant as well as a Company Secretary. He is the recipient of the prestigious Doctor of Science (Honoris Causa) from Tamil Nadu Agricultural University, Coimbatore in the presence of Hon. President of India Dr. Abdul Kalam.

Dr. S. V. Balasubramaniam has more than 40 years experience in sugar, textile and engineering sector. He was the president of Indian Sugar Mills Association in the year 1990-91 and 2002-03. He was awarded with the "Seva Rathnakara Award" in the year 2000 from Sri Adichunhangiri Mahasamsthana Math, Sringeri, Karnataka, the "Baktha Siromani Award" by H. H. Kanchi Shankaracharya and the "TNF Excellence Award" from Tamil Nadu Foundation, USA.



### Mr. S. V. Alagappan

Permanent Account Number : AAOPA3017F  
Voter ID Number : HBW1013465  
Passport Number : E 6974948  
Driving License Number : R/TN/045/000247/2000  
Bank Account Number : 01190045580, SBI

Mr. S. V. Alagappan, aged 64 years is the Vice-Chairman and Promoter of our Company. He is a qualified law graduate and has experience in the field of textile for more than two decades. As Vice-Chairman, he assists the Chairman of the Company on policy matters, project expansions, finance outlays and Investments.



### Dr. S. V. Kandasami

Permanent Account Number : ADRPK4147N  
Voter ID Number : TN/20/105/0198300  
Passport Number : E 8558138  
Driving License Number : R/TN/037/002214/2004  
Bank Account Number : 01190045579, SBI

Dr. S V Kandasami, 63 years is M.S.(General Surgery) from Madras Medical College, and has specialized in M.Ch (Urology) from Christian Medical College, Vellore.

Dr. Kandasami has been practicing Urology since 1979. He established the Urology center in Coimbatore in the name of "Vedanayagam Hospital" which is recognized for advanced kidney stone surgery treatment including Shockwave treatment.



He is a member of Indian Medical Association, Association of Indian Urologists, Kerala Urological Association and World Endo Urology Society, USA. He has also been a faculty member in various workshops conducted by Urological Association in various parts of the country and has presented various papers both in India and abroad with reference to kidney stone treatment.



**Mr. S. V. Arumugam**

Permanent Account Number : ABRPA8939Q  
Voter ID Number : HBW1008473  
Passport Number : E 8895295  
Driving License Number : D/TN/038/012175/2005  
Bank Account Number : 01190045576, SBI

Mr. S. V. Arumugam, aged 56 years, is the Managing Director and Promoter of our Company. He holds a Bachelors Degree in Science and is a qualified Chartered Accountant. He has more than two decades of experience in the textile industry in planning, procurement, execution and management. He is responsible for the overall operations of the Company inter alia finance, purchase, sales and marketing.

He is the Chairman of South India Textile Mills Association (SIMA), which has 301 Textile Mills as its Members and was the past Chairman of Confederation of Indian Industry, Coimbatore Chapter. He is also a Committee Member of the Indian Cotton Mills Federation (ICMF), Mumbai. He is the Honorary Secretary of Indian Wind Power Association, Chennai.



**Mr. S. V. Balakrishnan**

Permanent Account Number : AGVPS9509H  
Voter ID Number : BDZ1685791  
Passport Number : E3748496  
Driving License Number : R/TN/002/009227/2004  
Bank Account Number : 0098000100027250, PNB

Mr. S. V. Balakrishnan, 52 years, is a Bachelor of Law from Madras University. He has twenty years experience in the business of agro processing. He is currently managing the operations of Coimbatore Agro Industries Limited.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of all the above individual promoters have been submitted to NSE and the BSE at the time of filing this Red Herring Prospectus with them.

## **PROMOTER COMPANY**

### **Shiva Distilleries Limited. (SDL)**

Shiva Distilleries Limited was originally incorporated as "Shiva Distilleries Private Limited" on September 16, 1982 and was promoted by Dr. S. V. Balasubramaniam. The Company was converted to a public limited company on November 15, 2002 under the name of "Shiva Distilleries Limited". The Company manufactures Indian made foreign liquor (IMFL) and is also in the generation of wind energy. There has been no change in the management of the company since incorporation.



The Shareholding of Shiva Distilleries as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Dr. S. V. Kandasami	49,500	9.90
2.	Dr. S. V. Balasubramaniam	46,000	9.20
3.	Shiva Texyarn Limited	45,000	9.00
4.	Mr. B. Saravanan	44,200	8.84
5.	Mr. S. V. Arumugam	41,000	8.20
6.	Mr. S. V. Alagappan	40,500	8.10
7.	Sakthi Murugan Transports Private Limited	25,000	5.00
8.	Others	208,800	41.76
	<b>Total</b>	<b>5,00,000</b>	<b>100.00</b>

### Board of Directors

The Board of Directors of Shiva Distilleries Limited as on March 31, 2005 comprises of Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Mr. B. Saravanan, Mr. S. V. Alagappan and Mr. C. Sivaswamy

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-2003	2003-2004	2004-2005
Total Income	1949.56	1727.82	1671.24
PAT	59.90	70.47	24.90
Equity Capital (Face value of Rs. 10 per share)	5.00	5.00	5.00
Reserves (excluding revaluation reserve)	735.56	815.55	813.15
EPS (Rs.)	119.80	140.94	49.79
Book Value/Share (Rs.)	1481.12	1641.10	1636.30

We confirm that the Permanent Account Number, Bank Account Number, the Company registration number and the addresses of the Registrars of Company where the company is registered of the Promoter company has been submitted to the Stock Exchanges where the shares of our company are proposed to be listed.

### Common Pursuits

Shiva Texyarn Limited, a group company is also engaged in the same line of business.





### Interest of Promoters

We have acquired the following property from the promoter / promoter group companies. Details of the acquisition of property is given as under

Sr. No	Location	Extent	Previous Owner	Consideration
1.	Kunnathur Village, Coimbatore District	6.87 acres	Annamallai Retreading Company Limited	Rs 0.75 million
2.	Velvarkotai Village, Vedasandur Taluk, Dindigul District.	15.72 acres	Annamallai Industries Limited	Rs 0.55 million

### Payment or benefit to Promoters

The Promoters and Directors of our Company have no interest in our Company except to the extent of remuneration received by them in their respective capacities and reimbursement of expenses and to the extent of any Equity Shares of our Company held by them. There are no interests of Promoters or payment or benefit to Promoters / Directors as mentioned elsewhere in the document.



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## RELATED PARTY TRANSACTIONS

For related party transactions, see “Restated Financial Statements” on page 74 of this Red Herring Prospectus and paragraph titled “Interest of Promoters” on page 70.



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## CURRENCY OF PRESENTATION

In this Red Herring Prospectus, all references to “Rupees” “Rs.” are to the legal currency of India, all references to “U.S. Dollars”, and “US\$” are to the legal currency of the United States.

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



## DIVIDEND POLICY

Dividends are declared at the Annual General Meeting of the Company based on the recommendations of the Board of Directors. The Board recommends dividend at its discretion depending on a number of factors, including but not limited to earnings, future plans, capital requirements, profit earned during the financial year, overall financial conditions, the cost of raising funds from alternative sources, liquidity, applicable taxes including taxes on dividend etc.

The dividends paid by the Company (excluding Corporate Tax on dividend including cess thereon) during the last five years are presented below:

<b>FY ended March 31<sup>st</sup></b>	<b>Face Value of Equity Shares (Rs.)</b>	<b>Amount (Rs. in million)</b>	<b>Dividend</b>
2001	10	52.50	15%
2002	10	35.00	10%
2003	10	35.00	10%
2004	10	70.01	20%
2005	10	96.26	20%



## RESTATED FINANCIAL STATEMENTS

To

The Board of Directors,  
Bannari Amman Spinning Mills Limited,  
252, Mettupalayam Road,  
Coimbatore – 641 043

Dear Sirs,

We have examined the Financial Information of Bannari Amman Spinning Mills Limited ('the Company') for the five financial years ended March 31, 2005 and for 5 Months period from April 2005 to August 2005 as attached to this report, stamped and initialled by us for identification and as approved by the Board of Directors of the Company, which has been prepared in accordance with –

- Paragraph B(1) of Part – II of Schedule II to the Companies Act, 1956, of India ('the Act') and amendments thereof;
- Securities and Exchange Board of India - Disclosure and Investor Protection Guidelines 2000 (as amended from time to time) ('the Guidelines') issued by the Securities and Exchange Board of India (SEBI) on January 19, 2000 in pursuance to section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and the amendments from time to time thereto, to the extent applicable;
- The instructions dated 10<sup>th</sup> July 2005 received from the Company, requesting us to carry out the assignment in connection with the Red Herring Prospectus and Prospectus being issued by the Company for the initial public offering of Equity Shares.

### A. Financial Information of the Company as per audited financial statements:-

We have examined the attached restated Summary of Assets and Liabilities (Annexure I) of the Company as at March 31, 2001, 2002, 2003, 2004, 2005 and as at August 31, 2005 and the restated Summary of Profit and Loss Account (Annexure II) for each of the years/ period ended on those dates, together referred to as 'Summary Statements' and Notes to Summary Statements as set out in Annexure V.

The Summary Statements for the financial years ended March 31, 2001, 2002, 2003, 2004, 2005 and for 5 Months period ended August 31, 2005 have been extracted from the financial statements audited by us and adopted by the Board of Directors/ Members of the Company.

Based on our examination of these Summary Statements we confirm that:

The Summary Statements of the Company have been restated with retrospective effect to reflect the significant accounting policies (as disclosed in Annexure IV to this report) as adopted by the Company as at March 31, 2005 and as at August 31, 2005.

### B. Dividends:

We have examined the Statement of Dividend paid/ proposed by the Company on equity shares in respect of the financial years ended March 31, 2001, 2002, 2003, 2004 and 2005 as disclosed in Annexure VI. We confirm that the Company has no other class of issued and paid-up shares during those years.

### C. Other Financial Information:

We have examined the following financial information relating to the Company, proposed to be included in the Red Herring Prospectus and Prospectus, as approved by the Board of Directors of the Company and attached to this report:

- i. Details of items of Other Income, enclosed as Annexure III.
- ii. Cash flow statement – enclosed as Annexure - VII
- iii. Capitalisation Statement as at March 31, 2005 and August 31, 2005 of the Company, enclosed as Annexure VIII.
- iv. Summary of Accounting Ratios based on the restated profits relating to Earnings Per Share, Net Asset Value, and Return on Net worth enclosed as Annexure IX.
- v. Statement of Secured Loans and assets charged as securities, enclosed as Annexure X.



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- vi. Statement of Unsecured Loans enclosed as Annexure XI.
  - vii. Details of Sundry Debtors, enclosed as Annexure XII.
  - viii. Statement of Loans and Advances, enclosed as Annexure XIII.
  - ix. Tax Shelter Statement, enclosed as Annexure XIV.
  - x. Statement of Commitments and Contingent Liabilities, enclosed as Annexure XV.
  - xi. Details of related party disclosure enclosed as Annexure XVI
  - xii. Details of Reserves and Surplus enclosed as Annexure XVII

In our opinion, the financial information of the Company as mentioned in paragraphs A. to C. above, read with the significant accounting policies after making regrouping/ adjustments, have been prepared in accordance with Part II of Schedule II to the Act and the Guidelines issued by SEBI.

This report is intended solely for your information and for inclusion in the Red Herring Prospectus and Prospectus being issued by the Company for initial public offering of Equity and submission to the ROC and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **P. N. Raghavendra Rao & Co.**,  
Chartered Accountants

(sd/-)  
**(P R VITTEL)**  
Partner

Coimbatore, September 29, 2005



## Annexure - I

### Summary of Assets and Liabilities – Restated

(Rs. in million)

Details	As at the year / period ending 31 <sup>st</sup>					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001
<b>Fixed Assets</b>						
Gross Block	872.44	866.89	531.22	502.42	484.13	451.67
Less: Depreciation	208.40	191.31	171.24	143.53	119.92	103.82
<b>Net Block (A)</b>	<b>664.04</b>	<b>675.59</b>	<b>359.98</b>	<b>358.88</b>	<b>364.21</b>	<b>347.85</b>
<b>B. Investments</b>	<b>29.94</b>	<b>29.94</b>	<b>29.94</b>	<b>29.94</b>	<b>24.44</b>	<b>20.54</b>
<b>Current Assets, Loans &amp; Advances</b>						
Inventories	198.96	320.16	304.10	185.10	156.95	237.21
Sundry Debtors	30.75	25.94	20.63	19.57	33.35	23.45
Cash and Bank balances	70.77	7.96	7.14	10.51	50.11	14.99
Loans and Advances	104.07	46.82	39.29	36.38	36.93	43.64
Other Current Assets	43.86	23.13	0.85	0.70	1.35	0.61
<b>Sub Total (C)</b>	<b>448.41</b>	<b>424.00</b>	<b>372.01</b>	<b>252.26</b>	<b>278.69</b>	<b>319.90</b>
<b>Less: Loans and Liabilities</b>						
Secured Loans	303.21	341.47	116.45	96.10	121.83	182.86
Unsecured Loans	125.86	127.87	128.10	107.02	189.51	176.39
Current Liabilities and Provisions	67.32	81.03	58.48	43.80	35.29	45.74
<b>Sub Total (D)</b>	<b>496.39</b>	<b>550.38</b>	<b>303.03</b>	<b>246.91</b>	<b>346.63</b>	<b>404.98</b>
<b>Deferred Tax (E)</b>	<b>144.36</b>	<b>118.15</b>	<b>102.24</b>	<b>100.63</b>	<b>79.80</b>	<b>74.78</b>
<b>Net Worth (A+B+C-D-E)</b>	<b>501.65</b>	<b>461.00</b>	<b>356.66</b>	<b>293.54</b>	<b>240.92</b>	<b>208.53</b>
<b>Represented by</b>						
Share Capital	87.51	87.51	35.01	35.01	35.01	35.01
Reserves & Surplus	414.13	373.49	321.65	258.54	205.92	173.54
Less: Miscellaneous Expenditure	0.00	0.00	0.00	0.01	0.01	0.01
<b>Net Worth</b>	<b>501.65</b>	<b>461.00</b>	<b>356.66</b>	<b>293.54</b>	<b>240.92</b>	<b>208.53</b>



## Annexure – II

### Statement of Profit and Loss (Restated)

(Rs. in million)

Details	As at the year / period ending 31 <sup>st</sup>					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001*
<b>Income</b>						
Net Sales of products manufactured by the Company	300.72	696.01	721.24	596.34	621.36	928.73
Income from Wind Mill	33.64	25.69	0.00	0.00	0.00	0.00
Other Income	12.43	17.61	4.77	4.93	5.43	4.72
Increase / (Decrease) in Stock	22.06	16.96	(6.68)	2.08	(22.05)	7.06
<b>Total</b>	<b>368.85</b>	<b>756.28</b>	<b>719.33</b>	<b>603.34</b>	<b>604.75</b>	<b>940.50</b>
<b>Expenditure</b>						
Raw material consumed	203.33	419.23	440.86	334.16	376.26	544.73
Employees cost	7.85	21.30	21.72	19.72	19.42	15.23
Power & Fuel	31.45	68.93	72.45	63.07	59.48	87.75
Other manufacturing cost	15.60	28.00	24.02	25.26	24.78	36.88
Administration Expenses	3.81	10.17	12.82	11.38	9.25	12.08
Selling & Distribution Expenses	7.70	17.60	18.79	14.03	18.51	27.94
Interest	8.67	12.10	7.98	17.33	23.41	45.60
Depreciation	17.44	32.14	27.71	24.17	23.19	31.23
<b>Total</b>	<b>295.85</b>	<b>609.48</b>	<b>626.34</b>	<b>509.13</b>	<b>554.29</b>	<b>801.44</b>
<b>Net profit before Extra ordinary items &amp; Tax</b>	<b>73.00</b>	<b>146.80</b>	<b>92.99</b>	<b>94.21</b>	<b>50.46</b>	<b>139.06</b>
Current tax (Provision and Payment)	6.14	11.50	20.36	16.80	9.20	23.60
Deferred tax	12.87	19.97	1.62	4.10	5.02	6.03
<b>Net profit after Tax</b>	<b>53.98</b>	<b>115.32</b>	<b>71.01</b>	<b>73.30</b>	<b>36.24</b>	<b>109.43</b>
<b>Net profit</b>	<b>53.98</b>	<b>115.32</b>	<b>71.01</b>	<b>73.30</b>	<b>36.24</b>	<b>109.43</b>
Balance of Surplus brought forward	22.72	58.38	45.27	35.92	33.54	9.23
Amount available for Appropriation	76.71	173.70	116.27	109.23	69.78	118.66
<b>APPROPRIATION:</b>						
Provision for Dividend	0.00	9.63	7.00	3.50	3.50	5.25
Provision for Tax on Dividend	0.00	1.35	0.90	0.46	0.36	0.54
Transfer to General Reserve	0.00	140.00	50.00	60.00	30.00	90.00
Balance carried over to Balance Sheet	76.71	22.72	58.38	45.27	35.92	33.54

\* for a period of 18 months





## Annexure - III

### Statement of Other Income

(Rs. in million)

Particulars	For the year / period ending 31 <sup>st</sup>						Nature of Income
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001*	
Interest Receipts on fixed deposits with bank / Electricity deposit	-	1.20	2.41	1.12	2.42	3.18	Recurring
Dividend receipts	-	2.50	2.00	3.04	0.01	0.04	Recurring
Premium on Exim Scrip	-	-	-	-	-	0.40	Non - Recurring
Profit on sale of fixed assets	9.96	7.51	-	0.57	2.71	0.05	Non - Recurring
Miscellaneous Sales / Receipts	2.47	6.39	0.35	0.21	0.29	1.04	Recurring
<b>Total</b>	<b>12.43</b>	<b>17.61</b>	<b>4.77</b>	<b>4.93</b>	<b>5.44</b>	<b>4.72</b>	

\* for a period of 18 months



### Significant Accounting Policies

1. All income and expenses are accounted on accrual basis.
2. Investments are accounted at cost and they are treated as long term investments. Variations in Market Value of the shares as compared to cost are considered temporary and are not provided for.
3. Valuation of Inventory.
  - a. Finished Goods - at cost or net realisable value whichever is lower
  - b. Raw materials - at average cost
  - c. Waste Cotton - at realisable value
  - d. Stores & spares - at cost
  - e. Stock in process - at estimated cost
4. The Fixed Assets are valued at Cost. The other related expenses incurred before the fixed assets are put into use are capitalised to the respective assets. The Fixed assets shown in the books are not revalued.
5. The Company has provided depreciation on straight-line basis in respect of fixed assets at the rates prescribed in Schedule XIV to the Companies Act, 1956.
6. The Company has opted for Life Insurance Corporation Employees Group Gratuity Scheme to cover its gratuity liability and the premium on the same is paid.
7. Contingent liability is shown by way of a note.
8. Foreign currency transactions: Exports / imports are accounted at negotiated rate.



## Notes to Summary Statements

### I. Changes in Accounting Policies

1. Depreciation – In respect of spinning mills division of the Company the method of providing for depreciation has been changed to straight line basis from WDV method in the financial year ending March 31, 2005. Accordingly the depreciation for the earlier year has also been reworked on straight line basis.
2. Deferred taxation – In line with the change in the method of depreciation adopted the deferred taxation for the financial years ending March 31, 2004 and 2003 have been reworked.

The deferred taxation in respect of the company comes into effect from the financial year ending March 31, 2003, in terms of Accounting Standard 22. For the earlier years also the deferred taxation has been worked out.

### II. Qualifications in Auditors' Report

#### Financial years 2000-2001 to 2004-2005

The company does not have the services of the qualified company secretary as required in section 383 A of the Companies Act, 1956.

No adjustments are required in the accounts for the above qualification.

### III. Notes to Accounts

#### Financial period April 2005 to August 2005

Deferred Tax Liability represents the liability arisen on account of depreciation on fixed assets.

Aggregate market value of quoted investments as on 31st August, 2005 is Rs. 14,01,63,732/- and aggregate book value of unquoted investments as on 31st Aug, 2005 is Rs. 94,05,400/-.

#### Financial year 2004-2005

Deferred Tax liability represents the liability arisen on account of depreciation on fixed assets.

Aggregate market value of quoted investments as on 31st March, 2005 is Rs. 6,86,79,632/- and aggregate book value of unquoted investments as on 31st March, 2005 is Rs. 94,05,400/-.

#### Financial year 2003-2004

Deferred Tax liability represents the liability arisen on account of depreciation on fixed assets.

Aggregate market value of quoted investments as on 31st March, 2004 is Rs. 3,51,97,330/- and aggregate book value of unquoted investments as on 31st March, 2004 is Rs. 94,05,400/-.

#### Financial year 2002-2003

Deferred Tax liability as at the beginning of the year has been created by transferring from General Reserve. The Deferred Tax liability for the year represents the timing difference arising on account of Depreciation.

Aggregate market value of quoted investments as on 31st March, 2003 is Rs. 2,51,82,637/- and aggregate book value of unquoted investments as on 31st March, 2003 is Rs. 94,05,400/-.



## Annexure – VI

### Statement of Dividend Paid / Proposed

(Rs. in million)

Details	As at the year / period ending 31 <sup>st</sup>					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001*
Face Value per Equity Share (Rs)	10	10	10	10	10	10
Paid-up Equity Share Capital	87.51	87.51	35.01	35.01	35.01	35.01
Interim Dividend per share (Rs)	-	-	-	-	1.00	-
Final Dividend per share (Rs)	-	2.00	2.00	1.00	-	1.50
Total Interim Dividend Paid (Rs Million)	-	-	-	-	3.50	-
Total Final Dividend Paid (Rs Million)	-	**9.63	7.00	3.50	-	5.25
Tax on Total Dividend	-	1.35	0.90	0.46	0.36	0.54

\* For a period of 18 Months

\*\* Dividend paid proportionately on bonus shares



## Annexure – VII

### Cash Flow Statement prepared from the restated Financial Statements

(Rs. in million)

Particulars	For the year / period ending 31 <sup>st</sup>					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001*
<b><u>CASH FROM OPERATING ACTIVITIES</u></b>						
Net Profit before taxation & Extraordinary items	729.99	146.80	92.99	94.21	50.46	139.06
<u>Adjustments for:</u>						
Depreciation	174.39	32.14	27.71	24.17	23.19	31.23
Interest income	0.00	(1.20)	(2.41)	(1.12)	(2.42)	(3.18)
Dividend income	0.00	(2.50)	(2.00)	(3.04)	(0.01)	(0.04)
Interest expense	82.47	10.94	6.99	15.86	21.75	42.85
Profit/loss on sale of asset	(99.61)	(7.51)	0.00	0.04	(2.67)	0.00
Preliminary Exp W/O	0.00	0.00	0.01	0.00	0.01	0.01
Operating profit before working capital changes	887.24	178.67	123.28	130.13	90.31	209.93
<u>Adjustments for Changes in Working Capital:</u>						
Debtors	(48.23)	(5.31)	(1.05)	13.78	(9.90)	1.83
Inventories	1211.96	(16.06)	(119.00)	(28.15)	80.26	(144.87)
Other Current Assets & Loans & adv.	(748.50)	(41.97)	(1.88)	13.96	(11.78)	(4.90)
Current Liabilities	(107.10)	23.42	8.95	(2.89)	9.92	5.08
Cash generation from operations	1195.37	138.75	10.29	126.82	158.82	67.07
Less: income taxes paid	(31.34)	(8.91)	(19.50)	(21.92)	(4.92)	(17.79)
<b>Net Cash from Operations (A)</b>	<b>1164.03</b>	<b>129.84</b>	<b>(9.21)</b>	<b>104.90</b>	<b>153.90</b>	<b>49.28</b>
<b><u>CASH FROM INVESTING ACTIVITIES</u></b>						
Purchase of fixed assets	(108.18)	(352.11)	(28.81)	(19.40)	(45.56)	(68.08)
Proceeds from sale of assets	149.00	11.87	0.00	0.53	8.67	2.17
Interest income	0.00	1.20	2.41	1.12	2.42	3.18
Dividend income	0.00	2.50	2.00	3.04	0.01	0.04
Increase in investments	0.00	0.00	0.00	(5.50)	(3.90)	(20.54)
<b>Net Cash from Investing Activities (B)</b>	<b>40.82</b>	<b>(336.54)</b>	<b>(24.39)</b>	<b>(20.22)</b>	<b>(38.36)</b>	<b>(83.23)</b>



(Rs. in million)

Particulars	For the year / period ending 31 <sup>st</sup>					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001
<b><u>CASH FROM FINANCING ACTIVITIES</u></b>						
Increase in long term borrowings (USL)	(20.16)	(0.22)	21.07	18.06	13.13	29.32
Increase in short term borrowing	(859.11)	5.23	27.69	23.53	21.27	3.08
Borrowings / Repayment of loans	476.46	219.79	(7.33)	(149.82)	(82.29)	7.61
Interest paid	(64.15)	(9.39)	(7.23)	(16.05)	(22.88)	(43.58)
Dividend Paid	(109.76)	(7.90)	(3.96)	0.00	(9.65)	(3.89)
<b>Net Cash from Financing Activities (C)</b>	<b>(576.72)</b>	<b>207.51</b>	<b>30.24</b>	<b>(124.29)</b>	<b>(80.43)</b>	<b>(7.45)</b>
<b>Net Increase / (decrease) in cash &amp; cash equivalents (A+B+C)</b>	<b>628.13</b>	<b>0.82</b>	<b>(3.36)</b>	<b>(39.61)</b>	<b>35.12</b>	<b>(41.39)</b>
Cash and Cash Equivalents at the beginning of the year	79.57	7.14	10.51	50.11	14.99	56.39
Cash and Cash Equivalents at the end of the year	707.70	7.96	7.14	10.51	50.11	14.99
<b>Net Increase / (decrease) in cash and cash equivalents</b>	<b>628.13</b>	<b>0.82</b>	<b>(3.37)</b>	<b>(39.61)</b>	<b>35.12</b>	<b>(41.40)</b>



## Annexure – VIII

### Capitalisation Statement

(Rs. in million)

Particulars	Pre Issue as at 31.08.2005	Pre Issue as at 31.03.2005	Adjusted for present issue
<b>Borrowings:</b>			
Short Term Debts (Refer Note 1 below)	-	85.91	-
Long Term Debts (A)	303.21	255.55	303.21
<b>Total Debts</b>	<b>303.21</b>	<b>341.46</b>	<b>303.21</b>
<b>Shareholders' Funds</b>			
Equity Share Capital	87.51	87.51	***
Reserves & Surplus	414.13	373.49	***
<b>Total Shareholders' Funds (B)</b>	<b>501.65</b>	<b>461.01</b>	<b>***</b>
<b>Total Capitalisation</b>	<b>804.86</b>	<b>802.47</b>	<b>303.21</b>
Long Term Debt / Equity Ratio (A) / (B)	0.60	0.55	***

\*\*\* The Equity Share Capital and Reserves and Surplus (Post – Issue) can be calculated only on conclusion of the Book Building Process

Note 1: Short Term Debts are debts repayable within one year from the date of the above statement.



## Annexure – IX

### Accounting Ratios

Particulars	For the year / period ending 31 <sup>st</sup>						
		August 2005	March 2005	March 2004	March 2003	March 2002	March 2001*
Basic EPS (Before restatement)	Rs.	-	32.22	19.44	19.31	8.88	26.56
Basic EPS (After restatement)	Rs.	14.80	23.96	20.29	20.94	10.35	31.26
		Refer note1					
(ii) Net Asset Value per share	Rs.	57.32	52.68	101.89	83.86	68.82	59.57
(iii) Return on Net worth	%	26%	25%	20%	25%	15%	NA
		ReferNote1					

\* 18 month period

Note 1 – Profit for 5 months have been annualised.

### Formulae

- i) Basic EPS for the period ending 31.03.2001 has been calculated not on annualised net profit
- ii) Return on Networth has not been calculated since the net profit for the period ending 31.03.2001 not annualized.
- iii) Basic EPS after restatement represents basic earnings per share calculated as Restated Net Profit after Tax before exceptional items (PAT) divided by the number of equity shares at the end of fiscal year/period.
- iv) Net Asset Value per share, computed as per net equity method, is arrived at as Equity Net Worth at the end of the fiscal year / period minus miscellaneous expenditure not written off divided by the number equity shares at the end of the fiscal year/period.
- v) Return on Net Worth is arrived at by dividing PAT by total shareholders' fund (Net Worth) at the end of the fiscal year/ period.

### Note:

Ratios have been computed on the basis of the restated profits for the respective years/periods.





## Annexure – X

### Statement of Secured Loans as on August 31, 2005 & March 31, 2005

(Rs. in million)

Details	Amount As on 31.08.05	Amount As on 31.03.05	Rate	Security	Repayment Terms	Prepayment Clause
<b>Term Loans</b>						
Corporation Bank	179.20	179.20	8.50%	Note 1	Quarterly installment from May 2006	1% of amount prepaid
<u>ICICI Bank Limited</u>						
Term Loan – I	100.00	50.00	8.55%	Note 2	Quarterly installment from May 2006	Prepayment penalty as may be decided at the relevant time
Term Loan – II	13.57	14.61	12.75%	Note 3	Quarterly installment from Dec 2003	
Term Loan – III	10.44	11.75	15.45%	Note 3	Quarterly installment from Sep 2002	
<b>Cash Credit</b>						
Karur Vysya Bank Limited	0.00	30.56	10.5%	Note 4	N/A	N/A
Corporation Bank	0.00	14.22	10.5%	Note 5	N/A	N/A
<b>Packing Credit</b>						
Corporation Bank	0.00	12.69	*	Note 6	N/A	N/A
ICICI Bank Limited	0.00	28.43	**	Note 7	N/A	N/A
<b>Total</b>	<b>303.21</b>	<b>341.46</b>				

\* LIBOR + 0.75%

\*\* determined from time to time on the date of disbursement

Note 1 - First charge on the wind mills and all related equipments and systems and accessories.

Note 2 - The whole of the specified movable properties of the company situated at Vadamadurai Village, Vedesenthur Taluk, Dindigul District, Tamil Nadu, including the machinery spares, tools and accessories. The above charge covers the sanctioned loan of Rs.1800 Lakhs, out of which the company has drawn Rs.500 Lakhs as on 31.03.2005. The interest rate on the balance portion of loan would be as prevalent on the date of drawal. The terms of repayment would also be in 32 equal quarterly instalments with initial 2 years moratorium from the date of drawal.

Note 3 - Term loan II and III from ICICI Bank Ltd. has been secured by the hypothecation of the Plant & Machinery and first mortgage of the immovable properties of the spinning mill both present and future at Vadamadurai. This loan is further secured by corporate guarantee extended by M/s. Shiva Distilleries Limited.

Note 4 - Cash credit from the Karur Vysya Bank Limited has been secured by hypothecation of raw materials, stock in process, finished goods of the mills and a second charge on the fixed assets of the company in pari passu with Corporation Bank. The loan is further secured by personal guarantee of the Chairman, Vice-Chairman cum Managing Director & a Director of the Company.

Note 5 - Cash credit and Packing Credit loans from Corporation Bank have been secured by hypothecation of raw materials, stock in process, finished goods of the mills and a second charge on the fixed assets of the company in pari passu with the Karur Vysya Bank Limited. The loans are further secured by personal guarantee of the Chairman, Vice-Chairman cum Managing Director & a Director of the Company.

Note 6 - Packing credit / Cash credit from ICICI Bank Limited have been secured by hypothecation of raw materials, semi finished goods, finished goods, consumable stores and spares and other movable properties both present and future for limit upto Rs.500 Lakhs and the balance is secured by unconditional and irrevocable by personal guarantee of Director.



## Annexure – XI

### Statement of Unsecured Loans as on March 31, 2005 & August 31, 2005

(Rs. in million)

Details	31.08.2005	31.03.2005	Repayment Schedule	
Interest Free Sales Tax Loan from Government of Tamil Nadu	125.86	127.88	19.32	2006-07
			17.73	2007-08
			18.21	2008-09
			17.66	2009-10
			16.05	2010-11
			18.06	2011-12
	20.85	2012-13		
<b>Total</b>	<b>125.86</b>	<b>127.88</b>	<b>127.88</b>	

**Note:**

The above mentioned loan is for a specific period. In case of stoppage of normal production for a continuous period of 6 months or more except in conditions of "force majeure" the outstanding loan can be recalled



## Annexure – XII

### Statement of Sundry Debtors (Unsecured considered good)

(Rs. in million)

Particulars	As at the year / period ending 31 <sup>st</sup>					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001
Debts outstanding for a period more than 6 months	0.41	0.41	0.37	1.42	1.68	1.78
Other debts	30.34	25.54	20.26	18.15	31.67	21.67
<b>Total</b>	<b>30.75</b>	<b>25.94</b>	<b>20.63</b>	<b>19.58</b>	<b>33.35</b>	<b>23.45</b>

#### Notes:

The above does not include any debts due from Related Parties



Annexure – XIII

**Statement of Loans and Advances**  
(Recoverable considered good, Recoverable in cash or kind)

(Rs. in million)

Particulars	As at the year / period ending 31 <sup>st</sup>					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001
Advance towards capital expenditure	63.01	9.10	3.78	1.10	2.27	0.98
Advance towards expenses/ purchases	2.18	2.97	1.39	0.70	5.36	1.69
Other advances	1.21	12.14	0.61	2.79	5.64	4.42
Deposit with Tamil Nadu Electricity Board	23.19	9.99	8.97	8.78	8.76	5.66
Sundry Deposits	2.11	1.92	1.91	1.96	1.44	0.07
Advance Income Tax and TDS	9.99	6.86	19.03	17.85	5.09	22.84
Prepaid expenses	2.36	3.84	3.61	3.21	2.88	2.49
Share application money		-	-	-	5.50	5.50
<b>Total</b>	<b>103.74</b>	<b>46.82</b>	<b>39.29</b>	<b>36.38</b>	<b>36.93</b>	<b>43.64</b>

**Note:**

The above does not include any debts due from Related Parties.



## Annexure – XIV

### Tax Shelter Statement

(Rs. in million)

Details	As at the year / period ending 31 <sup>st</sup>					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001
<b>Net Profit / (Loss) Before Tax and Exceptional Items (A)</b>	<b>72.99</b>	<b>146.80</b>	<b>92.99</b>	<b>94.21</b>	<b>50.46</b>	<b>**93.78</b>
Income Tax Rates Applicable	33.66%	36.59%	35.88%	36.75%	35.70%	39.55%
Minimum Alternative Tax (MAT) Rates Applicable u/s 115 JA/JB (%)	8.42%	7.84%	7.69%	7.88%	7.65%	8.48%
Tax at Normal Income Tax Rates	24.57	53.72	33.36	34.62	18.02	37.09
<b>Tax at MAT Rates (B)</b>	<b>6.14</b>	<b>11.51</b>	<b>7.15</b>	<b>7.42</b>	<b>3.86</b>	<b>7.95</b>
<b>Adjustments:</b>						
<u>Permanent Differences</u>						
Donation net of deduction u/s 80G	0.00	0.57	2.94	2.58	1.25	1.75
Expenses Disallowed / Exemptions	0.00	0.00	(2.00)	(3.57)	(2.69)	(10.01)
Export benefit u/s 80HHC	0.00	0.00	(7.06)	(9.57)	(6.15)	(13.33)
Benefit u/s 80IB	0.00	0.00	(24.97)	(21.79)	(8.43)	(16.86)
<b>Total Permanent Differences (C)</b>	<b>0.00</b>	<b>0.57</b>	<b>(31.09)</b>	<b>(32.35)</b>	<b>(16.02)</b>	<b>(38.45)</b>
<b>Timing Differences</b>						
Difference between Book and Tax Depreciation	(38.24)	(187.02)	(4.80)	(12.19)	(14.92)	(17.91)
Adjustments u/s 145 A	0.00	0.00	0.64	(0.28)	(0.84)	0.18
Adjustment of brought forward loss	(34.75)	0.00	0.00	0.00	0.00	0.00
<b>Total Timing Differences (D)</b>	<b>(72.99)</b>	<b>(187.02)</b>	<b>(4.16)</b>	<b>(12.47)</b>	<b>(15.75)</b>	<b>(17.74)</b>
<b>Net Adjustments (C+D)</b>	<b>(72.99)</b>	<b>(186.45)</b>	<b>(35.26)</b>	<b>(44.82)</b>	<b>(31.77)</b>	<b>(56.18)</b>
Tax Saving thereon	(24.57)	(68.23)	(12.65)	(16.47)	(11.34)	(22.22)
<b>Total tax provision at normal income tax rates for the year (E)</b>	<b>0.00</b>	<b>(14.51)</b>	<b>20.71</b>	<b>18.15</b>	<b>6.67</b>	<b>14.87</b>
Tax Payable (Higher of B or E)	6.14	11.51	20.71	18.15	6.67	14.87
Tax Provision as per Books	6.14	11.50	20.36	16.80	9.20	23.60
Difference Excess / (Short)	0.00	(0.01)	(0.35)	(1.35)	2.53	8.73

\*\* Net profit has been adjusted for one year



Annexure – XV

Commitments and Contingent Liabilities

(Rs. in million)

Particulars	As at					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001
<b>COMMITMENTS</b>						
Estimated amount of contracts remaining to be executed on capital account and not provided for	5.00	5.00	244.00	-	8.02	1.00
<b>CONTINGENT LIABILITIES</b>						
Tamil Nadu Electricity Board had withdrawn in their letter dated 15.09.1999 the tariff concession extended to the Company in respect of energy consumed out of Windmill generation and demanded the payment of Rs 6.19 million. The Company has disputed the above and filed a writ petition in the High Court of Madras and obtained Interim Stay.	6.19	6.19	6.19	6.19	6.19	6.19
The Company has disputed levy of 5% Additional Electricity Tax by Tamil Nadu Electricity Board in the High Court of Chennai and obtained an interim stay	10.17	8.58	-	2.37	-	-
The Company has disputed the demand of peak hours consumption charges levied by Tamil Nadu Electricity Board in the High Court of chennai and obtained interim stay.		-	-	0.65	-	-
<b>Total</b>	<b>21.36</b>	<b>19.77</b>	<b>250.19</b>	<b>9.21</b>	<b>14.20</b>	<b>7.19</b>



## Annexure – XVI

Name of the related parties with whom the transactions have been entered into:

### Key Managerial Personnel

Mr. S. V. Alagappan - Managing Director, (since resigned) /Mr.S.V.Arumugam

### Enterprises in which promoter / Director hold substantial interest (if any)

Shiva Texyarn Limited

Shiva Distilleries Limited

### Disclosures of transactions with related parties:

(Rs in Million)

Year	Particulars	Key Management Personnel	Enterprises in which the key management personnel or relatives significant influence have	Total
Transactions for the year ended August 2005	Managerial Remuneration	0.40	0.00	0.40
	Purchase of Material/Goods		3.85	3.85
	Purchase of Power		19.82	19.82
Transactions for the year ended March 2005	Managerial Remuneration	4.00	0.00	4.00
	Sale of Machinery		0.46	0.46
	Purchase of Material/Goods		1.05	1.05
	Purchase of Power		23.57	23.57
Transactions for the year ended March 2004	Managerial Remuneration	2.80	0.00	2.80
	Purchase of Material/Goods		0.08	0.08
	Purchase of Power		26.51	26.51
	Sale of Material		**0.00	0.00
	Finance Charges		1.44	1.44
Transactions for the year ended March 2003	Managerial Remuneration	2.70	0.00	2.70
	Purchase of Material/Goods		0.17	0.17
	Purchase of Power		23.69	23.69
	Refund of Loans		100.00	100.00
Transactions for the year ended March 2002	Managerial Remuneration	1.50	0.00	1.50
	Sale of Machinery		3.20	3.20
	Purchase of Material/Goods		0.20	0.20
	Purchase of Power		20.71	20.71
	Sale of Material		0.02	0.02
	Receipt of Loans		100.00	100.00
	Purchase of Fixed Assets		0.35	0.35
Transactions for the year ended March 2001	Purchase of Material/Goods		0.12	0.12
	Sale of Materials		0.11	0.11
	Sale of Machinery		0.23	0.23
	Purchase of Machinery		0.04	0.04
	Purchase of Power		37.01	37.01
	Finance Charges		5.36	5.36
	Receipt of Loans		63.10	63.10
	Refund of loans		63.10	63.10

\*\* less than 10,000



## Annexure – XVII

### Details of Reserves and Surplus

(Rs. in million)

Details	For the year / period ending 31 <sup>st</sup>					
	August 2005	March 2005	March 2004	March 2003	March 2002	March 2001
General Reserve	337.42	350.77	263.28	213.28	170.00	140.00
Surplus in Profit & Loss Account	76.71	22.72	58.38	45.27	35.92	33.54
<b>Total</b>	<b>414.13</b>	<b>373.49</b>	<b>321.65</b>	<b>258.54</b>	<b>205.92</b>	<b>173.54</b>





## GROUP COMPANIES

### 1. BANNARI AMMAN SUGARS LIMITED

Bannari Amman Sugars Limited was incorporated on December 1, 1983. The company is engaged in manufacture of sugar, industrial alcohol, granites and generation of power. The initial public offer was made during September 1985. At present the company's shares are listed and traded at the BSE and the NSE.

#### Shareholding Pattern

The Shareholding pattern of Bannari Amman Sugars Limited as on March 31, 2005 is as follows:

Sr. No.	Particulars	Number of Shares held	% of total number of shares
1.	Promoters	4,455,957	46.71
2.	Public	5,083,743	53.29
	<b>Total</b>	<b>9,539,700</b>	<b>100.00</b>

#### Board of Directors

The Board of Directors of Bannari Amman Sugars Limited as on March 31, 2005 comprises of Dr. S. V. Balasubramaniam, Mr. V. Venkata Reddy, Mr. S. V. Arumugam, Mr. S. G. Subrahmanyam, Mr. P. L. Sivanappan, Mr. S. V. Alagappan, Mr. A. K. Perumalsamy, Mr. B. Saravanan and Mr. E. P. Muthukumar

#### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	3581.06	4775.80	4934.49
PAT	129.78	331.27	436.06
Equity Capital (Face Value Rs. 10 per share)	95.40	95.40	95.40
Reserves (excluding revaluation reserve)	1326.60	1619.23	2007.01
EPS (Rs.)	13.60	34.73	45.71
Book Value/Share (Rs.)	149.06	179.73	220.38

Note: The unsecured loans as on March 31, 2005 is Rs. 472.41 million

#### Share Quotation

	BSE		NSE	
	High	Low	High	Low
March 2005	576.30	527.85	600.00	485.00
April 2005	579.00	485.00	555.00	462.10
May 2005	510.00	470.05	522.80	476.65
June 2005	609.70	440.00	599.90	453.00
July 2005	759.90	578.00	760.00	570.50
August 2005	815.00	689.00	816.00	685.00
September 2005	860.00	719.80	850.00	756.00

Delisted from Coimbatore Stock Exchange Limited with effect from February 28, 2005, The Delhi Stock Exchange Association Limited with effect from January 20, 2005 and Madras Stock Exchange Limited with effect from January 19, 2005.



## Promise vs. Performance of last issue

The company had offered 3,937,500 secured zero interest fully convertible debentures of Rs.50 each for a cash aggregating to Rs. 196.88 million during August – September 1992 vide their Letter of Offer on a rights basis. The objects of the issue was to establish a new sugar factory with a daily cane crushing capacity of 2500 metric tones at Alaganchi Village in Karnataka. The company's requirement of funds was for meeting additional working capital requirements and normal capital expenditure towards replacement of existing plant & machinery.

The projected performance as given in the letter of offer and the actual performance achieved by the company is as follows:

(Rs. in Million)

Particulars	Year ended March 31					
	1992-93		1993-94		1994-95	
	Projected	Actual	Projected	Actual	Projected	Actual
Total Income	643.40	457.24	776.20	608.93	856.70	1319.50
PBT	46.20	22.44	69.70	12.00	92.90	44.97
PAT	46.20	22.44	69.70	12.00	77.40	44.75
EPS (Rs.)	12.32	5.98	8.79*	1.59	9.76*	4.69

\*on the enhanced Equity Capital after conversion of Debentures into shares.

### 1992-93

Due to riots on account of Cauvery Water Dispute, there were some damages to the assets of the sugar factory in Karnataka during implementation and the project was delayed by about three months.

### 1993-94

The supply of sugarcane to the sugar factory in Karnataka was badly affected due to diversion of sugarcane from the reserved area for manufacture of jaggery.

### 1994-95

During the year, the company has acquired assets and liabilities of Coimbatore Alcohol and Chemicals Limited by way of amalgamation.

## Investor Grievance and Redressal System

The investor grievance and redressal system is handled by the shareholder's committee which was formed on June 27, 2001 to specifically look into shareholder's/investors complaints, if any, on transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc., and also the action taken by the company on those matters. The committee consists of Mr. S. V. Arumugam, Mr. V. Venkata Reddy and Mr. B. Saravanan as its members. For the quarter beginning from July 1, 2005 and ending on September 30, 2005 the committee has received sixteen complaints altogether. All the complaints received were addressed during the said period itself.

## 2. SHIVA TEXYARN LIMITED

Annamalai Finance Private Limited was incorporated as on May 28, 1980 and subsequently became a public company on November 25, 1985. The name of the company was changed to "Annamallai Finance Limited" on December 3, 1985. The company carried out the business as Non Banking Financial Company (NBFC). The company's initial public offer was made in the year 1986 and the shares of the company were initially listed on the Bombay Stock Exchange and Madras Stock Exchange. The shares of the company got listed on National Stock exchange with effect from October 18, 1995. The company is currently engaged in the business of finance, windmill and textiles.



Through a scheme of amalgamation Shiva Texyarn Limited (transferor company) incorporated on March 23, 2002, promoted by Dr. S. V. Balasubramaniam and carrying on the business of manufacturing of textile yarn was merged with Annamallai Finance Limited (Transferee Company).

The Hon'ble High Court of Chennai approved the scheme of amalgamation vide its order dated June 19, 2002. Some of the salient features of the scheme are as follows:

1. The effective date for the amalgamation was January 1, 2001.
2. Whole of the undertaking comprising the assets and liabilities of the transferor company would vest in the transferee company from the effective date.
3. All employees of the transferor company would become employees of transferee company.
4. Each equity shareholder of the transferor company shall be entitled for every one equity share held by him in the transferor company, to three equity shares of the transferee company of the face value of Rs. 10 fully paid up with the premium of Rs. 5 per share credited as fully paid up.

The scheme also stated that the name of the transferee company be changed to Shiva Texyarn Limited to reflect the nature of its pre-dominant business.

### Shareholding Pattern

The Shareholding Pattern of Shiva Texyarn Limited as on March 31, 2005 is as follows:

Sr. No.	Particulars	Number of Shares held	% of total number of shares
1.	Promoters	16,190,094	74.94
2.	Public	4,653,049	21.54
3.	Others	761,378	3.52
	<b>Total</b>	<b>21,604,521</b>	<b>100.00</b>

### List of Directors

The Board of Directors of Shiva Texyarn Limited as on March 31, 2005 comprises of Dr. S. V. Balasubramaniam, Mr. V. Venkata Reddy, Mr. S. V. Arumugam, Mr. S. V. Alagappan, Mr. Manickavasagan, Dr. S. V. Kandasami, Mr. C. Sivaswamy, Mr. A. Senthil and Mr. S. V. Balakrishnan.

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03 (15 months)	2003-04	2004-05
Total Income	1096.26	953.27	975.84
PAT	25.79	23.60	50.85
Equity Capital (Face value of Rs. 10 per share)	216.05	216.05	216.05
Reserves (excluding revaluation reserve)	604.43	609.75	583.00
EPS (Rs.)	1.19	1.09	2.35
Book Value/Share (Rs.)	37.99	38.23	36.98

Note: The unsecured loans as on March 31, 2005 is Rs. 292.11 million



## Share Quotation

	BSE		NSE	
	High	Low	High	Low
February 2005	27.75	22.00	28.40	21.60
March 2005	23.90	19.00	24.35	18.15
April 2005	22.95	18.55	23.20	20.00
May 2005	30.00	20.25	29.70	20.25
June 2005	34.20	25.10	34.55	23.50
July 2005	39.45	27.70	39.55	27.55
August 2005	43.45	34.40	42.65	34.20
September 2005	49.90	35.15	50.55	36.25

Delisted from Madras Stock Exchange Limited with effect from March 31, 2005. The company has also applied for delisting of its stock from the Coimbatore Stock Exchange vide their letter dated March 16, 2005. The company is yet to receive a reply from the Coimbatore Stock Exchange.

### Promise vs. Performance of last issue

The company, during February – March 1995, came out with a rights issue of 7,501,600 equity shares of the face value of Rs. 10 each for a cash at a premium of Rs. 20 each aggregating to Rs. 225.05 million vide their letter of offer. The objects of the issue was to strengthen the capital adequacy ratio, as prescribed by Reserve Bank of India for NBFC's. The company required fund to meet the working capital requirements of the company to cater the demand for funds for deployment in the principal business of hire purchase financing of automobiles and also in equipment leasing.

The projected performance as given in the letter of offer and the actual performance achieved by the Company is as follows:

(Rs. in Million)

Particulars	Year ended March 31					
	1994-95		1995-96		1996-97	
	Projected	Actual	Projected	Actual	Projected	Actual
Total Income	290.47	252.85	436.04	336.38	562.97	415.89
PBT	51.55	50.20	101.65	54.01	136.88	50.61
PAT	51.55	50.20	101.65	54.01	136.88	44.01
EPS (Rs.) *	13.37	13.21	9.03	4.80	12.16	3.91

\*Earning per share is calculated on an annualized basis on the enhanced capital of Rs. 112.52 million after the Rights issue

### 1994-1995

The Rights Issue was opened for subscription on February 2, 1995 and closed on March 3, 1995. The rights issue was fully subscribed and the allotment was made on March 25, 1995. As the funds raised through the Rights Issue could not be deployed during the financial year 1994-95, the total income earned during the year was lower than the projected level.

### 1995-1996

The volume of credit available to the company from banks and financial institutions was considerably less than the amount to which the company was eligible and considered in the projections adopted in the letter of offer. The steep increase in the interest rate on borrowings coupled with the increase in interest rate on Fixed Deposits as per RBI Directions had affected the actual performance of the company in terms of profits which was lower than the projections.



## 1996-1997

Due to political instability and poor delivery of bank credit, manufacturing sector witnessed a recessionary trend for most part of the year which also in turn affected the transport sector. Further, the bank and institutional credit available to NBFCs as refinance were also limited. On account of these factors, the deployment of funds was much lower than the amount envisaged in the projection. Further, the rate of interest charged by the institutions and banks were also much higher, which could not be envisaged. Hence, the actuals of both the gross income and the profit after tax were much lower than the projections.

### Investor Grievance and Redressal System

The investor grievance committee of Shiva Textiles Limited was constituted on October 31, 2001 for redressal of investor's complaints. The shares of the Company are in compulsory demat segment. The Share transfers in physical form are registered and returned within 30 days from the date of receipt if the documents are in order. The share transfers are approved by the Share Transfer Committee who usually meet twice in a month. The Company received five complaints during the quarter ending September 30, 2005. All the complaints were resolved and there are no outstanding complaints as on quarter ending September 30, 2005.

### 3. SHIVA CARGO MOVERS LIMITED

Shiva Cargo Movers Limited was originally incorporated under the name "Meenakshi Cements Limited" on April 4, 1985 and received the Commencement of Business Certificate on June 5, 1985. The name of the company was changed to " Shiva Cargo Movers Private Limited" on October 29, 1987. Later the company was converted into a Public Limited company under the name of "Shiva Cargo Movers Limited" on May 17, 1993.

The company is currently involved in the transport operation. It started the transport operation by taking five lorries on lease basis. Since then the company has expanded its transport business over the years and is currently owning and operating with 32 lorries.

### Shareholding Pattern

The shareholding pattern of Shiva Cargo Movers Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Mrs. A. Umadevi	10,482	13.98
2.	Dr. S. V. Kandasami	7,503	10.00
3.	Others	57,015	76.02
	<b>Total</b>	<b>75,000</b>	<b>100.00</b>

### Board of Directors

The Board of Directors of Shiva Cargo Movers Limited as on March 31, 2005 comprises of Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Mr. S. V. Alagappan, Dr. S. V. Kandasami, Mr. B. Saravanan, Mr. P. Natarajasundaram and Mr. S. V. Balakrishnan.

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	34.26	42.27	53.35
PAT	4.30	6.70	8.09
Equity Capital (Face value of Rs. 10 per share)	0.75	0.75	0.75
Reserves (excluding revaluation reserve)	23.20	28.20	34.58
EPS (Rs.)	57.32	89.32	107.92
Book Value/Share (Rs.)	319.28	386.03	471.09



#### 4. ANAMALLAIS AGENCIES PRIVATE LIMITED

The company was originally incorporated under the name "Anamallais Agencies Private Limited" on April 18, 1983. Subsequently, the company was converted into a Public Limited Company on February 21, 1994. Later the company was re-converted into a Private Limited Company and a fresh certificate of incorporation was issued in the name of "Anamallais Agencies Private Limited" on May 9, 1996.

The company is an authorized sales and service dealer for General Motors (India) Private Limited for sale of their passenger cars in the district of Coimbatore, Nilgiris, Erode and Karur.

#### Shareholding Pattern

The shareholding pattern of Anamallais Agencies Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Coimbatore Agro Industries Limited	44,000	22.00
2.	Sakthi Murugan Transports Private Limited	44,000	22.00
3.	Others	112,000	56.00
	<b>Total</b>	<b>200,000</b>	<b>100.00</b>

#### Board of Directors

The Board of Directors of Anamallais Agencies Private Limited as on March 31, 2005 comprises of Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Mr. S. V. Alagappan, Dr. S. V. Kandasami, Mr. S. V. Balakrishnan and Mr. A. Senthil.

#### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	91.90	148.61	320.67
PAT	0.70	0.20	2.00
Equity Capital (Face value of Rs. 10 per share)	2.00	2.00	2.00
Reserves (excluding revaluation reserve)	3.38	3.24	4.79
EPS (Rs.)	3.46	1.00	10.03
Book Value/Share (Rs.)	26.91	26.20	33.95

Note : The unsecured loans as on March 31, 2005 is Rs. 2.95 million.

#### 5. SHIVA AUTOMOBILES PRIVATE LIMITED

Shiva Automobiles Private Limited was incorporated on March 9, 1989. The company became a deemed public company on July 1, 1995. Subsequently, the company was converted into a private limited company on February 7, 2001. The company is an authorized dealer for the sale of vehicles and spare parts of Mahindra & Mahindra Limited.

#### Shareholding Pattern

The shareholding pattern of Shiva Automobiles Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Mr. S. V. Alagappan	193,901	19.59
2.	Minor B. Keerthana	184,047	18.59
3.	Mr. A. Senthil	138,600	14.00
4.	Mr. B. Murali	106,200	10.73
5.	Mr. S. K. Sundararaman	101,000	10.20
6.	Others	266,252	26.89
	<b>Total</b>	<b>990,000</b>	<b>100.00</b>



## Board of Directors

The Board of Directors of Shiva Automobiles Private Limited as on March 31, 2005 comprises of Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Mr. S. V. Alagappan, Dr. S. V. Kandasami and Mr. C. Sivaswamy

## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	236.42	220.46	243.69
PAT	-0.81	0.74	0.56
Equity Capital (Face value of Rs. 10 per share)	0.93	9.90	9.90
Reserves (excluding revaluation reserve)	2.72	3.46	4.02
EPS (Rs.)	-8.71	0.75	0.56
Book Value/Share (Rs.)	39.28	13.49	14.06

## 6. SAKTHI MURUGAN TRANSPORTS PRIVATE LIMITED

Sakthi Murugan Transports Private Limited was incorporated on September 15, 1980. The company is engaged in the business of transport of bulk carriers.

### Shareholding Pattern

The shareholding pattern of Sakthi Murugan Transports Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Mr. S. V. Arumugam	7,302	17.18
2.	Dr. S. V. Balasubramaniam	6,800	16.00
3.	Mr. S. V. Alagappan	6,800	16.00
4.	Mr. S. V. Balakrishnan	6,500	15.29
5.	Others	15,101	35.53
	<b>Total</b>	<b>42,503</b>	<b>100.00</b>

## Board of Directors

The Board of Directors of Sakthi Murugan Transports Private Limited as of March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Alagappan, Mr. S. V. Arumugam, Mr. S. V. Balakrishnan, Mr. A. Senthil and Mr. C. Sivaswamy

## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	79.26	84.92	90.20
PAT	-0.25	1.28	1.95
Equity Capital (Face value of Rs. 10 per share)	0.43	0.43	0.43
Reserves (excluding revaluation reserve)	18.13	18.93	20.40
EPS (Rs.)	-5.86	30.22	45.96
Book Value/Share (Rs.)	436.51	455.42	489.98

Note: The unsecured loans as on March 31, 2005 is Rs. 2.88 million



## 7. ANNAMALLAI RETREADING COMPANY LIMITED

The company was originally incorporated as "Annamalai Retreading Company Private Limited" on May 18, 1983. Subsequently the name of the company was changed to "Annamallai Retreading Company Private Limited" on February 19, 1988. Later the company was converted into a Public Limited company on May 23, 1994. The company is engaged in the business of retreading of tyres.

### Shareholding Pattern

The shareholding pattern of Annamallai Retreading Company Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Mr. S. V. Balakrishnan	56,000	18.67
2.	Mr. S. V. Alagappan	55,000	18.33
3.	Dr. S. V. Kandasami	54,000	18.00
4.	Mr. S. V. Arumugam	53,000	17.67
5.	Dr. S. V. Balasubramaniam	46,000	15.33
6.	Others	36,000	12.00
	<b>Total</b>	<b>300,000</b>	<b>100.00</b>

### Board of Directors

The Board of Directors of Annamallai Retreading Company Limited as of March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Alagappan, Dr. S. V. Kandasami, Mr. S. V. Arumugam, Mr. S. V. Balakrishnan, Mrs. A. Lalitha, Mr. K. Chinnasamy and Mr. P. Natarajasundaram.

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	11.79	12.97	16.15
PAT	0.78	0.84	2.62
Equity Capital (Face value of Rs. 10 per share)	0.50	3.00	3.00
Reserves (excluding revaluation reserve)	1.52	2.36	4.30
EPS (Rs.)	15.55	2.80	8.74
Book Value/Share (Rs.)	40.42	17.87	24.34

Note: The unsecured loans as on March 31, 2005 is Rs.1.12 million

## 8. COIMBATORE AGRO INDUSTRIES LIMITED

The company was originally incorporated as "Coimbatore Agro-Industries Limited" on August 5, 1946 under the Indian Companies Act 1913. Subsequently the company changed its name to "Coimbatore Agro Industries Limited" on June 12, 1987. The company is engaged in manufacturing of wheat products and also in the business of wind energy generation.





## Shareholding Pattern

The Shareholding pattern of Coimbatore Agro Industries Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Mr. S. V. Balakrishnan	19,684	12.30
2.	Shiva Texyarn Limited	14,800	9.25
3.	Mrs. K. Leelavathi	13,767	8.60
4.	Mrs. V. Sreerangammal	11,500	7.19
5.	Mr. B. Murali	11,117	6.95
6.	Annamallai Retreading Company Limited	10,000	6.25
7.	Anamallais Agencies Private Limited	10,000	6.25
8.	Bannari Amman Automobiles Private Limited	10,000	6.25
9.	Sakthi Murugan Transports Private Limited	9,750	6.09
10.	Others	49,382	30.87
	<b>Total</b>	<b>160,000</b>	<b>100.00</b>

## List of Directors

The Board of Directors of Coimbatore Agro Industries Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Alagappan, Dr. S. V. Kandasami, Mr. S. V. Arumugam and Mr. S. V. Balakrishnan.

## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	143.25	149.91	136.22
PAT	-4.96	1.03	0.79
Equity Capital (Face value of Rs. 10 per share)	1.60	1.60	1.60
Reserves (excluding revaluation reserve)	16.57	18.55	19.34
EPS (Rs.)	-31.00	6.44	4.95
Book Value/Share (Rs.)	113.56	125.94	130.86

## 9. ANNAMALLAI INDUSTRIES LIMITED

Annamallai Industries Limited was originally incorporated as a Private Limited company under the name "Annamallai Industries Private Limited" on March 23 1988. Subsequently the company was converted into a Public Limited Company and was issued a fresh Certificate of Incorporation on June 25, 1997 under the name of "Annamallai Industries Limited". The Company is engaged in the manufacture of wheat products.

## Shareholding Pattern

The Shareholding pattern of Annamallai Industries Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Shiva Texyarn Limited	1,750,000	46.80
2.	Coimbatore Agro Industries Limited	950,000	25.41
3.	Bannari Amman Spinning Mills Limited	550,000	14.71
4.	Others	489,141	13.08
	<b>Total</b>	<b>3,739,141</b>	<b>100.00</b>



## List of Directors

The Board of Directors of Annamalai Industries Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Alagappan, Mr. S. V. Arumugam, Mr. S. V. Balakrishnan and Mr. C. Sivaswamy.

## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	178.96	206.14	201.18
PAT	4.70	0.88	0.34
Equity Capital (Face value of Rs. 10 per share)	37.39	37.39	37.39
Reserves (excluding revaluation reserve)	-6.27	-5.39	-5.05
EPS (Rs.)	1.26	0.24	0.09
Book Value/Share (Rs.)	8.32	8.56	8.65

Note: The unsecured loans as on March 31, 2005 is Rs. 26.25 million.

## 10. BANNARI AMMAN AUTOMOBILES PRIVATE LIMITED

The company was originally incorporated on December 14, 1984 as "Meenakshi Automobiles Private Limited". Subsequently the company became a Public Limited Company on May 23, 1994. The name of the company was changed to "Bannari Amman Automobiles Limited" on August 28, 1995. and was re-converted into a Private Limited company on February 7, 2001. The company is an authorized dealer for the sales and service of cars of Hindustan Motor Limited in the districts of Salem, Krishnagiri, Namakkal and Dharmapuri.

## Shareholding Pattern

The Shareholding pattern of Bannari Amman Automobiles Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Mrs. B. Soundaram	14,000	14.00
2.	Mr. B. Murali	12,000	12.00
3.	Mr. A. Senthil	11,000	11.00
4.	Minor B. Keerthana	10,900	10.90
5.	Others	52,102	52.10
	<b>Total</b>	<b>100,002</b>	<b>100.00</b>

## List of Directors

The Board of Directors of Bannari Amman Automobiles Private Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Dr. S. V. Kandasami, Mr. S. V. Balakrishnan, Mr. A. Senthil, Mr. K. Chinnasamy and Mr. P. Natarajasundaram.

## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	51.48	55.14	50.88
PAT	0.85	0.28	0.35
Equity Capital (Face value of Rs. 10 per share)	1.00	1.00	1.00
Reserves (excluding revaluation reserve)	4.27	4.21	4.33
EPS (Rs.)	8.50	2.80	3.50
Book Value/Share (Rs.)	52.70	52.10	53.33



## 11. VEDANAYAGAM HOSPITAL PRIVATE LIMITED

Vedanayagam Hospital Private Limited promoted by Dr. S. V. Balasubramaniam, was incorporated on March 21, 1985 under the Companies Act, 1956. The Company is running a hospital, which specializes in treatment of Genito urinary diseases and Gastroenterology.

### Shareholding Pattern

The Shareholding pattern of Vedanayagam Hospital Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Dr. S. V. Kandasami	12,000	12.00
2.	Mr. S. V. Alagappan	9,500	9.50
3.	Mr. S. V. Balakrishnan	9,500	9.50
4.	Dr. S. V. Balasubramaniam	9,000	9.00
5.	Mr. S. V. Arumugam	9,000	9.00
6.	Mrs. B. Soundaram	9,000	9.00
7.	Mrs. A. Shenbagam	9,000	9.00
8.	Mrs. K. Leelavathi	9,000	9.00
9.	Mrs. A. Umadevi	9,000	9.00
10.	Others	15,000	15.00
	<b>Total</b>	<b>100,000</b>	<b>100.00</b>

### List of Directors

The Board of Directors of Vedanayagam Hospital Private Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Dr. S. V. Kandasami, Mr. S. V. Balakrishnan and Mr. S. V. Alagappan.

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	16.55	18.34	20.44
PAT	2.79	3.10	4.39
Equity Capital (Face value of Rs. 10 per share)	1.00	1.00	1.00
Reserves (excluding revaluation reserve)	17.92	20.45	24.26
EPS (Rs.)	27.90	31.00	43.94
Book Value/Share (Rs.)	189.20	214.50	252.75



## 12. SANGAMESWAR AGENCIES PRIVATE LIMITED

Sangameswar Agencies Private Limited was incorporated under the Companies Act, 1956 on October 16, 1996. The company is engaged in the business of automobile sales. The company is an authorized dealer for New Holland Ford Tractors and Hindustan Motors Ambassador Cars.

### Shareholding Pattern

The Shareholding pattern of Sangameswar Agencies Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Dr. S. V. Balasubramaniam	2,001	10.81
2.	Mr. S. V. Arumugam	2,001	10.81
3.	Mrs. B. Soundaram	1,900	10.27
4.	Mrs. A. Shenbagam	1,900	10.27
5.	Mrs. K. Leelavathi	1,900	10.27
6.	Mrs. A. Umadevi	1,900	10.27
7.	Others	6900	37.30
	<b>Total</b>	<b>18,502</b>	<b>100.00</b>

### List of Directors

The Board of Directors of Sangameswar Agencies Private Limited as on March 31, 2005 Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Dr. S. V. Kandasami, Mr. S. V. Balakrishnan and Mr. S. V. Alagappan

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	8.87	7.41	67.36
PAT	-0.15	0.08	-0.06
Equity Capital (Face value of Rs. 10 per share)	0.19	0.19	0.19
Reserves (excluding revaluation reserve)	-0.24	-0.16	-0.21
EPS (Rs.)	-8.34	4.38	-3.06
Book Value/Share (Rs.)	-3.04	1.47	-1.46

Note: The unsecured loans as on March 31, 2005 is Rs.5 million

## 13. CREAM INVESTMENT & TRADING COMPANY LIMITED

Cream Investment & Trading Company Limited was incorporated on July 23, 1981. The company was converted from "Deemed Public" to a "Public" company on April 16, 2004.

The company was a National Stock Exchange Member. Both Whole sale Debt Market and Capital Market transactions were dealt by the company at Mumbai office and capital market dealings at company's Coimbatore branch. The membership was surrendered on June 11, 2002. Currently the company is an authorized dealer for sales & servicing of cars (Ambassador / Trekkar) of Hindustan Motors Limited for the districts of Coimbatore, Nilgiris and Erode.



## Shareholding Pattern

The Shareholding pattern of Cream Investment & Trading Company Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Shiva Texyarn Limited	97,943	48.92
2.	Bannari Amman Spinning Mills Limited	96,096	48.00
3.	Sakthi Murugan Transports Private Limited	6,077	3.04
4.	Others	84	0.04
	<b>Total</b>	<b>200,200</b>	<b>100.00</b>

## List of Directors

The Board of Directors of Cream Investment & Trading Company Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Mr. D. Soundararaj and Mr. S. V. Alagappan.

## Financial Performance

(Rs. in Million)

Particulars	As at and for the Year ended		
	September 30, 2003 (12 m)	March 31, 2004 (6 m)	March 31, 2005 (12 m)
Total Income	0.28	1.66	50.82
PAT	-2.43	0.08	1.38
Equity Capital (Face value of Rs. 10 per share)	20.02	20.02	20.02
Reserves (excluding revaluation reserve)	-45.73	-45.65	-44.26
EPS (Rs.)	-12.15	0.40	6.91
Book Value/Share (Rs.)	-128.42	-128.00	-121.09

Note: The unsecured loans as on March 31, 2005 is Rs.41.51million

## 14. ANNAMALLAI PROPERTIES LIMITED

The company was originally incorporated under the name of "Annamallai Constructions Private Limited" on March 10, 1988. Consequently the name of the company was changed to "Annamallai Properties Private Limited" on August 28, 1995 and was converted into a Public Company on September 27, 1995. The company is engaged in the business of Transport operations.

## Shareholding Pattern

The Shareholding pattern of Annamallai Properties Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Shiva Texyarn Limited	1,000,000	50.00
2.	Murugan Distributors Private Limited	400,000	20.00
3.	Velavan Distributors Private Limited	396,493	19.82
4.	Sakthi Murugan Transports Private Limited	200,000	10.00
5.	Others	3,507	0.18
	<b>Total</b>	<b>2,000,000</b>	<b>100.00</b>

## List of Directors

The Board of Directors of Annamallai Properties Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Dr. S. V. Kandasami, Mr. S. V. Balakrishnan and Mr. S. V. Alagappan



## Financial Performance

(Rs. in Million)

Particulars	As at and for the year ended		
	March 31, 2003 (15 months)	March 31, 2004 (12 months)	March 31, 2005 (12 months)
Total Income	53.99	23.06	37.63
PAT	2.60	2.91	0.94
Equity Capital (Face value of Rs. 10 per share)	20.00	20.00	20.00
Reserves (excluding revaluation reserve)	-8.51	-5.58	-4.63
EPS (Rs.)	1.30	1.46	0.47
Book Value/Share (Rs.)	5.75	7.21	7.69

### 15. ANNAMALLAI ENTERPRISE PRIVATE LIMITED

The company was originally incorporated as "Popular Distilleries and Distributors Private Limited" on May 29, 1981. Subsequently, the name of the company was changed to "Annamallai Enterprise Private Limited" on February 10, 1988 and was converted into a Public Limited company on May 23, 1994. Later, the company was re-converted into a Private company on May 9, 1996. The company is currently engaged in the business of commission agents and lease rental.

### Shareholding Pattern

The Shareholding pattern of Annamallai Enterprise Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Mr. B. Saravanan	49,500	19.80
2.	Mrs. B. Soundaram	43,700	17.48
3.	Dr. S. V. Balasubramaniam	43,502	17.40
4.	Mr. B. Murali	26,000	10.40
5.	Others	87,298	34.92
	<b>Total</b>	<b>250,000</b>	<b>100.00</b>

### List of Directors

The Board of Directors of Annamallai Enterprise Private Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Mr. B. Saravanan and Mr. S. V. Alagappan.

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	6.94	7.20	7.56
PAT	3.16	3.57	3.97
Equity Capital (Face value of Rs. 10 per share)	2.50	2.50	2.50
Reserves (excluding revaluation reserve)	26.09	28.25	30.80
EPS (Rs.)	12.63	14.30	15.89
Book Value/Share (Rs.)	114.35	123.00	133.19



## 16. VADIVELAN ENTERPRISES PRIVATE LIMITED

The company promoted by Mr. S. V. Alagappan, was originally incorporated as "Vadivelan Farms Private Limited" on February 9, 1998. Subsequently the name of the company was changed to "Vadivelan Enterprises Private Limited" on January 19, 2001. There are currently no business operations in the Company.

### Shareholding Pattern

The Shareholding pattern of Vadivelan Enterprises Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Mr. S. V. Alagappan	5,000	50.00
2.	Mrs. A. Shenbagam	5,000	50.00
	<b>Total</b>	<b>10,000</b>	<b>100.00</b>

### List of Directors

The Board of Directors of Vadivelan Enterprises Private Limited as on March 31, 2005 are Mr. S. V. Alagappan and Mrs. A. Shenbagam

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	0.00	0.00	0.00
PAT	0.00	0.00	0.00
Equity Capital (Face value of Rs. 10 per share)	0.10	0.10	0.10
Reserves (excluding revaluation reserve)	0.00	0.00	0.00
EPS (Rs.)	0.00	0.00	0.00
Book Value/Share (Rs.)	10.00	10.00	10.00

## 17. BANNARI AMMAN ENTERPRISES LIMITED

The company was originally incorporated as "Bannari Amman Investments Limited" on July 15, 1994. Subsequently the name of the company was changed to "Bannari Amman Enterprises Limited" on October 6, 1997. The company is currently engaged in the trading of shares and commission agents.

### Shareholding Pattern

The Shareholding pattern of Bannari Amman Enterprises Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Shiva Texyarn Limited	130,500	29.00
2.	Shiva Distilleries Limited	130,500	29.00
3.	Shiva Automobiles (P) Limited	45,000	10.00
4.	Sakthi Murugan Transports (P) Limited	45,000	10.00
5.	Others	99,000	22.00
	<b>Total</b>	<b>450,000</b>	<b>100.00</b>

### List of Directors

The Board of Directors of Bannari Amman Enterprises Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Arumugam, Mr. K. Chinnasamy, Mr. S. V. Alagappan, Mr. C. Sivaswamy and Mr. P. Natarajasundaram.



## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	June 30, 2003	June 30, 2004	June 30, 2005
Total Income	0.29	0.26	0.25
PAT	0.25	0.21	0.22
Equity Capital (Face value of Rs. 10 per share)	4.50	4.50	4.50
Reserves (excluding revaluation reserve)	10.08	10.04	10.00
EPS (Rs.)	0.56	0.49	0.48
Book Value/Share (Rs.)	32.39	32.31	32.22

### 18. VEDANAYAGAM ENTERPRISES PRIVATE LIMITED

The company was originally incorporated as "Vedanayagam Agro Farms Private Limited" on March 2, 1998. Subsequently the name of the company was changed to "Vedanayagam Enterprises Private Limited" on January 19, 2001. There is currently no business activity in the company.

#### Shareholding Pattern

The Shareholding pattern of Vedanayagam Enterprises Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Dr. S. V. Balasubramaniam	1,151	0.60
2.	Mr. S. V. Balakrishnan	1,93,401	99.40
	<b>Total</b>	<b>1,94,552</b>	<b>100.00</b>

#### List of Directors

The Board of Directors of Vedanayagam Enterprises Private Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam and Mr. S. V. Balakrishnan

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	0.00	0.00	0.00
PAT	0.00	0.00	0.00
Equity Capital (Face value of Rs. 10 per share)	1.95	1.95	1.95
Reserves (excluding revaluation reserve)	0.00	0.00	0.00
EPS (Rs.)	0.00	0.00	0.00
Book Value/Share (Rs.)	10.00	10.00	10.00

### 19. MURUGAN ENTERPRISE PRIVATE LIMITED

The company promoted by Mr. S. V. Arumugam, was originally incorporated as "Murugan Farms Private Limited" on March 2, 1998. Subsequently the name of the company was changed to "Murugan Enterprise Private Limited" on January 19, 2001. The company is currently not engaged in any business activity.





## Shareholding Pattern

The Shareholding pattern of Murugan Enterprise Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Mr. S. V. Arumugam	3,500	35.00
2.	Mrs. A. Umadevi	3,500	35.00
3.	Mr. A. Senthil	3,000	30.00
	<b>Total</b>	<b>10,000</b>	<b>100.00</b>

## List of Directors

The Board of Directors of Murugan Enterprise Private Limited as on March 31, 2005 are Mr. S. V. Arumugam, Mrs. A. Umadevi and Mr. A. Senthil

## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	0.00	0.00	0.00
PAT	0.00	0.00	0.00
Equity Capital (Face value of Rs. 10 per share)	0.10	0.10	0.10
Reserves (excluding revaluation reserve)	0.00	0.00	0.00
EPS (Rs.)	0.00	0.00	0.00
Book Value/Share (Rs.)	10.00	10.00	10.00

## 20. SUNDAR RAM ENTERPRISE PRIVATE LIMITED

The company incorporated by Dr. S. V. Kandasami, was originally incorporated as "Guhan Farms Private Limited" on February 9, 1998. Subsequently the name of the company was changed to "Sundar Ram Enterprise Private Limited" on January 19, 2001. The company is currently not engaged in any business activity.

## Shareholding Pattern

The Shareholding pattern of Sundar Ram Enterprise Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Dr. S. V. Kandasami	5,000	50.00
2.	Mrs. K. Leelavathi	5,000	50.00
	<b>Total</b>	<b>10,000</b>	<b>100.00</b>

## List of Directors

The Board of Directors of Sundar Ram Enterprise Private Limited as on March 31, 2005 are Dr. S. V. Kandasami, Mrs. K. Leelavathi, Mr. K. Keerthivasagugan and Mr. C. Sivaswamy.



## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	0.00	0.00	0.00
PAT	0.00	0.00	0.00
Equity Capital (Face value of Rs. 10 per share)	0.10	0.10	0.10
Reserves (excluding revaluation reserve)	0.00	0.00	0.00
EPS (Rs.)	0.00	0.00	0.00
Book Value/Share (Rs.)	10.00	10.00	10.00

### 21. SVB ENTERPRISE PRIVATE LIMITED

The company promoted by Dr. S. V. Balasubramaniam, was originally incorporated as "SVB Agro Farms Private Limited" on March 2, 1998. Subsequently the name of the company was changed to "SVB Enterprise Private Limited" on January 19, 2001. The Company is currently engaged in the business of agricultural products.

#### Shareholding Pattern

The Shareholding pattern of SVB Enterprise Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Dr. S. V. Balasubramaniam	290,999	64.67
2.	Mrs. B. Soundaram	125,000	27.78
3.	Mr. B. Saravanan	34,001	7.55
	<b>Total</b>	<b>450,000</b>	<b>100.00</b>

#### List of Directors

The Board of Directors of SVB Enterprise Private Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mrs. B. Soundaram and Mr. B. Saravanan.

## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	0.11	0.11	0.15
PAT	0.05	0.03	-0.06
Equity Capital (Face value of Rs. 10 per share)	4.50	4.50	4.50
Reserves (excluding revaluation reserve)	0.05	0.08	0.03
EPS (Rs.)	0.11	0.07	-0.13
Book Value/Share (Rs.)	10.11	10.18	10.72



## 22. ANNAMALLAI ESTATES PRIVATE LIMITED

Annamallai Estates Private Limited was incorporated on March 10, 1988. The company is engaged in the business of agricultural products.

### Shareholding Pattern

The Shareholding pattern of Annamallai Estates Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Shiva Distilleries Limited	15,000	21.13
2.	Mr. S. V. Balakrishnan	10,000	14.08
3.	Mr. S. V. Arumugam	8,001	11.27
4.	Mr. S. K. Sundararaman	7,500	10.56
5.	Others	30,501	42.96
	<b>Total</b>	<b>71,002</b>	<b>100.00</b>

### List of Directors

The Board of Directors of Annamallai Estates Private Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Alagappan, Mr. S. V. Arumugam, Mr. S. V. Balakrishnan and Dr. S. V. Kandasami.

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	0.17	0.17	0.17
PAT	0.10	0.10	0.10
Equity Capital (Face value of Rs. 10 per share)	0.71	0.71	0.71
Reserves (excluding revaluation reserve)	0.45	0.55	0.66
EPS (Rs.)	1.43	1.43	1.43
Book Value/Share (Rs.)	16.57	18.00	19.24

## 23. BANNARIAMMAN FINANCE LIMITED

The company was originally incorporated as "Annamallai Holdings Private Limited" on December 9, 1987. Subsequently the company was converted into a Public Company on March 9, 1994. Later, the name of the company was changed to "Bannariamman Finance Limited" on March 6, 1997. The company is engaged in the business of agricultural products.

### Shareholding Pattern

The Shareholding pattern of Bannariamman Finance Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Mr. B. Saravanan	9,000	15.00
2.	Mr. A. Senthil	9,000	15.00
3.	Annamallai Enterprise Private Limited	7,500	12.50
4.	Mr. S. V. Alagappan	6,000	10.00
5.	Mr. S. K. Sundararaman	6,000	10.00
6.	Mr. B. Murali	6,000	10.00
7.	Others	16,502	27.50
	<b>Total</b>	<b>60,002</b>	<b>100.00</b>



## List of Directors

The Board of Directors of Bannariamman Finance Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Alagappan, Mr. S. V. Arumugam, Mr. S. V. Balakrishnan, Dr. S. V. Kandasami, Mr. K. Chinnasamy and Mr. P. Natarajasundaram.

## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	0.33	0.31	0.71
PAT	0.28	0.23	0.37
Equity Capital (Face value of Rs. 10 per share)	0.60	0.60	0.60
Reserves (excluding revaluation reserve)	3.87	3.89	3.92
EPS (Rs.)	4.67	3.83	6.13
Book Value/Share (Rs.)	74.50	74.83	75.35

## 24. KERALA ALCOHOLIC PRODUCTS LIMITED

The company was originally formed as a partnership firm on June 11, 1992. Subsequently, the firm was registered as a company under the name of "Kerala Alcoholic Products Limited" on July 9, 1992. The company is engaged in the business of manufacturing of Indian made foreign Liquor (IMFL) and generation of wind energy.

## Shareholding Pattern

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Shiva Distilleries Limited	56,000	23.49
2.	Mrs. B. Soundaram	43,800	18.36
3.	Mrs. A. Umadevi	37,400	15.69
4.	Mr. A. Senthil	36,000	15.09
5.	Others	65,300	27.37
	<b>Total</b>	<b>238,500</b>	<b>100.00</b>

The Shareholding pattern of Kerala Alcoholic Products Limited as on March 31, 2005 is as follows:

## List of Directors

The Board of Directors of Kerala Alcoholic Products Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Alagappan, Mr. S. V. Arumugam, Mr. B. Saravanan, Dr. S. V. Kandasami and Mr. C. Sivaswamy

## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	143.65	168.85	207.67
PAT	1.70	12.01	0.14
Equity Capital (Face value of Rs. 10 per share)	2.39	2.39	2.39
Reserves (excluding revaluation reserve)	82.56	93.58	93.72
EPS (Rs.)	7.14	46.18	0.59
Book Value/Share (Rs.)	356.96	402.35	402.95



## 25. BANNARI INFOTECH PRIVATE LIMITED

The company was originally incorporated as "Eseebargain.com Private Limited" on March 15, 2000. Subsequently the name of the company was changed to "Bannari Infotech Private Limited." on February 1, 2001. The company is currently engaged in the business of developing software and selling of electronic devices.

### Shareholding Pattern

The Shareholding pattern of Bannari Infotech Private Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Bannari Amman Spinning Mills Limited	150,000	20.00
2.	Bannari Amman Sugars Limited	150,000	20.00
3.	Shiva Cargo Movers Limited	100,000	13.33
4.	Mr. K. Sundararaman	83,998	11.20
5.	Others	266,002	35.47
	<b>Total</b>	<b>750,000</b>	<b>100.00</b>

### List of Directors

The Board of Directors of Bannari Infotech Private Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Dr. S. V. Kandasami and Mr. S. K. Sundararaman.

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	1.23	2.02	3.63
PAT	-1.00	-1.21	0.24
Equity Capital (Face value of Rs. 10 per share)	7.50	7.50	7.50
Reserves (excluding revaluation reserve)	0.00	0.00	0.00
EPS (Rs.)	-1.33	-1.61	0.31
Book Value/Share (Rs.)	10.00	10.00	10.00

## 26. BANNARI AMMAN EXPORTS LIMITED

Bannari Amman Exports Limited was incorporated on February 24, 1995. The Company is engaged in the business of exporting commodities such as molasses, wheat, sugar, rice, cashewnuts, etc.

### Shareholding Pattern

The Shareholding pattern of Bannari Amman Exports Limited as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares held	% of total number of shares
1.	Shiva Distilleries Limited	162,500	22.54
2.	Coimbatore Agro Industries Limited	100,000	13.87
3.	Bannari Amman Enterprises Limited	99,000	13.73
4.	Shiva Texyarn Limited	90,000	12.48
5.	Others	269,502	37.38
	<b>Total</b>	<b>721,002</b>	<b>100.00</b>



The company has also issued preference share capital of Rs. 42.30 million to Shiva Texyarn Limited, Kerala Alcoholic Products Limited, Shiva Distilleries Limited and Bannari Amman Enterprises Limited.

### List of Directors

The Board of Directors of Bannari Amman Exports Limited as on March 31, 2005 are Dr. S. V. Balasubramaniam, Mr. S. V. Alagappan, Mr. S. V. Arumugam and Mr. B. Murali

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Total Income	992.00	354.85	179.70
PAT	-11.70	-4.26	5.61
Equity Capital (Face value of Rs. 10 per share)	7.21	7.21	7.21
Reserves (excluding revaluation reserve)	9.77	6.05	11.98
EPS (Rs.)	-16.23	-5.90	7.78
Book Value/Share (Rs.)	23.55	18.40	26.61

Note: The unsecured loans as on March 31, 2005 is Rs.4 million

### 27. SANGAMESWARAR FINANCE

Sangameswarar Finance is a partnership firm registered on February 25, 1980 and is engaged in the business of automobile selling and servicing. They are authorized automobile dealers.

#### Partners

The Partners of Sangameswarar Finance as on March 31, 2005 are Mr. S. V. Alagappan (HUF), Mr. S. V. Arumugam (HUF), Mr. S. V. Balakrishnan (HUF), Mrs. K. Leelavathi and Mrs. B. Soundaram.

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Sales and Other Income	0.01	0.05	0.00
PAT	-0.21	-0.33	-0.04
Partner's Capital	0.68	0.68	0.68
Reserves	0.27	-0.07	-0.10

Note: The unsecured loans as on March 31, 2005 is Rs. 0.30 million

### 28. CORAL GARMENTS

Coral Garments is a partnership firm registered on January 21, 1991. The firm is engaged in the manufacture of hosiery garments. Currently no manufacturing activity is being carried on.

#### Partners

The Partners of Coral Garments as on March 31, 2005 are Mrs. B. Soundaram, Mrs. K. Leelavathi, Mrs. A. Shenbagam, Mr. S. V. Arumugam and Mr. S. V. Balakrishnan



## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Sales and Other Income	0.70	2.26	1.65
PAT	-2.22	1.37	0.86
Partner's Capital	1.00	1.00	1.00
Reserves	0.47	1.84	2.59

Note: The unsecured loans as on March 31, 2005 is Rs. 7.73 million

### 29. ANAMALLAIS AGENCIES

Anamallais Agencies was formed as a partnership firm on October 6, 1967. The firm is engaged in the business of automobile sales. The firm has authorized dealership for sales and service for Lancer Cars manufactured by Hindustan Motors Limited and also for Yamaha Motor Cycles.

#### Partners

The Partners of Anamallais Agencies as on March 31, 2005 are Dr. S. V. Balasubramaniam (HUF), Mr. S. V. Alagappan (HUF), Mr. S. V. Arumugam (HUF), Mr. S. V. Kandasami (HUF), Mr. S. V. Balakrishnan (HUF), Mrs. B. Soundaram, Mrs. A. Shenbagam, Mrs. K. Leelavathi, Mrs. A. Umadevi, Mrs. V. Sreerangammal and Anamallais Agencies Private Limited

## Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Sales and Other Income	31.59	37.54	40.35
PAT	-2.81	2.89	4.95
Partner's Capital	1.00	1.00	1.00
Reserves	-3.07	7.15	11.77

Note: The unsecured loans as on March 31, 2005 is Rs. 15 million.

### 30. KWALITY KNITS

Kwality Knits was formed as a partnership firm on March 22, 1993. The firm was is in the business of manufacturing fabric. Since 1995, the firm is not engaged in any business activity.

#### Partners

The Partners of Kwality Knits as on March 31, 2005 are Mr. S. V. Balakrishnan, Mrs. K. Leelavathi and Mrs. A. Umadevi.

## Financial Performance

Financial of the firm is not given as there were no business transactions carried out in the last three years.

### 31. ANNAMALAI RETREADING COMPANY

Annamalai Retreading Company is a partnership firm incorporated on July 9, 1974. The firm is currently engaged in the business of retreading of tyres.

#### Partners

The Partners of Annamalai Retreading Company as on March 31, 2005 are Dr. S. V. Balasubramaniam (HUF), Mr. S. V. Alagappan



(HUF), Mr. S. V. Arumugam (HUF), Dr. S. V. Kandasami (HUF), Mr. S. V. Balakrishnan (HUF), Mrs. B. Soundaram, Mrs. A. Shenbagam, Mrs. K. Leelavathi, Mrs. A. Umadevi, Mrs. V. Sreerangammal and Anamallai Retreading Company Limited.

### Financial Performance

(Rs. in Million)

Particulars	For the Financial Year		
	2002-03	2003-04	2004-05
Sales and Other Income	43.53	66.52	47.62
PAT	0.82	21.90	-0.30
Partner's Capital	1.00	1.00	1.00
Reserves	10.60	28.34	25.57





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## **CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS**

For changes in accounting policies, see paragraph “Restated Financial Statements” on page 74 of this Red Herring Prospectus.



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

*(All the figures used in this section, unless stated otherwise, have been derived from the financial statements of Bannari Amman Spinning Mills Limited)*

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 no. ix 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 Bannari Amman Spinning Mills Limited on a standalone basis. These financial statements have been prepared in accordance with Indian GAAP, The Companies Act, 1956 and the SEBI (DIP) Guidelines (as amended from time to time) and restated as described in Auditor's report of M/s P.N. Raghavendra Rao & Co. dated August 12, 2005.

The following discussion is based on our restated financial statements for the years ended March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005 which have been prepared in accordance with Indian GAAP, The Companies Act, 1956 and the SEBI (DIP) Guidelines (as amended from time to time) and on information available from other sources.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements, which materially and adversely affect or are likely to affect the profitability of our Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

### **Overview of the Business of the Company:**

Bannari Amman Spinning Mills Ltd commenced commercial operations in the year 1995. We have evolved to be a significant player in cotton yarn spinning in South India, commanding a premium in the market for our products. We have a strong domestic presence in Tirupur, Kanpur and Kolkota markets, and we have exported our products to several countries including Israel, Mauritius, Egypt, Taiwan and South Korea.

We are a part of the Coimbatore-based Bannari Amman Group, which is involved in manufacturing, trading and distribution activities. Our group has business interests in sugar, textiles, food processing, transportation, distillery, automobile distribution, health, etc with a turnover of over Rs.12,000 million and net worth of about Rs.4,500 million.

All our manufacturing facilities are located in South India. As on March 31, 2005, we have two factories housed around 2.85 lakh square feet in Tamil Nadu. The spinning division in Dindigul, Tamil Nadu has an installed capacity of 29,232 spindles, producing around 16 tonnes of cotton yarn per day. The weaving division located in Coimbatore, Tamil Nadu, has an installation of 28 Sulzer projectile machines. Our export sales constituted 24% of total revenue as on March 31, 2005. Furthermore, in May 2002 we have been awarded a Certificate of Recognition as an Export House by the Joint Director General of Foreign Trade.

### **Significant developments subsequent to the last financial year**

In our opinion there are no such circumstances since the date of the last financial statements as disclosed in this Red Herring Prospectus, which materially or adversely affect or is likely to affect the trading or profitability of our Company, or the value of its assets or its ability to pay its liabilities within the next 12 months.

### **Factors that may affect results of the operations**

- Prices of cotton
- Competition
- Government rules and regulations relating to textile industry
- Non-receipt of pending government approvals for the proposed project



## Discussion on Results of Operations:

A summary of past financial results for based on the restated accounts are given below:

### Common Size Statement

Rs. in million

Particulars	For the Year / Period ended									
	Aug 31, 05		Mar 31, 05		Mar 31, 04		Mar 31, 03		Mar 31, 02	
<b>Operating Income</b>										
Domestic Sales of Cotton Yarn	184.15	65.15%	469.31	67.56%	472.13	65.46%	414.44	69.50%	392.17	63.11%
Export Sales of Cotton Yarn	78.97	27.94%	169.03	24.33%	190.72	26.44%	144.33	24.20%	188.39	30.32%
Other Sales	19.55	6.91%	56.29	7.82%	58.39	8.10%	37.57	6.30%	40.80	6.57%
	282.67	100.00%	694.63	100.00%	721.24	100.00%	596.33	100.00%	621.36	100.00%
Income from Weaving Operations	18.06	-	1.38	-	0.00	-	0.00	-	0.00	-
Other Operating Income	2.47	-	6.39	-	0.35	-	0.21	-	0.29	-
	303.20	-	702.40	-	721.59	-	596.54	-	621.65	-
Increase/Decrease in Stock	22.06	-	16.96	-	(6.68)	-	2.07	-	(22.04)	-
<b>Total Income</b>	325.26	100.00%	719.36	100.00%	714.91	100.00%	598.61	100.00%	599.61	100.00%
<b>Operating Expenses</b>										
Raw Material Consumed	203.33	62.51%	419.23	58.28%	440.86	61.67%	334.15	55.82%	376.26	62.75%
Employee Cost	7.85	2.41%	21.30	2.96%	21.72	3.04%	19.72	3.29%	19.41	3.24%
Power and Fuel (net of windmill income)	(2.19)	(0.67)%	56.32	7.83%	72.45	10.13%	63.07	10.54%	59.47	9.92%
Other Manufacturing Cost	15.60	4.80%	28.00	3.89%	24.02	3.36%	25.26	4.22%	24.78	4.13%
Administration Expenses	3.81	1.17%	10.17	1.41%	12.82	1.79%	11.38	1.90%	9.24	1.54%
Selling & Distribution Expenses	7.70	2.37%	17.60	2.45%	18.78	2.63%	14.02	2.34%	18.50	3.09%
Cost of Goods Sold	236.10	72.59%	552.62	76.82%	590.65	82.62%	467.60	78.11%	507.67	84.67%
PBDIT	89.16	27.41%	166.74	23.18%	124.25	17.38%	131.01	21.89%	91.93	15.33%
Interest & Depreciation	26.11	8.03%	44.24	6.15%	35.69	4.99%	41.49	6.93%	46.62	7.78%
PBIT	63.05	19.38%	122.50	17.03%	88.56	12.39%	89.53	14.96%	45.31	7.56%
Non operating Income	9.96	3.06%	24.29	-	4.42	-	4.72	-	5.15	-
PBT	73.00	22.44%	146.79	20.41%	92.98	13.01%	94.25	15.74%	50.46	8.42%
Tax	19.01	-	31.47	-	21.97	-	20.95	-	14.22	-
PAT	53.98	16.60%	115.32	16.03%	71.01	9.93%	73.30	12.24%	36.24	6.04%



## Comparison of FY 2005 with FY 2004

### Income

Sales for FY05 was Rs. 702.40 million as compared to 721.59 million in FY04. The drop in sales revenue was on account of a fall in realization and volume. Average sales realization dropped 1.68% from of Rs. 122.91 per kg in FY04 to Rs 120.85 per kg in FY05. There was also a drop in sales volume of 2.05%. Cotton yarn exports constituted 23.93% of the total sales receipts. Income from sales of cotton waste accounted for 7.9% of the total operating income.

During the year 2004-05, we implemented the first phase towards production of value added products such as fabric and home textiles/garments. This was achieved by setting up our weaving division, which commenced trial production in January 2005. The turnover of weaving division was Rs. 1.38 million.

Non operating income includes a claim of Rs 13.08 million on Suzlon Energy Limited on account of a delay in the installation of windmills and profit on sale of fixed assets of Rs 7.51 million. Other recurring non operating income include interest and dividend income.

### Expenses

Operating expenses for FY05 was Rs. 552.62 million (76.82% of total sales revenue) as compared to Rs. 590.66 million (82.62% of total sales revenue) for the previous year. The cost was lower mainly on account of savings in raw material and power costs.

Raw Material : The cost of raw material consumed decreased from Rs. 440.86 million in FY04 to Rs. 419.23 million in FY05, a fall by 4.91% on a year on year basis. The decline in the raw material cost was on mainly on account of fall in cotton prices and improved realization of yarn. Average price of cotton during FY05 was Rs 57.52 per kg as compared to Rs 61.08 per kg in FY04.

Power : During the year, we installed 4 windmills with a total generating capacity of 5 MW. The windmills started generating power in September 2004. Power generated using windmills cheaper source of energy and during the year we produced 3.60 million units. Income from windmill operations, although categorized as other income for availing tax exemption under section 80IA of the Income Tax Act, 1961, helps reduce the cost of power which is an important constituent of the cost of production. Our power costs for the year net of income from windmill operations was Rs 56.32 million in FY05 as compared to Rs 72.45 million in FY04.

Interest and Depreciation : We financed the setting-up of the weaving division and the windmill operations through internal accruals and borrowings. Interest and depreciation increased by 23.97% during FY05 on account of the above.

### Restated Profit After Tax

During the period under review, restated PAT increased from Rs. 71.01 million to Rs. 115.32 million.

## Comparison of FY March 2004 with FY March 2003

### Income

Sales increased by 20.96% from Rs 596.54 million in FY04 to Rs. 721.59 million in FY05. The increase was due to the off-take of finished goods in domestic as well as export market. Sales volume increased by 6.94% on a year-on-year basis and realization improved by 10.88%.

Other Income was mainly on account of interest and dividend income.

### Expenses

Operating expenses for FY04 was Rs. 590.66 million (82.62% of total sales revenue) as compared to Rs 467.60 million (78.11% of total sales revenue) for the previous year. The cost was higher mainly on account of an increase in the cost of cotton. Cotton prices had increased from an average of Rs. 49.07 per kg in FY03 to Rs. 61.08 per kg in FY04.

Interest cost was lower by 53.98% during the year on account of regular repayment and replacement of high cost working capital loan by LIBOR linked packing credit loan.



### Profit After Tax

During the period under review PAT decreased from Rs. 73.30 million to Rs. 71.01 million. Profits were lower mainly on account of a huge increase in raw material costs and a resultant drop in operating margins.

### Comparison of FY03 with FY02

#### Income

Sales for the FY03 was Rs. 634.09 million, as against Rs. 658.59 million in the FY02. There was a marginal fall in sales volume and average realization dipped from Rs 114.65 per kg of yarn in FY02 to Rs 110.85 per kg of yarn in FY03.

Other Income was mainly on account of interest and dividend income.

#### Expenses

Operating expenses for FY03 was Rs 467.60 million (78.11% of total sales revenue) as compared to Rs. 507.67 million (84.67% of total sales revenue) for the previous year. The cost was lower mainly on account of fall in the prices of cotton, which decreased from an average of Rs 57.32 per kg in FY02 to Rs. 49.07 per kg in FY03.

Interest cost was lower by 25% on account of regular repayments.

### 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 the Company.

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

There are no changes in the economic policies that has significantly affected the business of the Company.

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

- Availability of Raw Material in future
- Volatility in the raw material prices i.e. Cotton

#### 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.

Please refer the heading "Income" under chapter "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page no. 121 and page no. 122 of this Red Herring Prospectus

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

As the Company was dealing in Single Product in earlier years the details of segment revenue are for FY05 only.

Rs. in million

Primary	YARN	FABRIC	WIND ENERGY
External Revenue	703.70	1.38	0
Operating Income	13.91	0	13.08
Inter segment Revenue	1.01	0	12.61

#### Status of any publicly announced new products or business segment

Our Company has not announced any new products



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**The extent to which business is seasonal**

The Business of our Company is not seasonal in nature.

**Any significant dependence on a single or few suppliers or customers**

We source our raw materials from a number of suppliers and are not under threat from excessive dependence on any single supplier. The threat from excessive dependence on a single customer is not significant as the customer base is well diversified.

**Competitive conditions**

Please refer to "Business" section on Page no. 43 for the details of competition.



## LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issue by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (l) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company (the company does not have a subsidiary) and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Promoter or Directors.

#### BY THE COMPANY

##### *Disputes with Governmental authorities*

- The Company has filed an appeal (Ref. No. 17/03-04 filed on December 08, 2004) before the ITAT, Chennai, against the orders of the Commissioner of Income Tax (Appeals) in respect of the assessment year 2000-2001. The appeal relates to the disallowance of benefits claimed by the Company under Section 80-IB and Section 80 HHC of the Income Tax Act, 1961. The amount of income tax under dispute is Rs. 892,014. The matter is currently pending and no orders have yet been passed by the ITAT.
- The Company has filed an appeal (Ref. No. 121/03-04 filed on December 08, 2004) before the ITAT, Chennai, against the orders of the Commissioner of Income Tax (Appeals) in respect of the assessment year 2001-2002. The appeal relates to the disallowance of benefits under Section 80-IB of the Income Tax Act, 1961. The amount of income tax under dispute is Rs. 107,889. The matter is currently pending.
- The Company has filed an appeal on February 14, 2004 before the Commissioner of Income Tax (Appeals) in respect of the assessment year 2000-2001. The appeal relates to the disallowances of deductions claimed by the Company under Section 80 HHC and benefits of tax credits under Section 115 JAA of the Income Tax Act, 1961. The amount of tax under dispute is Rs. 3,053,109. The matter is currently pending.
- The Company has filed an appeal on February 14, 2004 before the Commissioner of Income Tax (Appeals) in respect of the assessment year 2001-2002. The appeal relates to the disallowance of benefits claimed under Section 80 HHC of the Income Tax Act, 1961. The amount of income tax under dispute is Rs. 3,280,498. The matter is currently pending.
- The Company has filed a writ petition on March 05, 2003 (W.M.P. 10522 of 2003 before the High Court of Madras) against the Department of Commercial Taxes, restraining the department from levying or recovering entry tax under the provisions of the 'Tamil Nadu Tax on Entry of Goods into Local Area Act, 2001' on high speed diesel oil, light speed diesel oil and lubricant oil being imported by the Company into Tamil Nadu from outside the State. The High Court, by its order dated March 17, 2003, has passed an order staying any demands for tax, although it was stated that assessment may continue. As on June 30, 2005 an amount of Rs. 862,946 was disputed.
- Pursuant to its letter dated September 15, 1999, the TNEB withdrew certain tariff concessions extended to the Company in respect of generation and consumption of power from its own windmills. The Company has filed a writ petition (W.M.P. No. 672/2001 before the High Court of Madras) against the TNEB on January 11, 2001 in respect of the same and obtained interim orders in its favour. An amount of Rs. 6,186,218 is disputed and 50% of this amount has already been paid by the Company under protest, in accordance with the Court's orders. The matter is pending.
- The Company has disputed the levy of electricity tax and peak hour consumption charges by the TNEB (W.M.P. No. 1734/2004 before the High Court of Madras). An amount of Rs. 8,584,000 disputed. The matter is pending.

##### *Disputes in respect of recovery of dues*

- The Company has initiated 2 suits (O. S. No. 93/2003 against M/s. Earnest Knitwear and O. S. No. 106/2003 against M/s. Lakshmi & Lakshmi Knitwear, both filed on December 30, 2002 before the Subordinate Judge Court, Coimbatore) in relation to non-payment of dues aggregating to Rs. 528,000 against yarn supplied by the Company. In both cases, the Company has obtained decrees against the defendants and execution petitions are due to be filed.



## **AGAINST THE COMPANY**

### *Disputes with Governmental authorities*

- The Assistant Commissioner of Income Tax - Company Affairs has filed an appeal dated February 14, 2005 before the ITAT against an order passed by the Commissioner of Income Tax (Appeals) in favour of the Company in respect of the assessment year 2000-2001. The appeal relates to deductions claimed by the Company under Sections 80 IB and 80 HHC of the Income Tax Act, 1961 and the treatment of MAT credit available to the Company on par with advance tax/TDS for the purpose of adjusting tax liability. The amount of tax under dispute is Rs. 1,250,370. The matter is currently pending.
- The Assistant Commissioner of Income Tax - Company Affairs has filed an appeal dated February 14, 2005 before the ITAT against an order passed by the Commissioner of Income Tax (Appeals) in favour of the Company in respect of the assessment year 2001-2002. The appeal relates to deductions under Sections 80 IB and 80 HHC of the Income Tax Act, 1961 and the treatment of MAT credit available to the Company on par with advance tax/TDS. The amount of tax under dispute is Rs. 1,099,993. The matter is currently pending.
- The Commissioner of Central Excise, Trichy, has filed a memorandum of civil miscellaneous petition dated July 04, 2004 (C.M.P. No. 1458/2004 before the High Court of Madras) against an order passed by the Customs, Excise and Service Tax Appellate Tribunal in favour of the Company and thereby permitting the Company to claim a modvat credit of Rs. 519,800 paid on blow room machinery used by the Company in the manufacture of excisable goods. The appeal is pending.

## **BY OR AGAINST THE DIRECTORS**

There are no cases involving any of the Directors.

## **BY THE PROMOTERS**

### **Shiva Distilleries Ltd.**

#### *Disputes with Governmental authorities*

- Shiva Distilleries Ltd. has filed four appeals with the ITAT on September 14, 2000, against the orders of the Commissioner of Income Tax (Appeals) in respect of the assessment years 1992-1995 and 1997-1999. The entire income tax demand of Rs. 16,031,000 being contested by Shiva Distilleries Ltd. has already been paid and the amount is reflected as a contingent liability in the balance sheet of Shiva Distilleries Ltd. for the year ended March 31, 2004. The matters are currently pending and no orders have yet been passed by the ITAT.

## **AGAINST THE PROMOTERS**

### **Shiva Distilleries Ltd.**

#### *Disputes with Governmental authorities*

- On July 12, 2004, the income tax authorities filed an appeal before the High Court of Madras against an order dated May 26, 2003 of the ITAT which upheld Shiva Distilleries Ltd.'s claims for depreciation against fixed assets. The financial impact, if the High Court sets aside the order of the ITAT, is Rs. 24,000,000. The matter is pending.
- The Commissioner of Central Excise, Madurai, has filed a petition against Shiva Distilleries Ltd. (R.C.P. No. 06/2003 before the High Court of Madras), aggrieved by the order of the Customs, Excise and Gold (Control) Appellate Tribunal (final order no. 449/2002 dated April 12, 2004) allowing Shiva Distilleries Ltd. to claim credit of Rs. 113,514 under the provisions of the Central Excise Rules, 1944. The matter is not yet listed.
- The balance sheet of Shiva Distilleries Ltd. shows amounts of Rs. 3,302,000 and Rs. 2,557,000 as contingent liabilities relating to income tax demanded during assessments. These demand notices were recently withdrawn by the income tax authorities.

#### *Other civil proceedings*

- In O. S. No. 255/2004, dated March 20, 2004 and pending before the High Court of Delhi, Diageo North America, Inc. and another have instituted a suit for permanent injunction against Shiva Distilleries Ltd. Diageo North America, Inc. has alleged that certain marks used by Shiva Distilleries Ltd. and for which it has applied for registration under the provisions





of the Trade and Merchandise Marks Act, 1958, are phonetically similar to the 'Smirnoff' trademark and 'Eyebrow' device used by the plaintiff. The plaintiffs have prayed that they be permitted to inspect the books of accounts of Shiva Distilleries Ltd. to ascertain the profits made by Shiva Distilleries while using the infringing marks. The monetary liability of Shiva Distilleries Ltd., if the case were adjudged against it, is unascertainable.

## BY THE PROMOTER GROUP COMPANIES

### Bannari Amman Sugars Ltd.

#### *Disputes with Governmental authorities*

- Bannari Amman Sugars Ltd. has filed writ petitions (W. P. Nos. 6288/1994 to 6295/1994 dated April 07, 1994 before the High Court of Madras against the Superintendent of Central Excise, Gobichettipalayam, in respect of show cause notices issued to Bannari Amman Sugars Ltd., alleging that Bannari Amman Sugars Ltd. has collected an amount of Rs. 14,999,000 as excise duty at a rate exceeding the prescribed rate of excise duty and not remitted the same to the credit of the Central Government. The notices required Bannari Amman Sugars Ltd. to show cause why such amount should not be demanded from Bannari Amman Sugars Ltd. under the relevant provisions of the Central Excises and Salt Act, 1944 and the Central Excise Rules, 1944. The High Court of Madras has, by its order dated April 07, 1994, granted an order of stay against the show cause notices. The petitions are pending.
- Bannari Amman Sugars Ltd. has filed a writ petition (W. P. Nos. 5578/1989 dated April 11, 1989 and 4765/1990 dated April 19, 1990 before the High Court of Madras) against the Chief Director (Sugar), Department of Food, Ministry of Food & Civil Supplies, challenging notifications dated January 31, 1989 and February 19, 1990 issued by the respondent, amending/restricting entitlements of sugar under the free sale quota availed by sugar factories. Interim orders have been passed in favour of Bannari Amman Sugars Ltd. The amount involved is approximately Rs. 68,335,000. This amount has been provided as a contingent liability in the financial statements of Bannari Amman Sugars Ltd.
- Bannari Amman Sugars Ltd. has filed a writ petition (W. P. No. 18145/2000 on May 31, 2005 before the High Court of Madras) against the Commissioner of Central Excise (Adjudication). Bannari Amman Sugars Ltd. had availed excise benefits of Rs. 14,843,556, in terms of Notification No. 108/95-C. E. dated August 28, 1995 issued by the Ministry of Finance, Government of India, which *inter alia* provided that excise duty would be wholly exempted in respect of certain goods intended to be supplied to a project financed by the World Bank, the Asian Development Bank or certain international organisation. The notification, however, provided that the exemption would be available subject to the condition that the manufacturer should produce a certificate issued by the executive head of the project implementing authority, stating that the goods are required for the execution of the project and that the project has duly been approved by the Government of India. The certificates of confirmation issued to Bannari Amman Sugars Ltd. by the project implementing authority were declared by the excise authorities to be invalid and a notice was issued to Bannari Amman Sugars Ltd., requiring it to pay excise duty of Rs. 14,843,556. The entire amount was, however, paid by Bannari Amman Sugars Ltd. under protest. Subsequently, a total of 13 notices were issued to Bannari Amman Sugars Ltd. to show cause as to why penalties should not be imposed upon it and the matter was being heard by the Commissioner of Central Excise as an adjudicating authority. On May 31, 2005, the High Court of Madras passed interim orders in favour of Bannari Amman Sugars Ltd., staying these proceedings being conducted by the Commissioner of Central Excise.
- Bannari Amman Sugars Ltd. has filed a writ petition (W. P. No. 4030/2002 filed before the High Court of Madras on February 14, 2002) against the State of Tamil Nadu and the Executive Engineer, P.W.D., Water Sources Organisation, challenging a notification issued by the Government of Tamil Nadu increasing the charges for water drawn for industrial purposes. The High Court ordered an interim stay on the notification, subject to the condition that Bannari Amman Sugars Ltd. shall pay charges at a rate of Rs. 300 for every 1,000 cubic metres of water drawn for consumption. The amount involved is Rs.43,700,000.
- Bannari Amman Sugars Ltd. has filed a writ petition on March 04, 2005 (WMO 7397/2005 before the High Court of Madras) against the Tamil Nadu Electricity Board, and obtained an interim injunction restraining the TNEB from levying electricity tax on Bannari Amman Sugars Ltd. generating and consuming power from its own generator sets. The matter is pending. The monetary liability of Bannari Amman Sugars Ltd., if the case were adjudged against it, is Rs.3,754,000.



- Bannari Amman Sugars Limited has filed a writ petition (W. P. No. 23740 of 2002) before the High Court of Madras against Government of Tamil Nadu challenging the levy of entry tax on inter-state purchase of rough granite blocks meant for the purpose of processing for exports under Tamil Nadu Tax on Entry of Goods into Local Areas Act, 2001. The High Court of Madras on July 03, 2002, granted an interim stay subject to the condition that the Commercial Tax Officer may proceed with assessment, but the same shall not be given effect to until further orders. The amount involved is Rs. 12,029,122.
- Bannari Amman Sugars Limited has availed cenvat credit to the extent of Rs. 771,860. The excise department has disputed the availment of cenvat credit and the matter was taken up for adjudication. After exhausting the statutory remedy available under the central excise statute, Bannari Amman Sugars Limited approached the High Court of Karnataka by filing an appeal in CEA.20,21/2005. The amount involved is Rs. 771,860.
- Bannari Amman Sugars Limited has filed a cross appeal (Co/0050/Mds/2002 in July, 2002) before the ITAT, against the order of the Commissioner of Income Tax (Appeals) in respect of the assessment year 1998-99. The appeal relates to the disallowance of benefits claimed by the company under Section 80-HHC of the Income Tax Act, 1961. The amount of income tax under dispute is Rs. 527,831. The matter is currently pending.

#### ***Disputes in respect of recovery of dues***

- Bannari Amman Sugars Ltd. had filed a suit (O. S. No. 179/2001 before the Subordinate Judge Court, Palakkad on September 17, 1997) against Co-operative Sugars Ltd. for recovery of development charges of Rs. 1,084,790 for sugar cane drawn by the plaintiff from the reserved areas of Bannari Amman Sugars Ltd. The suit was decreed in favour of Bannari Amman Sugars Ltd. and an execution petition (E. P. NO. 08/2003) has been filed. The amount involved is Rs.1,121,391.
- Bannari Amman Sugars Ltd. had filed a suit (O. S. No. 1290/1995 dated September 07, 1995 before the Subordinate Judge Court, Coimbatore) against Magratex AG for the recovery of an amount of Rs. 792,154. The suit was decreed *ex parte* in favour of Bannari Amman Sugars Ltd. Magratex AG has now filed an interlocutory application (not yet numbered) before the Subordinate Judge Court, Coimbatore and the same is pending for inquiry.
- Bannari Amman Sugars Ltd. has filed a case on September 02, 2002 against M/s. Ganesh Vegetables (S.T.C. No. 2728/2003 before the Judicial Magistrate No. VII of Coimbatore) under Section 138 of the Negotiable Instruments Act, 1881 for recovery of an amount of Rs. 1,761,346. Non-bailable warrants have been issued against the defendant.
- On June 02, 2002, Bannari Amman Sugars Ltd. initiated arbitration proceedings against Eastern King Granites Private Limited for recovery of an amount of Rs. 2,074,399 payable for supply of granite. The matter is presently pending before the High Court of Madras (in A.O.P. No, 47/2004) for the appointment of arbitrators.

#### **Shiva Taxyarn Ltd.**

##### ***Disputes with Governmental authorities***

- Shiva Taxyarn Ltd. has filed petitions (W.M.P. 18036-18044 of 2002) against the Employees State Insurance Corporation, Madurai, before the High Court of Madras and obtained an interim injunction on April 25, 2002 restraining the corporation from implementing the provisions of the Employees State Insurance Act, 1948, in so far as Shiva Taxyarn Ltd. is concerned. Should the provisions of the said statute be held to be applicable, the potential contribution to be made by Shiva Taxyarn Ltd. to the Employees State Insurance Corporation, as on March 31, 2005, is approximately Rs. 3,304,000.
- Shiva Taxyarn Ltd. has filed a writ petition (WMO 10523 of 2003 dated March 05, 2005, before the High Court of Madras) against the Department of Commercial Taxes, restraining the department from levying or recovering entry tax under the provisions of the 'Tamil Nadu Tax on Entry of Goods into Local Area Act, 2001' on high speed diesel oil, light speed diesel oil and lubricant oil being imported into Tamil Nadu from outside the State. The High Court, on March 17, 2003, has passed an order staying any demands for tax, although it was stated that assessment proceedings may continue. As on June 30, 2005, an amount of Rs. 1,883,774 was disputed. The matter is pending.
- Shiva Taxyarn Ltd. has filed a writ petition (W.A.M.P. No. 1480/2004 dated August 09, 2003, before the High Court of Madras) against the TNEB and obtained an interim injunction restraining the TNEB from levying 5% electricity tax on Shiva Taxyarn Ltd. generating and consuming power from its own generator sets. An amount of Rs. 4,925,000 is in dispute. The matter is pending.



- Shiva Textyarn Ltd. has filed a petition before the High Court of Madras (W.M.P. 24924 and W.M.P. 24928 of 2001, filed on September 12, 2001) and, on September 14, 2001, obtained an order of interim injunction in respect of the demand of interest and penalty on the service tax levied on goods transport operations during the period dated November 16, 1997 to June 01, 1998. The amount of service tax paid for this period is Rs. 535,045.
- The Assistant Commissioner of Income Tax, Coimbatore, had issued a notice of demand dated March 28, 2005 under Section 30 of the Wealth Tax Act, 1957, stating that Shiva Textyarn Ltd. was liable to pay an amount of Rs. 813,827, on the ground that Shiva Textyarn Ltd. owned cars with a written down value of Rs. 58,019,000 and was thus liable for wealth tax. In this respect, Shiva Textyarn Ltd. has preferred an appeal dated March 28, 2005 before the Commissioner of Wealth Tax (Appeals) I, Coimbatore, submitting that the assessing officer had erred in law and on facts by including in the assets chargeable to wealth tax, motor cars actually being deployed in the business of leasing of assets.
- Shiva Textyarn Ltd. has preferred the following appeals before the ITAT against the initial orders of the assessing officers and orders passed by the Office of the Commissioner of Income Tax (Appeals), Coimbatore:

Assessment year	Date of order of the Commissioner of Income Tax (Appeals)	Date on which appeal filed before the ITAT	Amount (Rs.) (Millions)
1992-1993	October 25, 1999	January 07, 2000	0.096
1993-1994	October 25, 1999	January 07, 2000	0.144
1994-1995	October 25, 1999	January 07, 2000	0.442
1995-1996	October 25, 1999	January 07, 2000	0.514
1996-1997	October 25, 1999	January 07, 2000	2.245
1997-1998	October 25, 1999	January 07, 2000	2.618
1998-1999	October 25, 1999	January 07, 2000	1.314
1999-2000	October 25, 1999	January 07, 2000	0.934
<b>Total</b>			<b>8.307</b>

All the above cases relate to the levy of interest tax on hire purchase transactions between Shiva Textyarn Ltd. and its customers. The cases are currently pending adjudication.

#### Disputes in respect of recovery of dues

- The finance division of this company was, *inter alia*, engaged in the business of providing hire purchase and other financing facilities. Many of Shiva Textyarn Ltd.'s clients have committed defaults in repaying the facilities and the company has, accordingly, resorted to initiating suits before various courts across Tamil Nadu. A total of 561 suits and arbitration proceedings initiated by Shiva Textyarn Ltd. for recovery of an aggregate amount of Rs. 299,631,367.85 are currently pending adjudication.
- Shiva Textyarn Ltd. has initiated 3 suits (O.S. No. 96/2003 dated December 30, 2002 against M/s. Earnest Knitwear, O. S. No. 94/2003 dated December 30, 2002 against M/s. Pace Creations and O.S. No. 4554/2004 dated September 09, 2004 against M/s. Pradeep Exports) before various lower courts in Coimbatore in relation to non-payment of dues aggregating to Rs. 222,000 against yarn supplied by Shiva Textyarn Ltd. In a majority of these cases, decrees have been obtained against the defendants and execution petitions are due to be filed.
- 6 cheques aggregating to Rs. 18,00,000 issued by Kquality Spinning Mills Ltd., were dishonoured. Shiva Textyarn Ltd. had filed cases (C.C. No. 454/2003 dated June 27, 2003, C.C. No. 527/2003 dated July 29, 2003, S.T.C. No. 2275/2003 dated October 17, 2003, S.T.C. No. 2485/2003 dated November 06, 2003, S.T.C. No. 3004/2004 dated September 24, 2004 and S.T.C. No. 2369/2004 dated August 04, 2004) before the Judicial Magistrate No. VII of Coimbatore under Section 138 of the Negotiable Instruments Act, 1881 for recovery. The defendant, in turn, has filed discharge petitions on the file of the Madras High Court and obtained stay orders in respect of the proceedings initiated against it.



#### ***Other civil proceedings***

- In M.A.C.O.P No. 440/1996 dated November 30, 1996, pending before the Motor Accident Tribunal, Dindigul, proceedings have been initiated by Shiva Texyarn Ltd. against the Tamil Nadu Transport Corporation for damaging a portion of the compound wall of Shiva Texyarn Ltd. The amount claimed is Rs. 30,000.

#### **Shiva Automobiles Private Ltd.**

##### ***Disputes with Governmental authorities***

- The Assistant Divisional Engineer (Highways), Tiruchirapalli and the Divisional Engineer of the National Highways Department had, by their letter dated April 08, 2005, alleged that Shiva Automobiles Private Ltd. encroached upon certain properties belonging to the National Highways Department and required Shiva Automobiles Private Ltd. to vacate possession of the portion of the property alleged to be encroached. Shiva Automobiles Private Ltd. has, pursuant to an order dated April 16, 2005 issued by the High Court of Madras in the case of W. P. (MD) No. 3324/2005, obtained an interim stay in its favour.

#### **Anamallai Retreading Company (Partnership)**

##### ***Disputes in respect of recovery of dues***

- Anamallai Retreading Company has filed 8 suits across lower courts within Tamil Nadu for the recovery of an amount of Rs. 112,904 due from its customers. In all cases, the suits were decreed in favour of Anamallai Retreading Company and execution petitions have been filed.

#### **Anamallai Retreading Company Limited**

##### ***Disputes in respect of recovery of dues***

- Anamallai Retreading Company has filed 2 suits (O. S. No. 473/1991 and 418/2001 before the Subordinate Judge Court, Coimbatore) for the recovery of an amount of Rs. 25,340 due from its customers. In all cases, the suits were decreed in favour of Anamallai Retreading Company Limited and execution petitions have been filed.

#### **Bannari Amman Exports Ltd.**

##### ***Disputes with Governmental authorities***

- Bannari Amman Exports Ltd. has filed an appeal (Ref No. ITA/1270/Mds/1999 filed on September 03, 1999) before the ITAT against the order of the Commissioner of Income Tax (Appeals) in respect of the assessment year 1996-97. The appeal relates to the disallowance of benefits claimed by Bannari Amman Exports Ltd. under Section 80-HHC of the Income Tax Act, 1961. The amount of income tax under dispute is Rs. 2,41,262. The matter is currently pending.

##### ***Disputes in respect of recovery of dues***

- Bannari Amman Exports Ltd. has initiated arbitration proceedings against Jagson Airlines Ltd. and another, in relation to recovery of an amount of Rs. 22,461,247 towards reimbursement of excess hire charges and repayment of security deposit paid to Jagson Airlines Ltd. in respect of the lease of a molasses storage tank. The defendants have, in turn, raised a counter claim of Rs. 47,804,391 against Bannari Amman Exports Ltd. The matter is currently pending.

#### **Coimbatore Agro Industries Ltd.**

##### ***Disputes in respect of recovery of dues***

- Coimbatore Agro Industries Ltd. has filed 4 cases (C.C. No. 130/2002 dated February 04, 2002, S.T.C. No. 3003/2004 dated January 31, 2004, S.T.C. No. 1992/2004 dated January 09, 2004 and C.C. No. 277/2002 dated April 19, 2002) before the Judicial Magistrate No. VII of Coimbatore under Section 138 of the Negotiable Instruments Act, 1881 for recovery of an aggregate amount of Rs. 357,000.
- Coimbatore Agro Industries Ltd. has, on August 01, 2002, filed a suit against M/s. Velavan Stores and others before the IInd Additional District Munsif Court, Coimbatore for recovery of an amount of Rs. 50,000. The same is pending for trial. Additionally, in O.S. No. 1568/2002 dated December 26, 2002, in a suit filed by Coimbatore Agro Industries before Principal Subordinate Judge Court, Coimbatore, a decree was obtained against the defendant Mr. P.P. Kandasamy, in relation to the recovery of an amount of Rs. 87,000 due from the defendant. An execution petition is soon to be filed by Coimbatore Agro Industries Ltd.



## **Annamallai Industries Ltd.**

### *Disputes in respect of recovery of dues*

- Annamallai Industries Ltd. has filed 20 cases before the Magistrate courts at Chennai and Coimbatore under Section 138 of the Negotiable Instruments Act, 1881 for recovery of an aggregate amount of Rs. 1,481,600.
- Additionally, in OS No. 1560/2004, a suit filed on March 31, 2004 by Annamallai Industries Ltd. and pending before the City Civil Courts, Chennai, Annamallai Industries Ltd. has obtained a decree against the defendant, M/s Sri Bramasakti and others, in relation to the recovery of an amount of Rs. 50,000 due from the defendant. An execution petition is soon to be filed by Annamallai Industries Ltd.

### *Criminal proceedings*

- Annamallai Industries Ltd. has filed two criminal miscellaneous petitions dated March 01, 2005 against M/s. Deepa Vermicelli and M/s Natarajan Traders in relation to failure of the defendants to pay amounts of Rs. 127,000 and Rs. 195,000 for products purchased from Annamallai Industries Ltd. Criminal proceedings were initiated under Section 200 of the Criminal Procedure Code before the Metropolitan Magistrate, Chennai. The court has issued directions to the concerned police station to investigate and report on the matters. The matters are currently pending.

## **Sakthi Murugan Transports Private Ltd.**

### *Other civil proceedings*

- Sakthi Murugan Transport Private Ltd. had initiated two suits against (O.S. No. 313/2004 dated October 30, 2003 against Mr. G. Marappan and O.S. No. 1157/2004 dated December 14, 2000 against Mrs. Valliammal) before the Subordinate Judge Court, Coimbatore and the District Munsif, Coimbatore for damages of approximately Rs. 150,000. Both suits have been decreed in favour of Sakthi Murugan Transport Private Ltd. and copies of the decrees are awaited.

## **Anamallais Agencies, Coimbatore**

### *Disputes in respect of recovery of dues*

- Anamallais Agencies, Coimbatore has filed a case (C.C. No. 452/2003 dated October 16, 2002, before the Court of the Judicial Magistrate VII, Coimbatore) against Mr. Augustiam Varkey under Section 138 of the Negotiable Instruments Act, 1881 for recovery of an amount of Rs. 103,000. A suit for recovery was also initiated against Mr. Varkey (O.S. No. 429/2003 dated July 10, 2004, before the Subordinate Judge Court, Coimbatore) for recovery of this amount. The suit has been decreed in favour of Anamallais Agencies, Coimbatore and a copy of the order is awaited.

## **Kerala Alcoholic Products Ltd.**

### *Disputes with Governmental authorities*

Kerala Alcoholic Products Ltd. has filed a writ petition (W. P. (C) No. 21045/2005 dated July 15, 2005) against the State of Kerala and the Excise Commissioner, Thiruvananthapuram, challenging the claims of the excise authorities in relation to the levy of establishment charges under the provisions of the Kerala Distillery and Warehouse Rules, 1968. The excise authorities have claimed that Kerala Alcoholic Products Ltd. is liable to pay an amount of Rs. 263,263 as establishment charges incurred in relation to the deployment of excise personnel in distilleries maintained by Alcoholic Products Ltd. The High Court has passed interim orders in favour of Alcoholic Products Ltd. on July 15, 2005, pending disposal of the writ petition. The matter is pending.



## AGAINST THE PROMOTER GROUP COMPANIES

### Bannari Amman Sugars Ltd.

#### *Disputes with Governmental authorities*

- The Government of Tamil Nadu vide G. O. No. 268 dated April 16, 1987 granted exemption by way of subsidy to Bannari Amman Sugars Limited from payment of purchase tax for a period of five years without any control or monetary limit from the date of commencement of production to encourage setting up sugar factories in private sector. The Government of Tamil Nadu vide G. O. No. 989 dated September 01, 1988 while rationalising sales tax, modified the exemption granted earlier and restricted the exemption to the extent of Rs. 30,000,000 for a period of five years with a ceiling of Rs. 7,000,000 for each year. Aggrieved by the notification dated September 01, 1988, Bannari Amman Sugars Limited filed a writ petition before the High Court of Madras which was subsequently transferred to Tamil Nadu Taxation Special Tribunal. The Tribunal held that on application of principles of promissory estoppel and legitimate expectation, the withdrawal of benefit already conferred was not sustainable in law. Subsequently, the Government of Tamil Nadu, questioned the jurisdiction of Tamil Nadu Taxation Special Tribunal's order and filed a writ petition in W. P. No. 3311 of 1998 before the High Court of Madras. The High Court held that the notification dated September 01, 1988 is valid and reversed the Tamil Nadu Taxation Special Tribunal Order. Aggrieved by the order of the High Court, Bannari Amman Sugars Limited filed a civil appeal before the Supreme Court of India for setting aside the order of the High Court. The Supreme Court, by its order dated November 22, 2004 remitted the matter back to High Court for fresh consideration. The approximate amount in dispute is Rs. 39,769,279.
- The Assistant Commissioner of Income Tax, Company Circle I (2) Coimbatore, has filed an appeal on June 13, 2002 before the ITAT against an order passed by the Commissioner of Income Tax (Appeals) in favour of Bannari Amman Sugars Limited in respect of the assessment year 1998-99. The appeal relates to the treatment of excess realisation on the sale value of incentive sugar, deduction claimed by the company under Section 80 HHC of the Income Tax Act, 1961 and the levy of interest under Sections 234-B and 234-C of the act on the minimum alternative tax. The amount of tax under dispute is Rs. 23,265,126. The matter is currently pending.
- The Assistant Commissioner of Income Tax, Company Circle I (2) Coimbatore, has filed an appeal on January 27, 2003 before the ITAT, against an order passed by the Commissioner of Income Tax (Appeals) in favour of Bannari Amman Sugars Limited in respect of the assessment year 1999-00. The appeal relates the treatment of treatment of excess realisation on the sale value of incentive sugar, valuation of stock of incentive sugar and deduction claimed under Section 80 HHC of the Income-tax Act, 1961. The amount of tax under dispute is Rs. 19,647,627. The matter is currently pending.
- The Assistant Commissioner of Income Tax, Company Circle I (2) Coimbatore, has filed an appeal on January 27, 2003 before the ITAT against an order passed by the Commissioner of Income Tax (Appeals) in favour of Bannari Amman Sugars Limited in respect of the assessment year 2000-2001. The appeal relates the treatment of treatment of excess realization on the sale value of incentive sugar, valuation of stock of incentive sugar and deduction claimed by Bannari Amman Sugars Limited under Section 80 HHC of the Income-tax Act 1961. The amount of tax under dispute is Rs. 15,682,751. The matter is currently pending.
- The Assistant Commissioner of Income Tax, Company Circle I (2) Coimbatore, has filed an appeal on February 10, 2004 before the ITAT, against an order passed by the Commissioner of Income Tax (Appeals) in favour of the company in respect of the assessment year 2001-2002. The appeal relates to treatment of excess realisation on the sale value of incentive sugar, valuation of stock of incentive sugar, disallowance of expenditure on transmission lines, treatment of subsidy on cogeneration plant, and levy of interest under Section 234C of the Income Tax Act, 1961. The amount of tax under dispute is Rs. 42,276,268. The matter is currently pending.
- The Assistant Commissioner of Income Tax, Company Circle I (2) Coimbatore, has filed an appeal in June 1, 2005 before the ITAT, against an order passed by the Commissioner of Income Tax (Appeals) in favour of Bannari Amman Sugars Limited in respect of the assessment year 2002-2003. The appeal relates to treatment of subsidy on cogeneration plant and deduction claimed by the company under Section 80 HHC of the Income Tax Act, 1961. The amount of tax under dispute is Rs. 6,503,768. The matter is currently pending.
- The Assistant Commissioner of Income Tax, Company Circle I (2) Coimbatore, has filed an appeal in June 1, 2005 before the ITAT, against an order passed by the Commissioner of Income Tax (Appeals) in favour of Bannari Amman Sugars





Limited in respect of the assessment year 2004-2005. The appeal relates to treatment of MAT credit on par with advance tax/TDS for the purpose of levy of interest under Sections 234B and 234C of Income Tax Act, 1961. The amount of tax under dispute is Rs. 2,030,523. The matter is currently pending.

#### ***Other civil proceedings***

- Bannari Amman Sugars Ltd. had entered into an agreement with Mr. Vimalchand and others, pursuant to which it was permitted to extract granite blocks from quarries owned by Mr. Vimalchand. Bannari Amman Sugars Ltd., however, terminated the quarrying operations and surrendered the quarry to Mr. Vimalchand. Mr. Vimalchand and other initiated proceedings against Bannari Amman Sugars Ltd. before the Balhothra District Court, claiming compensation of Rs. 3,931,746. The suit was, however, dismissed by the court and the matter referred to arbitration, as per the provisions of the agreement between the parties. Bannari Amman Sugars Ltd. has received a summons from the Rajasthan High Court on July 15, 2005 in relation to a petition (Civil Arbitration No. 22/2005) filed by Mr. Vimalchand for the appointment of an arbitrator.
- M/s Shree Ganesh Vegetable Store & Others filed a suit against Bannari Amman Sugars Limited before the City Civil Court, Calcutta seeking a declaration that Bannari Amman Sugars Limited has no right to, take action in respect of, deposit or encash certain cheques issued by the said M/s Shree Ganesh Vegetable Store in favour of Bannari Amman Sugars Limited. The suit was dismissed on April 29, 2005. However, M/s. Shree Ganesh Vegetable Store & Others filed a case (Miscellaneous Case No. 1553 of 2005) before the City Civil Court, Calcutta for review of the order dismissing the suit. The said review application is pending.

#### **Shiva Texyarn Ltd.**

##### ***Disputes in relation to securities laws***

- Mr. Ashok Kriplani has filed a case against Shiva Texyarn Ltd. (COP NO. 312/2001 dated September 28, 2001) before the State Consumer Commission, New Delhi, opposing Shiva Texyarn's sale of certain shares pledged in its favour by the plaintiff. Mr. Kriplani, a share broker, had availed a loan of Rs. 600,000 from Shiva Texyarn Ltd. and pledged certain shares along with necessary transfer forms with Shiva Texyarn Ltd., as security for the loan. Upon the plaintiff's default in repaying the loan, Shiva Texyarn Ltd. transferred the shares in its name and subsequently sold the same. Mr. Kriplani seeks compensation of Rs. 1,803,025 for Shiva Texyarn Ltd.'s alleged negligence in selling the shares for a lower amount than the market rate then prevailing. Shiva Texyarn Ltd. has filed its reply before the Commission and the matter is now pending for enquiry.
- In relation to the above case, the exchange control authorities have issued a memo to Shiva Texyarn Ltd. (No. T4/460/DZ/02 dated May 14, 2002, regarding the alleged violation of exchange control regulations while selling the shares pledged by Mr. Ashok Kriplani. Mr. Kriplani had, *inter alia*, caused a pledge of certain shares worth Rs. 393,578 held by non-resident Indians, in favour of Shiva Texyarn Ltd. These shares were sold by Shiva Texyarn Ltd. on Mr. Kriplani's default. The Reserve Bank of India issued memos to Mr. Kriplani and then to Shiva Texyarn Ltd. seeking explanations on why shares held by non-resident Indians were sold without the prior permission of the Reserve Bank of India. Shiva Texyarn Ltd. has issued responses to all queries raised by the Reserve Bank of India, the last one dated April 25, 2005, stating that the pledgor and not Shiva Texyarn Ltd. is liable for the breach of exchange control violations. No further correspondence has since been received from the Reserve Bank of India.
- Shiva Texyarn had failed to comply with the requirement of Clause 51 of the Listing Agreement, which prescribed certain information, statements and reports to be filed by companies on the Electronic Data Information Filing and Retrieval (EDIFAR) web site maintained by National Informatics Center. In accordance with the terms of an order dated October 06, 2004 passed the adjudicating officer of the SEBI, Shiva Texyarn Ltd. paid an amount of Rs. 20,000 levied as a penalty.

##### ***Disputes in respect of recovery of dues***

- In accordance with the terms of conditions of the commercial contracts with its clients, Shiva Texyarn Ltd. has, in 16 cases, initiated arbitration proceedings against defaulting clients to recover an aggregate amount of Rs. 276,29,924 due to Shiva Texyarn Ltd. In all these cases, the sole arbitrator/arbitral panel has/have passed awards in favour of Shiva Texyarn Ltd., directing the defaulting clients to pay the amounts outstanding. As on date, all these defaulting clients have



preferred appeals against the arbitration awards under Section 34 of the Arbitration and Conciliation Act, 1996. The appeals are pending adjudication before the Subordinate Judge Court, Tirupur and Principal District Judge Court, Nagarkoil.

#### ***Other civil proceedings***

- In course of its previous business of providing hire purchase and other financing facilities, Shiva Texyarn Ltd., as per agreed commercial terms, seized (and in certain cases, subsequently sold) motor vehicles purchased by the clients who committed defaults in repaying the facilities. In certain other cases, Shiva Texyarn Ltd. has declined from issuing the requisite 'no objection certificates' where repayment amounts are outstanding and disputed by the clients. As on date, a total of 11 cases (Sl. Nos. 567-575 & 593 - 595) have been filed against Shiva Texyarn Ltd. and are pending before various courts and consumer fora across Tamil Nadu. The relief prayed for in most of these cases include injunctions restraining Shiva Texyarn Ltd. from seizing or transferring the vehicles.
- Dr. V. Ramachandran has filed a suit (OS No. 1913/1996) against 5 of his employees/ex-employees who allegedly misappropriated shares owned by Dr. V. Ramachandran in 57 companies, including Shiva Texyarn Ltd. All these companies were named as defendants in the said suit, which is currently pending before the District Munsif Court, Coimbatore. Dr. V. Ramachandran has filed this suit seeking a declaration that the transfer of shares registered by the 57 companies be declared null and void.
- Kwaliti Spinning Mills Ltd., has filed 6 discharge petitions (Crl. O.P Nos. 4961/2004, 4962/2004, 4963/2004, 4964/2004, 35589/2004 and 38755/2004) before the High Court of Madras and obtained stay orders in respect of the proceedings initiated against it by Shiva Texyarn Ltd. Details of the proceedings initiated by Shiva Texyarn Ltd. are provided above. The proceedings before the High Court of Madras are not yet listed for hearing.
- OS No. 222/2002 (dated October 08, 1998), pending adjudication before the Subordinate Judge Court, Pollachi, is a succession dispute between the legal heirs of one of Shiva Texyarn Ltd.'s deposit holders, Mr. Ponnuswamy. Upon the demise of Mr. Ponnuswamy, a dispute among his legal heirs in respect of the division of his movable and immovables properties. An amount of Rs. 294,500, deposited with Shiva Texyarn Ltd., forms part of the property that is disputed.
- Shiva Texyarn Ltd. terminated the services of one of its employees in the finance division, Mr. K. Venkatesan, in May, 2002, for misconduct. Shiva Texyarn Ltd. also lodged a police complaint in relation to certain fraudulent actions on the part of Mr. Venkatesan. Shiva Texyarn Ltd. is contesting the following litigations initiated by the Mr. Venkatesan against Shiva Texyarn Ltd.:
  - (a) A. S. Nos. 195/2002 and 223/2003 (dated October 19, 2002 and November 06, 2003 respectively) pending before the Subordinate Judge Court, Calicut; and
  - (b) A. Nos. 1114/1999, 508/2001 and 509/2001 (dated October 14, 1999, June 01, 2001 and June 01, 2001 respectively) pending before the Consumer Disputes Redressal Forum, Thiruvananthapuram.

The aggregated financial liability of Shiva Texyarn Ltd. in all the above cases (if the cases are judged against it) is Rs. 93,167.

- Mrs. Nachathal has filed a suit (OS 118/2005 dated April 18, 2005) before the District Munsiff Court, Palladam, for partition of family properties, arraigning Shiva Texyarn Ltd. as one of the defendants along with her family members. Shiva Texyarn Ltd. had purchased certain properties for erecting windmills from one of the coparceners on the bonafide belief that he had a marketable title. The case is pending.
- M/s. Aquasub Engineering (plaintiff) and Shiva Texyarn Ltd. had purchased undivided share in certain property from a common vendor. The eastern portion of the disputed property adjoins properties already owned by the plaintiff. When Shiva Texyarn Ltd. made arrangements to erect windmills in the eastern portion of the suit property, the plaintiff, on June 28, 1995, filed a suit for partition (OS No. 377/1995) of the undivided suit property before the Subordinate Judge Court, Tirupur. The plaintiff obtained an injunction restraining Shiva Texyarn Ltd. from erecting the windmill. The case was decreed against Shiva Texyarn Ltd. and the plaintiff was granted the eastern portion of the suit property as its share of the undivided property. Shiva Texyarn Ltd. has filed an appeal before the District Court, Coimbatore against the lower court's orders. The same is yet to be heard.





## **Kerala Alcoholic Products Ltd.**

### *Disputes with Governmental authorities*

In W. P. (C). No. 10062/005 pending before the Kerala High Court, the People's Forum for Natural Justice has filed a writ petition, demanding that a limit be fixed on the level of ground water drawn by industrial units in the Palakkad district, Kerala. 32 entities, including Kerala Alcoholic Products Ltd., have been included as respondents in this case. The Kerala State Ground Water Authority and other governmental and regulatory authorities are yet to file their responses before the court.

## **Cream Investment & Trading Company Ltd.**

### *Disputes in respect of recovery of dues*

Two arbitration proceedings (A.O.P. Nos. 126/2003 and 127/2003 initiated by Mr. Ravichandran and Mrs. Uma respectively) initiated against Cream Investment & Trading Company Ltd. for recovery of an aggregate Rs. 750,000, were dismissed. Appeals filed by the plaintiffs before the City Civil Court and the Principal Subordinate Judge Court of Chennai are pending.

## **Anamallais Agencies Private Ltd.**

### *Other civil proceedings*

Anamallais Agencies Private Ltd. is contesting a case filed by Tiger Finance and Leasing Company Limited before the State Consumer Redressal Forum, Chennai for alleged deficiency in service. The amount claimed against Anamallais Agencies Private Ltd. is Rs. 131,555. The matter is not yet listed for enquiry.

## **Bannari Amman Exports Limited**

### *Disputes with Governmental authorities*

- The Assistant Commissioner of Income Tax, Company Circle I (2) Coimbatore, has filed an appeal in October 08, 2003 before the ITAT, against an order passed by the Commissioner of Income Tax (Appeals) in favour of Bannari Amman Exports Limited in respect of the assessment year 1996-1997. The appeal relates to deduction claimed under Section 80HHC of the Income Tax Act, 1961. The amount of tax under dispute is Rs. 2,505,477. The matter is currently pending.
- The Assistant Commissioner of Income Tax, Company Circle I (2) Coimbatore, has filed an appeal in October 30, 2003 before the ITAT, against an order passed by the Commissioner of Income Tax (Appeals) in favour of Bannari Amman Exports Limited in respect of the assessment year 1997-1998. The appeal relates to deduction claimed under Section 80HHC of the Income Tax Act, 1961. The amount of tax under dispute is Rs. 2,697,339. The matter is currently pending.

## **CONFIRMATION**

Other than as disclosed above, there are no pending litigations in relation to the Company, the Directors, the Promoters and the Promoter Group Companies.

## **DUES TO SMALL SCALE UNDERTAKINGS**

Information regarding the status of creditors in respect of Small Scale Industries are not readily available with the Company.



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## **MATERIAL DEVELOPMENTS**

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statements disclosed in this Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company taken as a whole or the value of their consolidated assets or to pay its material liabilities within the next twelve months.



## GOVERNMENT AND OTHER APPROVALS

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.

### APPROVALS MATERIAL TO THIS ISSUE

We have received the following material approval relating to the issue.

We have received the following material approval relating to the issue.

1. Our Board of Directors have approved the Issue and have authorized a committee to deal with all matters connected to the Issue by way of resolution passed at the Board of Directors meetings held on June 10, 2005;
2. Our members have approved the Issue by way of a special resolution passed at an extraordinary general meeting held on July 04, 2005;
3. Letter No. NSE/LIST/17268-6 dated September 30, 2005 issued by the NSE giving our Company permission for the in principle approval of our Equity Shares; and
4. Letter No. DCS/SG/SM/2005 dated September 26, 2005 issued by the BSE giving our Company permission for the in principle approval of our Equity Shares.

### APPROVALS MATERIAL TO OUR CURRENT BUSINESS ACTIVITIES

#### The Company

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

1. Registration under the Companies Act, 1956 (company number 18-2476);
2. Registrations under the Factories Act, 1948 (Textile division - No. 17863 valid from January 01, 2005 up to December 31, 2005. Weaving division - No. CB 11632 valid from January 01, 2005 up to December 31, 2005);
3. Registrations under the Air (Prevention and Control of Pollution) Act, 1981 (Consent Order No. 184/OL/2005, issued on March 23, 2005. Valid up to March 31, 2006);
4. Registrations under the Water (Prevention and Control of Pollution) Act, 1974 (Consent Order No. 184/OL/2005, issued on March 23, 2005. Valid up to March 31, 2006);
5. Registration under the Employees Provident Fund and Miscellaneous Act, 1952 (Establishment Code No. TN 24825A);
6. Registrations under the Tamil Nadu General Sales Tax Act, 1959 (TNGST No. 2000927. Two registrations issued to the Company are valid for one year each, commencing on November 29, 2004 and August 28, 2004 respectively);
7. Registration under the Central Sales Tax Act, 1956 (No. 640173, valid from May 09, 1994);
8. Registration with the Cotton Textiles Export Promotion Council (No. MP/MY/19471 (97)-B dated April 01, 2005. Valid up to March 31, 2010);
9. Certificate of Importer-Exporter Code issued by the Office of the Joint Director General of Foreign Trade, Ministry of Commerce (IEC No. 3296003703 dated July 30, 1996);
10. Certificate of recognition as an 'Export House', issued by the Office of the Joint Director General of Foreign Trade, Ministry of Commerce (No. 13092, issued on May 14, 2002 for a term of five years);
11. Permanent Account Number (AAACB8513A) and Tax Deduction Account Number (CMBB0389C) under the Income Tax Act, 1961;
12. Certificate of registration under the Finance Act, 1994 in relation to service tax (Registration No. 061/GTA/2005, issued on February 02, 2005);
13. Registration under the Central Excise Rules, 2002 (Textile division - No. AAACB8513AXM001, issued on November 29, 2002. Weaving division - No. AAACB8513AXM002, issued on December 08, 2002);



14. Eligibility certificate issued under the New Interest Free Sales Tax Deferral Scheme of the Government of Tamil Nadu (Eligibility Certificate No. 153 IX DN, issued on August 08, 1996);
15. Acknowledgement No. 2584/SIA/IMO/2004 dated July 20, 2004 from the Secretariat for Industrial Approvals, Entrepreneurial Assistance Unit;
16. Industrial License under the Industries (Development and Regulation) Act, 1951 for the manufacture of cotton yarn and manmade fibre yarn from the Secretariat for Industrial Assistance vide letter no. 1806/SIA/IMO/94 dated June 09, 1994;
17. Industrial License under the Industries (Development and Regulation) Act, 1951 for the manufacture of weaving fabrics on power looms from the Secretariat for Industrial Assistance vide letter no. 2584/SIA/IMO/2004 dated July 20, 2004;
18. Code No. MB002151 issued by the RBI on August 02, 1996

***Approvals material to our current business activities for which applications have been made but approvals are yet to be received***

The Company has applied to the Tamil Nadu Pollution Control Board for grant of registrations under the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974, in relation to the weaving division recently established by the Company at Kunnathur Village, Coimbatore District, Tamil Nadu.

***Approvals material to our proposed project for which applications have yet to be made***

Among others, in relation to the implementation of the project, the company would require permissions and/or registrations under the following legislations or from the following authorities:

1. Permissions under the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974;
2. Permissions from the concerned Chief Controller of Explosives for storage of fuels;
3. Permissions from the TNEB;
4. Permissions from the concerned Village Panchayats;
5. Registrations under the Tamil Nadu General Sales Tax Act, 1959;
6. Registrations under the Central Sales Tax Act, 1956;
7. Registrations under the Central Excise Rules, 2002; and
8. Registrations under the Factories Act, 1948.



## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

Our Board of Directors has, pursuant to resolutions dated June 10, 2005, authorised the Issue. The shareholders have, pursuant to a resolution dated July 4, 2005, authorised the Issue.

### Prohibition by SEBI

Our Company, our Directors, our affiliates, and companies with which our Directors are associated with as directors or promoters, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI. Also none of the directors or the person(s) in control of Shiva Distilleries Limited, our promoter company have been prohibited from accessing the capital market under any order or direction passed by SEBI.

### Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:

We have net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;

We have a pre-Issue net worth of not less than Rs. 10 million in each of the three preceding full years;

We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years;

The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended March 31, 2005;

We have not changed our name during the last one year.

The distributable profits as per Section 205 of the Companies Act and net worth for the last five years as per our restated financial statements are as under:

Rs. in million

Particulars	FY 05	FY 04	FY 03	FY 02	FY 01 (18 months)
Distributable Profits	115.32	71.01	73.30	36.24	109.43
Net Worth	461.00	356.66	293.54	240.92	208.53
Net Tangible Assets	707.03	587.00	501.19	510.23	459.70
Monetary Assets	7.96	7.14	10.51	50.11	14.99
Monetary Assets as a % of Net Tangible Assets	1.13	1.22	2.10	9.82	3.26

### Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, IL&FS INVESTSMART AND ICICI SECURITIES LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT 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 DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, BOOK RUNNING LEAD MANAGERS, IL&FS INVESTSMART AND ICICI SECURITIES LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 24, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. "WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTE WITH COLLABORATORS ETC. AND OTHER MATERIALS, MORE PARTICULARLY REFERRED TO IN THE ANNEXURE IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY. WE CONFIRM THAT:
  - THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - 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;
  - THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
  - BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND
  - WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.
3. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

#### **Disclaimer from our Company and the BRLM**

Our Company and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or



in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs and us dated August 11, 2005 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and the Underwriters to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres.

### **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 major, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law, permitted insurance companies and pension funds and to permitted Non Residents, including NRIs, FIIs and other eligible foreign investors and who are authorized under their constitution to hold and invest in shares.

This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Coimbatore only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

### **Disclaimer Clause of the NSE**

As required, a copy of the Prospectus has been submitted to NSE. NSE has given vide its letter Ref no. NSE/LIST/17268-6 dated September 30, 2005, permission to us to use NSE's name in the Red Herring Prospectus as one of the stock exchanges on which the securities of the Company are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 10 crores and the market capitalization shall not be less than Rs. 25 crores at the time of listing). The NSE has scrutinised this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of the securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

### **Disclaimer Clause of the BSE**

As required, a copy of the Draft Red Herring Prospectus has been submitted to the BSE. Bombay Stock Exchange Limited has



given vide its letter no. DCS/SG/SM/2005 dated September 26, 2005, permission to this Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. The BSE does not in any manner:-

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; or
- (ii) warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
- (iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by the BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

### **Filing**

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at RoC, Tamil Nadu, Coimbatore, Stock Exchange Building, 2<sup>nd</sup> Floor, 683, Trichy Road, Singanallur, Coimbatore 641 005

### **Listing**

Applications have been made to the NSE and the BSE for permission to deal in and for an official quotation of the Equity Shares. The NSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the Non-Institutional Portion and Retail Portion.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then we shall, on and from expiry of 8 days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

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 seven working days of finalisation and adoption of the Basis of Allotment for the Issue.

### **Consents**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Bankers to the Issue; and (b) Book Running Lead Managers, Syndicate Members, Escrow Collection Bankers and Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

P. N. Raghavendra Rao & Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.





## Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

## Expenses of the Issue

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

Activity	Expense (Rs. in Million)	% 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	[●]	[●]	[●]

\* Will be incorporated after finalisation of Issue Price

## Fees Payable to the Syndicate

The total fees payable to the BRLMs, including brokerage and selling commission for the Issue, will be as per the engagement letter and the memorandum of understanding executed between our Company and the BRLMs, copies of which are available for inspection at our registered office.

## Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the memorandum of understanding between the Registrar to the Issue and the Company dated August 11, 2005, a copy of which is available for inspection at our registered office.

Adequate funds will be provided to the Registrar to the Issue by our Company to enable them to send refund orders or Allotment advice by registered post.

## Particulars regarding Public or Rights Issues during the Last Five Years

We have not made any public issue or rights issue of Equity Shares either in India or abroad in the five years preceding the date of this Red Herring Prospectus.

## Issues otherwise than for Cash

Our Company has not made any previous issue of shares otherwise than for cash except as stated in the section titled "Capital Structure" on Page no. 11 of this Red Herring Prospectus.

## Commission and Brokerage paid on Previous Issues of our Equity Shares

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

## Companies under the Same Management

The following entities constitute companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, details of which are provided in the section titled "Group Companies" on page no. 94 of this Red Herring Prospectus:

1. Anamallais Agencies Private Limited
2. Anamallai Properties Limited
3. Anamallai Enterprise Private Limited



4. Anamallai Industries Limited
5. Coimbatore Agro Industries Limited
6. Cream Investment & Trading Company Limited
7. Kerala Alcoholic Products Limited
8. Sakthi Murugan Transports Private Limited
9. Shiva Automobiles Private Limited
10. Shiva Distilleries Limited
11. Sangameswar Agencies Private Limited
12. Vedanayagam Hospital Private Limited
13. SVB Enterprise Private Limited
14. Vedanayagam Enterprises Private Limited
15. Bannari Amman Exports Limited
16. Bannari Amman Enterprise Limited

### **Promise vis-à-vis Performance**

#### *Issuer*

This is our Initial Public Issue of our Company

#### *Listed Ventures of Promoters*

See section titled "Group Companies" on page no.94.

### **Servicing Behaviour**

There has been no default in payment of statutory dues or of interest or principle in respect of our borrowings or deposits.

### **Outstanding Debentures or Bond Issues or Preference Shares**

Our Company has no outstanding debentures or bond issues.

### **Stock Market Data for our Equity Shares**

Since this being an Initial Public Offering of our Company, the Equity Shares are not listed on any stock exchange.

### **Mechanism For Redressal Of Investor Grievances**

The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, depository participant, and the bank branch or collection center where the application was submitted.

### **Disposal of Investor Grievances**

We estimate that the average time required by us, or the Registrar to the Issue for the redressal of routine investor grievances shall be 15 days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.



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We have appointed Mr. Govind M Joshi, CFO and Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

**Mr. Govind M. Joshi**  
CFO and Company Secretary  
252, Mettupalayam Road,  
Coimbatore 641 043  
Tel.: +91-422-2435 555  
Fax: +91-422-2430 233  
Email :govindjoshi@vsnl.net

### **Changes in Auditors**

There have been no changes of the auditors in the last three years.

### **Capitalisation of Reserves or Profits**

The Company has issued bonus shares in the ratio of 3:2 passing a resolution at the EGM held on December 29, 2004. Please refer to the section titled "Capital Structure" on page no. 11 of this Red Herring Prospectus

### **Revaluation of Assets**

We have not revalued our assets since inception.



## TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Red Herring 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 the 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, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity shares of the Company, including rights in respect of dividend.

### Mode of Payment of Dividend

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

### Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Red Herring Prospectus at an Issue price of Rs. [●] per share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

### 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 the Company

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see the section titled "Main Provisions of Articles of Association of the Company" on page no. 166 of this Red Herring Prospectus.

### Market Lot and Trading 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 138 of this Red Herring Prospectus.



## Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Coimbatore, 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(s), 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), 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, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonus or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

***Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require 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 Underwriters, 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, the Company shall pay interest as per Section 73 of the Companies Act.

## Restrictions on transfer / transmission of Equity Shares

There are no restrictions on transfer/transmission of our Equity Shares.

## Subscription by Non-Residents, NRI, FIIs

There is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

As per RBI regulations, Overseas Corporate Bodies cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Accordingly, the Equity Shares are being offered or sold (i) in the United States only to "Qualified Institutional Buyers" as defined in Rule 144 A of the U.S. Securities Act of 1933 (the "Securities Act") and "Qualified Purchasers" as defined under the Investment Company Act of 1940 and related rules (the "Investment Company Act") and (ii) outside the United States to



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certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

### **Withdrawal of the Issue**

We, in consultation with the BRLM, reserve the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefore.

### **Issue Programme**

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



## ISSUE PROCEDURE

### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be available for allocation on a discretionary basis to QIBs. Further, not less than 35% shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. We, in consultation with the BRLMs, reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason thereof to QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company 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. The Equity Shares, on allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

### Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the Company to make the necessary changes in this Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders	White
NRIs and FIIs	Blue

### 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, corporate bodies 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 permission, as applicable);
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trust registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorized under their constitution to hold and invest in Equity Shares; and



10. NRIs and FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
11. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares;
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in Equity Shares;
14. Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in Equity Shares;
15. Multilateral and bilateral development financial institutions.

**Note:** The BRLMs, Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account (FIIs) may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

**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.**

### **Application by Mutual Funds**

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

- No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds.
- No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights.
- In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

### **Application by NRIs**

Bid-cum-Application forms have been made available for NRIs at the registered Office of our Company.

NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through NRO Accounts shall use the Bid-cum-Application Form meant for Resident Indians (white in colour). All instruments accompanying the Bid shall be payable in Mumbai.

### **Application by FIIs**

***As per current regulations, the following restrictions are applicable for investment by FIIs:***

- No single FII can hold more than 10% of the post-issue paid-up capital of our Company. In respect of an FII investing in the Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual.
- As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our 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 on this date, no such resolution has been recommended to the shareholders of our Company for adoption.





## Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital 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, a Venture Capital Fund cannot invest more than 25% of the corpus of the fund in one Venture Capital Undertaking. Please note that this restriction is not applicable to a Foreign Venture Capital Investor. However, Venture Capital Funds or Foreign Venture Capital Investors may invest not more than 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers of Venture Capital Undertakings.

*The above information is given for the benefit of the Bidders. We and the BRLMs 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 QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 50 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

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'.

### Information for the Bidders:

- a. Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- b. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid- cum Application Form to potential investors.
- c. Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid-cum-Application Form can obtain the same from our Registered Office or from the BRLMs or any of the members of the Syndicate.
- d. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

### Method and Process of Bidding

- a. Our Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in a widely circulated English and Hindi national newspaper and a Tamil newspaper with wide circulation at the place of the Registered Office of the Company. This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs and their bidding centers and shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The BRLMs and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.



- b. The Bidding Period shall be a minimum of three working days and not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be widely disseminated by notification to BSE and NSE, by issuing a public notice into a widely circulated English and Hindi national newspaper and a Tamil newspaper with wide circulation at the place of the Registered Office of the Company and also by indicating the change on the website of the BRLMs and at the terminals of the members of the Syndicate and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.
- c. Investors who are interested in subscribing to our Equity Shares should approach any of the members of the syndicate or their authorized agent(s) to register their Bid.
- d. Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- e. 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 "Issue Procedure" on page no. 148 of this Red Herring Prospectus.
- f. The BRLMs and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the Syndicate Member.
- g. During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them.
- h. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Issue Procedure" on page no. 148 of the Red Herring Prospectus.

### **Bids at Different Price Levels**

- a. The Price Band has been fixed at Rs. 115 to Rs. 135 per Equity Share of Rs.10 each, Rs. 115 being the Floor Price and Rs. 135 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1.
- b. In accordance with the SEBI Guidelines, we reserve the right to revise the Price Band during the Bidding period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to the 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, disclosed in the Red Herring Prospectus.
- c. We, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
- d. 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 applying for maximum Bid in any of the Bidding options not exceeding up to Rs. 100,000 may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIBs or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**
- e. Retail Individual Bidders, who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall submit the Bid-cum-Application Form along with the cheque/ demand draft for the Bid amount based on the cap of the Price Band with the Syndicate members. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account.



- 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 who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted 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 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**

We 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 this Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. 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 and BRLMs and Syndicate Members to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Collection Account**

Each Bidder, who is required to pay Margin Amount greater than 0% shall, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details see the section titled "Issue Procedure" on page no. 148 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, 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 not later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders, i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Basic Terms of the Issue" on page no. 25 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of



Bidding, shall be payable by the Bidder not 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 BRLMs. If the payment is not made favouring the appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. However, if the members of the Syndicate, do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/ Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

### Electronic Registration of Bids

- a. The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.
- b. The 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 Members and their authorized agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building in a timely manner. On the Bid Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- c. 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 on-line 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 member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
- f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g. Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed in Section "Issue Procedure" on Page 148 in this Red Herring Prospectus.
- h. It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the 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.

### Build Up of the Book and Revision of Bids

- a. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.



- b. The book gets built up at various price levels. This information will be available with the BRLMs 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. Any revision in the Price Band will be widely disseminated by informing the Stock Exchanges, by issuing a public notice in a widely circulated English and Hindi national newspaper and a Tamil newspaper with wide circulation at the place of the registered office of the Company and also indicating the change on the relevant websites and the terminals of the Syndicate members.
- e. Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- f. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she 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.**
- g. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand 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 QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- h. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- i. In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs 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 BRLMs will analyze the demand generated at various price levels and discuss pricing strategy with us.
- b. We, in consultation with the BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders.
- c. The allocation for QIBs for at least 50% of the Net Issue to the Public Size would be discretionary. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 15% and 35% of the Net Issue to the Public Size, 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. The BRLMs, in consultation with us, shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- e. Allocation to QIBs, Non Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by RBI while granting permission for Allotment of Equity Shares to them.
- f. **We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment without assigning any reasons whatsoever.**
- g. 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 RoC Filing**

- a. We, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- b. After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

### **Advertisement regarding Price band and Red Herring Prospectus**

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC in a widely circulated English and Hindi national newspaper and a Tamil newspaper with wide circulation at the place of the Registered Office of the Company. This advertisement, in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

### **Issuance of Confirmation of Allocation Note (CAN)**

After the determination of Issue Price, the following steps would be taken

- a. The BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
- b. The BRLMs or Syndicate Members 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 allotted 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. Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository accounts of the allotted Equity Shares to the allottees within two working days of the date of Allotment.
- b. As per the SEBI Guidelines, Equity Shares will be issued and allotted only in the dematerialized form to the allottees. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
- c. After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, we would allot the Equity Shares to the allottees. We would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case we fail to make allotment within 15 days of the Bid/ Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be credited to their Depository Account pursuant to Allotment in this Issue.





## GENERAL INSTRUCTIONS

### Do's:

- a. Check if you are eligible to apply;
- b. 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 Syndicate Member;
- 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; and
- h. If your Bid is for Rs. 50,000 or more ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached copy of your PAN card with the Bid-cum-Application Form. In case the PAN has not been allotted, mention "Not Allotted" in the appropriate place.
- i. 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.
- j. Ensure that the Demographic Details are updated, true and correct in all respects.

### Don'ts:

- a. Do not Bid for lower than the minimum Bid size;
- b. Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
- c. Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d. Do not pay the Bid amount in cash; by money order or by postal order;
- e. Do not send Bid-cum-Application Forms by post; instead submit the same to Syndicate Member only;
- f. Do not Bid at cut off price (for QIBs and non-institutional bidders);
- g. Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
- h. Do not submit Bid accompanied with Stockinvests.

### Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs or Syndicate Members.

### Bids and Revisions of Bids

Bids and revisions of Bids must be:

- a. Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRIs or FIIs applying on repatriation basis).
- b. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- c. The Bids from the Retail Individual Bidders must be for a minimum of 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 exceeding Rs.100,000 and in multiples of 50 Equity Shares. 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 Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- e. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- f. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

### **Bidder's Bank Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, 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 Bidder's sole risk and neither the BRLMs nor the Bank shall have any responsibility and undertake any liability for the same.

### **Bidder's Depository Account Details and Bidder's Bank Details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("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 BRLMs 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. 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 .

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason .

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 thereof.

In case of Bids made by provident funds with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof

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** Individual NRI bidders can obtain the Bid-cum-Application Forms from the Company's Registered Office at 252, Mettupalayam Road, Coimbatore 641 043, India.

- 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 Non-Residents, NRIs and FIIs on a repatriation basis**

Bids and revision to Bids must be made:

- a. 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.
- b. In a single name or joint names (not more than three).
- c. By FIIs for a minimum of such number of Equity Shares and in multiples of 50 thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure" on page no. 148 of this Red Herring Prospectus.
- d. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- e. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.
- f. It is to be distinctly understood that there are no reservation for NRIs and FIIs. All NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.



## Payment Instructions

We 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:

- a. The Bidders for whom the applicable margin is equal to 100% shall, along with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favor 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 members of the Syndicate by the BRLMs.
- c. The payment instruments for payment into the Escrow Account should be drawn in favor of:
  - (i) In case of Resident Bidders: **"Escrow Account- BASML Public Issue"**
  - (ii) In case of Non Resident Bidders: **"Escrow Account- BASML Public Issue- NR"**
- d. 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.
- e. 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.
- f. 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.
- g. 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.
- h. The monies deposited in the Escrow Account will be held for the benefit of the Bidders until the Designated Date.
- i. 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.
- j. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

## 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 with immediate effect. Hence, payment through stockinvest would not be accepted in this issue.



## Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. 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.

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 members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

## OTHER INSTRUCTIONS

### Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in 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. We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

### PAN or GIR Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the IT Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/first Bidder and Joint Bidder(s) is /are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidders 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 61 have been amended vide a notification issued on December 31, 2004 by the Central Board of Direct Taxes, Department of Revenue, MoF. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

### Right to Reject Bids

We and the BRLMs reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.



## Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
- Age of First Bidder not given;
- In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
- Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- PAN photocopy/ PAN Communication/ Form 60/Form 61 declaration not given if Bid is for Rs. 50,000 or more;
- UIN Number not given for Body Corporates;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bank account details for refund are not given;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders applying for greater than 100,000 Equity Shares;
- Bids for number of Equity Shares, which are not in multiples of 50;
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvests/money order/postal order/cash;
- Signature of sole and /or joint Bidders missing;
- Bid-cum-Application Form does not have the stamp of the BRLMs or the Syndicate Member;
- Bid-cum-Application Form does not have Bidder's depository account details;
- Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Forms, Bid Opening Date/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Forms;
- 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;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure" on page no. 148 of this Red Herring Prospectus;
- Bids by OCBs; and
- Bids by US Persons other than "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act.

## Basis of Allotment

### A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,450,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.



- If the aggregate demand in this category is greater than 2,450,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation of 50 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allotment, refer below.

#### **B. For Non Institutional Bidders**

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size less allotment to QIBs and Retail Individual Bidders shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 10,50,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 10,50,000 Equity Shares at or above the Issue Price, allotment 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 the paragraph titled "Method of proportionate basis of allotment."

#### **C. For QIBs**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size less allotment to Non Institutional Portion and retail Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allotment would be decided by the Company in consultation with the BRLMs and would be at their sole discretion.
- Except for any shares allotted to QIB Bidders due to undersubscription in the Retail Portion and/or Non Institutional Portion, the aggregate allotment to QIB Bidders shall not be more than 3,500,000 Equity Shares.

### **Method of Proportionate Basis of Allotment**

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalized by us 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 BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allocation shall be made in multiples of 1, on a proportionate basis as explained below subject to minimum allocation being equal to the 50:

- a. Bidders will be categorized according to the number of Equity Shares applied for.
- b. The total number of Equity Shares to be allocated to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c. Number of Equity Shares to be allocated 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 subject to allocation being equal to the minimum application size.
- d. In all Bids where the proportionate allocation is less than 50 Equity Shares 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.
- e. If the proportionate allotment to a Bidder is a number that is more than 50 but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.



- f. If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

### **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) An tripartite agreement dated October 6, 2005 with NSDL, us and Registrar to the Issue;
- b) An tripartite agreement dated October 5, 2005 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.
- 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. CAN 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 'Bidders Account Depository Details' 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 vis-à-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.

### **Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date of Bid-cum-Application Form, name and address of member of Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

### **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act, 1956, which is reproduced as follows:

**"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."**





## **PRE-ISSUE AND POST ISSUE RELATED PROBLEMS**

We have appointed Mr. Govind M. Joshi, CFO & Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-issue or post-issue related problems. He can be contacted at the following address:

**Mr. Govind M. Joshi**

CFO & Company Secretary

Compliance Officer

232, Mettupalayam Road,

Coimbatore : 641 043

Tel.: +91-0422-2435555/2432121/2451666

Fax: +91-0422-2430233

Email : govindjoshi@vsnl.net

## **Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders**

We shall ensure dispatch of allotment 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 listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

- allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- dispatch of refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and
- we shall pay interest at the rate of 15% per annum (for any delay beyond the 15 days time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where bids are received, if any, for encashing such cheques, pay orders or demand drafts at other centers, will be payable by the Bidders.

## **Procedure and Time Schedule for Allotment of Equity Shares**

We and the BRLMs reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we have a right to reject bids based on technical grounds. 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. Our Company will 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.



## Undertaking by the Company

We 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 funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- 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 the successful Bidders shall be dispatched within the specified time.

## Utilization of Issue proceeds

The Board of Directors of the Company certifies that:

- a. all monies received out of the Issue shall be transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- b. details of all monies utilized out of 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 the Company indicating the form in which such unutilized monies have been invested.
- d. we 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.

Pending utilization of the proceeds of the Issue as specified under the heading "Objects of the Issue", the net proceeds from the Issue may be invested by our Company in interest bearing liquid instruments including deposits with banks.

## Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Under the current foreign investment policy applicable to us foreign equity participation up to 100% is permissible under the automatic route.





## MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of our Articles of Association are detailed below. Please note that each provision below is numbered as per the corresponding Article number in our Articles of Association

Furthermore, capitalised terms used in this section have the meaning ascribed to them under the Articles of Association.

The Regulations contained in Table 'A' in the First Schedule to the Companies Act, 1956 (insofar as the same are applicable to a 'Public Company'), shall apply to this Company in the same manner as if all such Regulations of Table 'A' are specifically contained in these Articles, subject to the modifications herein contained.

### Shares at the disposal of the Board

4. The shares of the company shall be under the control and discretion of the Board who may allot or otherwise dispose of the same or any of them to such person or persons (whether a member of the Company or not) for such consideration, in such proportion and on such terms and conditions and at such time or times as the Board may, in their absolute discretion think fit and such share may be issued either at a premium or at par or discount as per the provisions of the Companies Act, 1956. In particular, the Board may issue and allot Shares towards payment or adjustment made -
- i) For the properties or goods or machinery bought by the Company; or
  - ii) For the discharge of loans or other liabilities of the Company; or
  - iii) For the services rendered to the Company; or
  - iv) For amounts spent for the purposes of the Company or for the conduct of the business of the Company.

Any such shares may be issued and allotted as fully paid-up shares or partly paid-up shares and the shares thus issued and allotted shall be deemed to be fully paid-up shares or partly paid-up shares, as the case may be.

Provided that option or right to call of shares shall not be given to any person or persons except with the sanction of the Company in General Meeting.

### Preference shares

5. The Company shall have power to issue Preference shares, liable to be redeemed in any manner permissible under the Act and the Directors may, subject to the provisions of the Act, exercise such power in any manner they think fit and provided for the redemption of such shares on such terms including the right to redeem at a premium or otherwise as they think fit.

### Commission for placing shares

6. The Board may, subject to the provisions of the Act, at any time, pay a commission to any person in consideration of his subscribing or agreeing to subscribe, (whether absolutely or conditionally) for any shares in or debentures of the Company or his procuring or agreeing to procure subscriptions, (whether absolute or conditional) for any shares in or debentures of the Company. The Company may pay such brokerage as may be lawful and reasonable.

### Alteration of capital

54. The Company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution.
55. The Company may, by ordinary resolution-
- a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
  - b) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum, subject, nevertheless, to the provisions of clause (d) of sub-section (1) of section 94 of the Act;
  - c) cancel any shares which, at the date of the passing of the resolution have not been taken or agreed to be taken by any person.



## **Calls on Shares**

15. The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the provisions of section 91 of the Act make such calls as they think fit upon the members in respect of all monies unpaid on the shares held by them respectively (whether on account of nominal value of the shares or by way of premium) and each member shall pay the amount of every call so made on him at the time and place appointed by the Board. A call may be made payable by instalments and shall be deemed to have been made when the resolution of the Board authorising such call was passed. A call may be revoked or postponed at the discretion of the Board.

## **Forfeiture of Shares**

22. If any member fails to pay any call or installment of a call on or before the day appointed for the payment of the same, the Board may, at any time thereafter during such time as the call or installment remains unpaid, serve a notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
24. If the requirements of any such notice as aforesaid are not complied with any share in respect of which such notice has been given may, at any time thereafter, before the payment required by the notice has been made be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
25. When any share shall have been so forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission to give such notice or to make such entry as aforesaid.
26. Any share so forfeited shall be deemed to be property of the Company, and the Board may sell, reallocate or otherwise dispose of the same on such terms and in such manner as they think fit.
27. The Board may, at any time, before any share so forfeited shall have been sold, reallocated or otherwise disposed of, cancel the forfeiture thereof upon such condition as it thinks fit or they may assign a smaller number of shares in respect of the paid up value of forfeited shares.
28. A person whose shares have been forfeited shall cease to be member in respect of the forfeited shares but shall nevertheless remain liable to pay and shall forthwith pay to the Company all monies which at the time of forfeiture were presently payable by him to the Company in respect of the shares together with interest at such rate as may be decided upon by the Board, whether such claim be barred by limitation on the date of the forfeiture or not but his liability shall cease if and when the Company receives payment in full of all monies due in respect of such shares. The Board may, if they shall think fit remit the payment of such interest or any part thereof.

## **Lien**

32. The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause.
33. For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as it thinks fit. But no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or other legal representatives, as the case may be, and default shall have been made by him or them in the payment of the sum payable as aforesaid for seven days after the date of such notice.
35. The net proceeds of the sale shall be received by the Company and after payment of the cost of such sale shall be applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall be paid by such member, his executors, or administrators or assigns or other legal representatives, as the case may be.



## Transfer of shares

36. a) Shares in the Company may be transferred by an instrument in writing in Form No. 7-B set forth in Annexure-A to the Companies (Central Government's) General Rules and Forms, 1956, or in such other form as the Act may from time to time prescribe. The instrument of transfer shall be duly stamped.
- b) Every instrument of transfer shall, before it is signed by or on behalf of the transferor and before any entry is made therein, be presented to the Register or such other authority as the Central Government may, from time to time, appoint in that behalf for being stamped or otherwise endorsed thereon the date on which it is so presented.
- c) Every instrument of transfer in the prescribed form with the date of such presentation stamped or otherwise endorsed thereon shall, after it is duly stamped, and executed by or on behalf of the transferor and the transferee and completed in all respects, be delivered to the Company, within such time from the date of such presentation as may be prescribed by the Act or within such extended period as may be granted by the Central Government under sub-section 1 (d) of Section 108 of the Act. Before the registration of a transfer the certificate or certificates of the shares must be delivered to the Company.
37. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.
38. Subject to the provisions of Section 111 of the Act the Board may, at its own absolute and uncontrolled discretion and without assigning any reason, decline to register or acknowledge any transfer of shares, whether fully paid or not (notwithstanding that the proposed transferee is already a Member), but in such cases it shall, within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal to register such transfer, provided that the registration of a transfer shall not be refused on the ground that the transferor being either alone or jointly with any other person or persons is indebted to the Company on any account whatsoever except where the Board has exercised the power of lien vested in it under these Articles in respect of the shares proposed to be transferred.
41. In no case shall the Board be bound to inquire into the validity, legal effect or genuineness of any instrument of transfer produced by a person claiming transfer of any share in accordance with these Articles and whether they abstain from so inquiring or do so inquire or are misled, the transferor shall have no claim whatsoever upon the Company in respect of the share except for the dividends previously declared in respect thereof and not paid but his claim if any, shall be against the transferee only.

## Nomination

- 44A. Subject to the provisions of section 109A and 109B of the Companies Act, every holder or joint holders of shares or Debentures may at any time nominate a person to whom his/their shares or Debentures may vest in the event of death and such nominee may either register himself as the holder of the share or debentures, as the case may be or make such transfer of such shares or debentures as the deceased Shareholder(s) or Debenture Holder(s) could have made.

## Transmission of Shares

45. a) On the death of a member, the survivor or survivors where the member was a joint-holder, and his legal representatives where he was a sole holder shall be the only persons recognised by the company as having any title to his interest in the shares.
- b) Nothing in clause (a) shall release the estate of a deceased joint-holder from any liability in respect of any shares which had been jointly held by him with other persons.
- c) Notwithstanding anything contained in Article 45 on the death of a member where he was a sole holder, if the member has filed a nomination in the prescribed form, the nominee shall be the only person recognized by the Company as having any title to his interest in the shares.
46. The executors or administrators of a deceased member, (not being a joint holder) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such member and the Company shall not be bound to recognise such executors or administrators, unless they have first obtained probate or letters of administration, 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, they may dispense with the production of probate or letters of administration.

### **Buy back**

50. Subject to the provisions of the Act and any rules or guidelines made thereunder and notwithstanding anything contained in these Articles, the Board may, when and if thought fit, buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted by law.

### **Issue of shares with differential voting rights**

51. Subject to the provisions of Section 86 of the Act and the rules framed thereunder, the Board may issue shares with differential voting rights as to dividend, voting or otherwise.

### **Sweat equity**

52. Subject to the provisions of the Act and any rules or guidelines made thereunder, the Directors may allot and issue shares in the capital of the Company as sweat equity towards payment or part payment for any property or assets of any kind whatsoever sold or to be sold or transferred or to be transferred or for goods or machinery supplied or to be supplied or for services rendered or to be rendered or for technical assistance or know-how made or to be made available to the Company for the conduct of its business.

### **General authority of the Company**

53. Wherever it has been provided in the Act that the Company shall have any right, privilege or authority or that the Company could carry out any transaction only if the Company is so authorised by its Articles, then and in all such cases this regulation confers on the Company all such right, privilege or authority and the power to carry out such transaction, as if such right, privilege, authority or power has been conferred on the Company by specific regulation in that behalf herein provided. Without prejudice to the generality of the foregoing and as illustration of such rights, privileges and authorities which the Company shall have, the following are set out with the appropriate sections of the Companies Act, 1956:-

Section 76: to pay Commission on issue of shares/debentures.

Section 80: to issue Redeemable Preference Shares.

Section 92: to accept unpaid share capital although not called up.

Section 93: to pay dividend in proportion to amount paid up. :-

Section 94: to alter the share capital of the Company.

Section 100: to reduce the capital of the Company.

Section 106: to alter the rights of holders of special classes of shares.

### **General meetings**

60. No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, five members present in person shall constitute the quorum for General Meetings.

64. In the case of an equality of votes, both on a show of hands and on a poll, the Chairman of the meeting shall be entitled to a second or casting vote in addition to the vote(s) to which he may be entitled as a member.

### **Votes of members**

66. Subject to any rights or restrictions for the time being attached to any class or classes of shares:-

a) On a show of hands, every member present in person shall have one vote, and

b) On a poll, voting rights of members shall be as laid down in section 87 of the Act.

67. In the case of joint-holders, the vote of the senior who tenders a vote in person shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names appear in the Register of Members.



70. No objection shall be raised to the validity of any vote whether given personally or by proxy or by attorney except at the meeting or adjourned meeting or poll at which the vote objected to is given or tendered and every vote whether given personally or by proxy or by attorney to which no objection has been raised at the meeting or poll at which such vote is tendered shall be deemed to be valid for all purposes whatsoever of such meeting or poll. Any objection made in due time shall be referred to the Chairman of the meeting whose determination regarding the admission or rejection of the vote, made in good faith, shall be final and conclusive.

### **Proxy**

71. An instrument appointing a proxy shall be in either of the forms in Schedule IX to the Act or a form as near thereto as circumstances admit and shall be signed by the member. Where shares are held in joint names, all the joint shareholders shall sign the proxy form.
72. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office not less than forty eight hours before the time for holding the meeting at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No member shall be entitled to lodge a proxy for an adjourned meeting. No proxy shall be used at an adjourned meeting which could not have been used at the original meeting.
73. If more than one instrument of proxy from the same member to vote at the same time be deposited with the Company that instrument of proxy bearing the latest date, shall alone be accepted; if all the instruments bear the same date, then that one of them registered in the books of the Company as having been last deposited with the Company shall alone be accepted.
74. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the transfer ; of the shares in respect of which the proxy is given:

Provided that no intimation in writing of such death, insanity, revocation or transfer of the shares shall have been received by the Company at its office at least twenty four hours before the time appointed for the meeting. Provided further that the Chairman of the meeting shall be entitled to require such evidence as he may, in his discretion, think fit, of the due execution of an instrument of the proxy and that the same has not been revoked.

### **Borrowing powers**

104. a) The Board may, subject to this Article and with the sanction of the Company in General Meeting from time to time, at its discretion, raise or borrow or secure payment of any sum or sums of money for the purpose of the Company, by the issue of debentures, convertible or otherwise and to mortgage, pledge or charge the whole or any part of the property, assets or revenue of the Company, present or future, including its uncalled capital, or otherwise and to transfer or convey the same absolutely or in trust, and to give the lenders powers of sale except on uncalled capital and other powers as may be deemed expedient, and to purchase, redeem or payoff such securities;
- b) Any such debentures, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares and attending General Meetings of the Company, appointment of Directors or otherwise;
- c) Debentures, bonds or other securities with a right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in General Meeting.

### **Dividend**

116. The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.
117. The Board may, from time to time, pay to the members such interim dividends as appear to it to be justified by the profits of the Company.
118. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.



119. On the declaration of, dividend by the General Meetings it shall be paid to the shareholders in proportion to the amount paid up or credited as paid up on each share, and the period for which the amount was held as capital in the Company.
- 121.b) No unclaimed dividend shall be forfeited by the Board unless the claim thereto becomes barred by law and the Company shall comply with the provisions of Section 205 A of the Act, in respect of any unclaimed dividend.

### **Capitalisation of profit and reserves**

- 124.1. The Company in General Meeting may, upon the recommendation of the Board, resolve:
- a) That it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the Profit and Loss Account, or otherwise available; and
  - b) That such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members, who would have been entitled thereto, if distributed by way of dividend and in the same proportion.
2. The sum aforesaid shall not be paid in cash but shall be applied subject to the provisions contained in clause (3) either in or towards –
- a. Paying up any amount for the time being unpaid on any shares held by such members respectively:
  - b. Paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportion aforesaid; or
- Partly in the way specified in the sub-clause (a) and partly in that specified in sub-clause (b).
3. For the purpose of this Article a premium account and a capital redemption reserve fund may be applied only in paying up unissued shares to be issued to the members of the Company as fully paid bonus shares,
4. The Board shall give efforts to the resolution passed by the Company in pursuance of this Article;
- A) 1. Whenever such a resolution as aforesaid shall have been passed, the Board shall:
- a. Make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all allotments and issues of fully paid shares and
  - b. Generally do all acts and things required to give effects thereto.
2. The Board shall have full power:
- a. To make such provision by the issue of fractional certificates or by payment in cash by realizing such fractional certificates or otherwise as it thinks fit, in the case of shares becoming distributable in fractions and also
  - b. To authorize any person to enter, on behalf of all members entitled thereto, into an agreement with the Company provided for the allotment to them respectively, credited as fully paid up of any further shares to which they may be entitled upon such capitalization or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their existing shares.
3. Any agreement made under such authority shall be effective and binding on all such members.
- B) If the Company shall have redeemed any redeemable preference shares all or any part of any Capital Redemption Fund arising from the redemption of such shares may by resolution of the Company be applied in paying up in full or in part any new shares or any shares then remaining unissued to such members of the Company or other persons as the Directors may resolve upto an amount equal to the nominal amount of the shares so issued.

### **Winding up**

129. If the Company shall be wound up and the assets available for distribution among the members and 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 the winding up on the shares held by them respectively and if 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 or which ought to have been paid up on the shares held by them respectively at the commencement of the winding up.



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130. If the Company shall be wound up, whether voluntarily or otherwise, the liquidator may, with the sanction of a special resolution, divide among the contributories, in specie or kind any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees for the benefit of the contributories, or any of them, as the liquidator, with the like sanction, shall think fit.





## **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not contracts entered into the ordinary course of business carried on by our company or entered into more than 2 years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts copies of which have been attached to the copy of this prospectus, delivered to the Registrar of Companies, Coimbatore, Tamil Nadu for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our company situated at 252, Mettupalayam Road, Coimbatore : 641 043 from 10.00a.m. to 4.00 p.m. on working days from the date of this Prospectus until the Bid/Issue Closing Date.

### **MATERIAL CONTRACTS**

1. Letter of Appointment dated June 6, 2005 to IL & FS Investsmart Ltd. and ICICI Securities Ltd. from the Company appointing them as BRLM.
2. Letter dated June 10, 2005 to Intime Spectrum Registry Ltd. from the Company appointing them as Registrars to the Issue.
3. Memorandum of Understanding entered into by our company with the BRLMs dated August 18, 2005
4. Memorandum of Understanding entered into by our company with the Registrar to the Issue, August 11, 2005
5. Escrow agreement dated [-] 2005.
6. Syndicate Agreement dated [-] 2005.
7. Underwriting Agreement dated [-] 2005.

### **MATERIAL DOCUMENTS.**

1. Memorandum and Articles of Association as amended from time to time.
2. Copy of the Certificate of Incorporation of the Company dated July 10, 1989
3. Copy of Certificate of Commencement of Business dated September 14, 1989.
4. Copy of Fresh Certificate of Incorporation consequent to the change of name dated October 11, 1991.
5. Copies of the annual Report of Bannari Amman Spinning Mills Ltd. for the year ended March 31, 2005, 2004, 2003, 2002 and for the 18 month period March 31, 2001.
6. Copy of the Sanction letter received from UTI Bank Ltd.
7. Copy of the Resolution passed at the Meeting of the Board of Directors held on June 10, 2005 approving this Public Issue
8. Copy of the Resolution of members of the Company passed at the Extra Ordinary General Meeting of the Company held on July 4, 2005 pursuant to Section 81-1(A) of the Companies Act
9. Copy of the Resolution of the members of the Company passed at the Annual General Meeting held on July 25, 2005 appointing Mr. S. V. Arumugam as the Managing Director with effect from June 27, 2005.
10. Copy of the Resolution of the members of the Company passed at the Annual General Meeting held on July 25, 2005 appointing Mr. Sundararaman as the Executive Director with effect from June 27, 2005.
11. Copy of the Letter dated August 12, 2005 from P. N. Raghavendra Rao & Co, Chartered Accountants confirming Tax Benefits as mentioned in this Letter of Offer.
12. Copy of Report of Auditors
13. Consents of the Directors, Auditors, Bankers to the Company, Company Secretary and Compliance Officer, BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Banks, Legal Counsel to the Issue and Underwriters, as referred to, in their respective capacities.
14. Copy of Initial Listing applications dated August 25, 2005 filed with NSE and BSE respectively.
15. Copy of In-principle Listing approval dated September 30, 2005 and September 26, 2005 from NSE and BSE respectively
16. Copy of Tripartite Agreement between NSDL, the Company, and the Registrar to the Issue dated October 6, 2005.
17. Copy of Tripartite Agreement between CDSL, the Company and the Registrar to the Issue dated October 5, 2005.





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18. Copy of Due diligence certificate dated August 24, 2005 to SEBI from IL&FS Investsmart Limited and ICICI Securities Limited.
  19. Copy of SEBI observation letter No.CFD/DIL/ISSUE/V/50802/2005 dated September 30,2005
  20. Resolution of the Board of Directors approving the Draft Red Herring Prospectus on August 18, 2005 and Red Herring Prospectus on October 4, 2005
  21. Power of Attorney in favour of Mr. Govind M Joshi for signing and making the necessary changes to the Draft Red Herring Prospectus

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at anytime 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 statues.



## 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 Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and fair.

### SIGNED BY ALL THE DIRECTORS & CHIEF FINANCIAL OFFICER

Sd/-

Dr. S. V. Balasubramaniam

Chairman

Sd/-

Mr. S. V. Alagappan

Vice Chairman

Sd/-

Mr. S. V. Arumugam

Managing Director

Sd/-

Mr. S. K. Sundararaman

Executive Director

Sd/-

Mr. K. N. V. Ramani

Director

Sd/-

Mr. C. S. K. Prabhu

Director

Sd/-

Mr. Govind M. Joshi

CFO, Company Secretary & Compliance Officer

Place: **Coimbatore**

Date: **October 4, 2005**