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RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated : January 23, 2007
(The Red Herring Prospectus will be updated upon RoC filing)
100% Book Built Issue

VIJAYESWARI TEXTILES LIMITED

(Incorporated as a public limited company on September 05, 1953 under the Indian Companies Act, VII of 1913 with the Registrar of Joint Stock Companies, Coimbatore)

Registered office: Puliampatti, (Via) Pollachi, Coimbatore District - 642 002 Tamil Nadu, India
Tel: +91 4259 223764/224534; **Fax:** +91 4259 224687
Corporate Office: 10/400 Palghat Main Road, Kuniamuthur, Coimbatore 641 008, Tamil Nadu, India
Tel: +91 422 2252 661; **Fax:** +91 422 2251 538; **Website:** www.vtx.co.in
Contact Person: Radhika K. Kumar, Company Secretary and Compliance Officer
Tel: +91 422 2252 661; **Fax:** +91 422 2251 538; **Email:** investors@vtx.co.in

PUBLIC ISSUE OF [●] EQUITY SHARES OF RS. 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE, INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE, AGGREGATING RS. 9,000 LAKHS (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE [●]% OF THE FULLY DILUTED POST-ISSUE PAID UP CAPITAL OF THE COMPANY.

PRICE BAND: RS. 115 TO RS. 130 PER EQUITY SHARE OF FACE VALUE RS. 10 EACH.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10.
THE FLOOR PRICE IS 11.5 TIMES THE FACE VALUE AND THE CAP PRICE IS 13 TIMES THE FACE VALUE

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

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

RISK IN RELATION TO THE ISSUE

The Equity Shares of the Company are listed on the Madras Stock Exchange Limited ("**MSE**"). The Issue Price (as determined by the Company in consultation with the Book Running Lead Manager on the basis of assessment of market demand for the Equity Shares by way of book-building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. The market price of the existing Equity Shares of the Company could affect the price discovery through book building and vice versa. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

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 1.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer 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 offered through this Red Herring Prospectus are proposed to be listed on the MSE, where the existing Equity Shares of the Company are listed and Bombay Stock Exchange Limited ("**BSE**"). The Company has received in-principle approvals from the MSE and BSE for the listing of the Equity Shares pursuant to letters dated October 23, 2006, and December 21, 2006, respectively. The Designated Stock Exchange shall be the BSE.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
IDBI CAPITAL MARKET SERVICES LIMITED 5th Floor, Mafatlal Centre, Nariman Point, Mumbai 400 021 Tel: +91 22 6637 1226/28 Fax: +91 22 2288 5850 Email: vtl.fpo@idbicapital.com Website: www.idbicapital.com Contact person: Huzefa Sitabkhan / Saurabh Jain	**BIGSHARE SERVICES PRIVATE LIMITED** E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai – 400 072. Tel: 91-22-2847 0652 Fax: 91-22-2847 5207 Email: ipo@bigshareonline.com Website: www.bigshareonline.com Contact person: Mr. N. V. K. Mohan

ISSUE PROGRAM	
BID / ISSUE OPENS ON : THURSDAY, FEBRUARY 08, 2007	**BID / ISSUE CLOSES ON : TUESDAY, FEBRUARY 13, 2007**

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DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

General terms

Term	Description
"We", "us", "our", "the Company" and "our Company"	Unless the context otherwise indicates or implies, refers to Vijayeswari Textiles Limited, a public limited company incorporated under the provisions of the Indian Companies Act, VII of 1913 with the Registrar of Joint Stock Companies, Coimbatore, with its registered office at Puliampatti, (Via) Pollachi, Coimbatore District, Tamil Nadu, India

Company related terms

Term	Description
Articles/Articles of Association	Articles of Association of the Company
Auditors	The statutory auditors of the Company, Subbachar & Srinivasan, Chartered Accountants
Board/Board of Directors	Board of Directors of the Company
Compliance Officer	Radhika K. Kumar, Company Secretary
Director(s)	Director(s) on the Board of the Company, unless otherwise specified
Memorandum/Memorandum of Association	Memorandum of Association of the Company
Registered Office of the Company	Puliampatti, (Via) Pollachi, Coimbatore District, Tamil Nadu, India

Issue related terms

Term	Description
Allotment	Unless the context otherwise requires, the issue and allotment of Equity Shares, pursuant to the Issue
Allottee	The successful Bidder to whom the Equity Shares are/have been issued
Banker(s) to the Issue	Banker(s) to the Issue, in this case being ICICI Bank Limited, HDFC Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Indian Overseas Bank and Oriental Bank of Commerce.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid/Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation
Bid/Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation

Term	Description
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 cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of the Company in terms of this Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
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
Book Building Process	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
BRLMs	Book Running Lead Managers to the Issue, in this case being IDBI Capital Market Services Limited and IL&FS Investsmart Limited
CAN/Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off Price	The Issue Price finalised by the Company in consultation with the BRLMs
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
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account and the Refund 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	Bombay Stock Exchange Limited
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with the Section 60B of the Companies Act and SEBI Guidelines, which does not contain complete particulars on the price at which the Equity Shares are issued and the size (in terms of value) of the Issue
Equity Shares	Equity shares of the Company of Rs.10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter

Term	Description
Escrow Agreement	Agreement to be entered into by the Company, the Registrar, BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable refunds of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Issue	The public issue of [●] Equity Shares by the Company at the Issue Price under this Red Herring Prospectus
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Issue Management Committee	A committee constituted by the Board in its meeting held on April 13, 2006, for the purpose of carrying out various actions in relation to the Issue
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLMs on the Pricing Date
Issue Size	[●] Equity Shares of Rs.10 each to be issued to the Investors at the Issue Price
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund Portion	5% of the QIB Portion or [●] Equity Shares (assuming the QIB Portion is for 50% of the Issue Size) available for allocation to Mutual Funds only, out of the QIB Portion
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs.100,000
Non Institutional Portion	The portion of the Issue being at least [●] Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000

Term	Description
Pay-in Date	With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the Bid/Issue Closing Date, and with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the last date specified in the CAN sent to the Bidders
Price Band	Price band of a minimum price (floor of the price band) of Rs.115 and the maximum price (cap of the price band) of Rs.130 and includes revisions thereof
Pricing Date	The date on which Company in consultation with the BRLMs finalises the Issue Price
Promoters	Mr. K. Rajagopal, Mr. A.L. Ramachandra, Mrs. Jayanthi Ramachandra and Seshraj Enterprises Private Limited
Promoter Group	Mr. K. Rajagopal, Mr. A.L. Ramachandra, Mrs. Jayanthi Ramachandra, Seshraj Enterprises Private Limited, Vijayeswari USA LLC, Vijayeswari UK Limited, Mrs. Mani Rajagopal, Mr. R. Gopinath, Mr. G.K. Sundaram, Mrs. Shasikala Suryanarayana, Mr. Anutham Narayana, Ms. Amruthavalli, R. Gopinath (HUF), Lakshmi Apparels and Wovens Limited, Seshraj Apparels Private Limited, Vijayeswari Australia Pty Limited, Coimbatore Lakshmi Investment and Finance Company Limited, R. Rajagopal (HUF), Anwenshna, Kay Arr Enterprises, Seshraj Fabric, Seshraj Wovens, Seshraj Textiles, R.G. & Co., and Gun and Rifle Shop.
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, 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 on the Designated Date
QIBs or Qualified Institutional Buyers	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million
QIB Margin Amount	An amount representing at least 10% of the Bid Amount
QIB Portion	The portion of the Issue up to [●] Equity Shares of Rs. 10 each to be allotted to QIBs
Refund Account	Account opened with an Refund Bank, from which refunds of the whole or part of the Bid Amount, if any, shall be made
Refund Banker	Refund Banker to the Issue, in this case being HDFC Bank Limited.

Term	Description
Registrar to the Company	Registrar to the Company, in this case being Intime Spectrum Registry Limited, having its registered office at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078.
Registrar to the Issue	Registrar to the Issue, in this case being Bigshare Services Private Limited, having its registered office at E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai – 400 072.
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being at least [●] Equity Shares of Rs. 10 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	The Red Herring Prospectus which will be filed with the RoC in terms of Section 60B of the Companies Act, at least 3 days before the Bid/ Issue Opening Date
Stock Exchanges	Madras Stock Exchange Limited and Bombay Stock Exchange Limited
Subsidiaries	Vijayeswari USA LLC, Vijayeswari UK Limited
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	Agreement between the Syndicate and the Company in relation to the collection of Bids in this Issue
Syndicate Members	Syndicate Members to the Issue, in this case being IDBI Capital Market Services Limited and IL&FS Investsmart Limited
TRS/Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The Agreement between the members of the Syndicate and the Company, to be entered into on or after the Pricing Date

Abbreviations

Term	Description
A/c	Account
Act	The Companies Act
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CLIF	Coimbatore Lakshmi Investment and Finance Company Limited
DP	A Depository Participant, as defined under the Depositories Act
DP ID	Depository participant's identification number
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EPS	Earnings Per Share (as calculated in accordance with AS-20)
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with its related rules and regulations
FII(s)	Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FY/Fiscal/Financial Year	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
GBP or £ or Pounds	British Pound
GDP	Gross Domestic Product
GoI	Government of India
HNI	High Net worth Individual
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
IDBI Capital	IDBI Capital Market Services Limited

Term	Description
IFSC	Indian Financial System Code
IIL	IL&FS Investsmart Limited
Indian GAAP	Generally Accepted Accounting Principles in India
LAWL	Lakshmi Apparels and Wovens Limited
MICR	Magnetic Ink Character Recognition
Mn./mn.	Million
N.A.	Not Applicable
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by weighted average number of issued equity shares
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
QIB	Qualified Institutional Buyer
RBI	The Reserve Bank of India
RONW	Return on Net Worth
Rs.	Indian Rupees
RTGS	Real time gross settlement
SAPL	Seshraj Apparels Private Limited
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time

Term	Description
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time
Sec.	Section
SEPL	Seshraj Enterprises Private Limited
SIA	Secretariat for Industrial Assistance
UK	United Kingdom
US/USA	United States of America
USD or $ or US $	United States Dollar
Vijayeswari Australia	Vijayeswari Australia Pty Limited
Vijayeswari UK	Vijayeswari UK Limited
Vijayeswari USA	Vijayeswari USA LLC

Industry related terms

Term	Description
CAD	Computer aided design
GATT	General Agreement on Trade and Tariffs
IREDA	Indian Renewable Energy Development Agency Limited
KVA	Kilo volt amperes
KW	Kilo watt
MFA	Multi-Fibre Agreement
SIPCOT	State Industries Promotion Corporation of Tamil Nadu
SITRA	The South India Textile Research Association
TUFS	Technology Upgradation Fund Scheme
WEG/WTG	Wind energy generators/Wind turbine generators
WTO	World Trade Organisation

CERTAIN CONVENTIONS, USE OF MARKET DATA

In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from the financial statements of the Company prepared and restated in accordance with Indian GAAP, included in this Red Herring Prospectus. Our financial year commences on April 01 and ends on March 31 of the following year. Accordingly, all references to a particular financial year are to the twelve-month period ended on March 31 of that year.

Further, there are significant differences between Indian GAAP and US GAAP. The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

In this Red Herring Prospectus, references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$", "USD" or "U.S. Dollars" are to United States Dollars, the official currency of the United States of America. All references to "£", "Pounds", "GBP" or "British Pounds" are to the Pound Sterling, the official currency of the United Kingdom.

In this Red Herring Prospectus, unless the context otherwise requires, all references to the word "Lakhs" means "one hundred thousand" and the word "million" means "ten lakhs" and the word "Crore" means "ten million". Throughout this Red Herring Prospectus, all figures have been expressed in Rupees Lakhs, unless otherwise stated.

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

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of the Company are also forward-looking statements.

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

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

For further discussion of factors that could cause actual results of the Company to differ, please refer to the section titled “Risk Factors” beginning on page 1. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the members 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, the Company and the BRLMs will ensure that investors in India are informed of material developments until the grant of listing and trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to this Issue.

RISK FACTORS

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

Internal risk factors and risks relating to the Company's business

1. ***Raw materials constitute a significant percentage of the Company's total expenses. Particularly, any increase in cotton prices and any decrease in the supply of cotton would materially adversely affect the Company's business***

   Raw materials constitute a significant percentage of the total expenses of the Company. Raw materials costs accounted for 28%, 29% and 36% of total expenses in fiscals 2004, 2005 and 2006, respectively. The primary raw material used by the Company is cotton and yarn. Currently, the Company purchases cotton from domestic as well as international markets and yarn from the domestic market. Any increase in cotton and yarn prices would have a material adverse effect on the Company's business. The use of domestic hedging techniques against the risks associated with fluctuations in cotton prices is a new development in India and is still relatively ineffective. Consequently, the Company does not engage in hedging techniques against cotton price fluctuations. Cotton is an agricultural product, and its supply and quality are subject to forces of nature. Any material shortage or interruption in the domestic supply or decrease in the quality of cotton due to natural causes or other factors could result in increased production costs that the Company may not successfully be able to pass on to customers, which in turn would have a material adverse effect on the Company's business.

2. ***Delays or failures in relation to the Company's outsourced manufacturing activities may adversely affect its reputation and business***

   The Company's existing manufacturing capabilities are not entirely integrated and, therefore, require outsourcing of various aspects of its manufacturing, such as weaving, processing and sewing. These activities are outsourced to Promoter Group companies and other third parties. To the extent these activities are outsourced, the Company is dependent on them and any delay and/or failure on their part may adversely affect the Company's reputation and business.

   To mitigate the risk, the Company has entered into lease agreements with LAWL for the weaving facilities and proposes to acquire the sewing facilities from SAPL as a part of the proposed project. Further, the proposed expansion has been designed to insulate the Company from outsourcing risks.

3. ***The Company faces significant competition in its principal markets***

   The Company faces significant competition in its principal markets. The end of the MFA regime has resulted in price competition amongst suppliers from low cost economies, which is likely to drive prices for the Company's products lower. Some of the competitors are also expected to bring additional production capacity on line in the near future. The Company's market position would also depend on effective marketing initiatives and its ability to anticipate and respond to various competitive factors affecting the industry. Any failure by the Company to compete effectively, including in terms of the pricing of its products, could have a material adverse effect on the Company's operations and financial results.

4. ***The revenues of the Company are highly dependent upon a limited number of customers***

   The revenues of the Company are highly dependent upon a limited number of customers. Revenue from the 4 largest customers as a percentage of the made-ups revenue of the Company for the financial year 2006 is as below:

Name of the Customers	% of the Made-up Revenues
Macy's	32%
Kohl's	19%
T.J Maxx and H. Goods	16%
Laura Ashley	11%

These customers are expected to continue to provide a significant percentage of the Company's revenues in the future. Typically, the Company does do not have long-term sales contracts with its customers. Sales to each customer is dependent on the ability of the Company to manufacture products of acceptable quality that meet the customer's specifications and to deliver such products on a timely basis. The loss of, or significant reduction in business from, one or more of these customers could have a material adverse effect on the Company's operations and financial results.

5. ***The Company's inability to understand prevailing market trends or to forecast changes may affect its growth prospects***

The Company operates in highly creative business of fashion. Further, the fashion-oriented nature of the industry subjects the Company to certain uncertainties associated with the textile industry. Any inability on the Company's part to understand prevailing worldwide trends or to forecast changes in a timely fashion may affect its growth prospects.

6. ***Strikes or lockouts will adversely affect the Company's operations and financial results.***

On August 25, 2005, some of the workers at the Company's spinning division at Puliampatti, Pollachi Taluk, resorted to a strike. In order to avoid labour unrest and damage to the work centres, the Company declared a lock out from August 27, 2005. Pursuant to a domestic inquiry conducted by the Company, discussions with the workers and consultations with the concerned Deputy Commissioner of Labour, the mill re-commenced its operations on November 07, 2005. Any future strikes or lockouts will adversely affect the Company's operations and financial results.

7. ***If the Company cannot manage its growth effectively, the business, operations and financial results of the Company will suffer***

The Company is expanding its operations rapidly and expects to continue to do so in the future, including by expanding its work force and production capabilities. At the same time, it continues to seek to refine its operations in order to reduce costs while maintaining and improving the quality of its products. Managing such growth and change is likely to pose complex challenges, as it would for any company. Management resources and operational, financial and other management information systems could possibly be strained, perhaps on a regular basis. If the Company cannot manage its growth successfully, the business, operations and financial results of the Company will suffer.

8. ***The Company is expanding its existing capacities without firm selling commitments. This may result in lower capacity utilisation and adversely affect the Company's operations and financial results.***

The Company is expanding its existing manufacturing capacities in all the four divisions viz, Spinning, Weaving, Processing and Sewing without any firm selling commitments. In the absence of guaranteed customers for the consequent increased production, there can be no assurance that the Company will be successful in selling its increased production. This may result in lower capacity utilisation and adversely affect the Company's operations and financial results.

9. The Company has not identified alternate sources of financing for the equity component of the Project

The Project cost is proposed to be funded through a mix of internal accruals, term loans to be raised from banks and financial institutions, and net proceeds from the Issue. Of the debt component of Rs.17,000 lakhs, the Company has received a final sanction letter from United Bank of India, Indian Overseas Bank and EXIM Bank and in-principle sanction letters from the, UCO Bank, Andhra Bank and State Bank of Travancore, aggregating to Rs.24,500 lakhs. However, as on date, the Company has not identified alternate sources of financing for the equity component of the Project cost, aggregating to Rs.9,000 lakhs. Any delays on part of the Company to raise money through the Issue will delay the implementation of the Project.

10. The deployment of the proceeds of the Issue is based on management estimates and may be revised from time to time

Although the Company's funding requirements for the proposed expansion is based on the Techno Economic Viability Report submitted by SITRA, the Company's funding requirements and deployment of proceeds have not been financially appraised by any bank or financial institution. In view of the highly competitive nature of the industry in which the Company operates, the cost estimated may have to be revised from time to time and consequently its funding requirements may also change. This may result in the rescheduling of the Company's project expenditure programmes and an increase or decrease in the Company's proposed expenditure for a particular project. Further, the Issue proceeds are to be deployed at the sole discretion of the Company's Board of Directors and are not subject to monitoring by any independent agency.

11. Delays in implementation of the proposed project may have an adverse impact on the Company's business

The Company has not placed orders for the plant and machinery amounting to Rs.12,026 lakhs (i.e. about 76% of the total cost of plant and machinery) proposed to be acquired with the net proceeds of the Issue. For details of orders placed for plant and machinery refer section titled "Objects of the Issue" on page 33. Any delays in the implementation of the proposed project may have an adverse impact on the Company's business.

12. The Company has not identified all immoveable properties proposed to be acquired with the net proceeds of the Issue

As described in the section titled "Objects of the Issue" on page 33, the Company intends to use part of the net proceeds of the Issue to acquire lands for its proposed spinning and sewing units. The Company is already in possession of part of the land at Pilchinnampalayam, Pollachi Taluk required for its spinning expansion and has identified and acquired part of the land at Chettipalayam, Coimbatore for its sewing expansion. The balance immoveable properties proposed to be acquired have not yet been identified.

13. A portion of the Issue proceeds will be paid to the Promoter Group

The Company intends to utilise a portion of the net proceeds of the Issue for the purposes of acquiring land owned by Mrs. Mani Rajagopal, wife of Mr. K. Rajagopal, Promoter and Mrs. Jayanthi Ramchandra, Promoter. The buildings, plant and machinery owned by SAPL are also proposed to be acquired by the Company. The consideration for the same amounts to Rs.800 lakhs, which is ●% of the total project cost of Rs.● lakhs and 8.89% of the issue size.of Rs.9,000 lakhs. The consideration to be paid to the promoter group is not a substantial portion of the total project cost for which the issue proceeds are being raised. For details, refer to the section titled "Objects of the Issue" on page 33.

Further, the Company has entered into lease agreements for a period of three years with LAWL for lease of land and existing buildings and for operating its weaving facilities. It has also entered into a lease agreement with LAWL for a period of 25 years for the vacant land at the same location, to be utilised for installing the additional weaving facilities. Some of the Promoters or Directors of the Company may deemed to be interested in these transactions to extent of their shareholding and/or directorship in SAPL and LAWL.

14. Any changes in regulations or applicable government incentives would materially adversely affect the Company's operations and growth prospects

The GoI has provided several incentives to the textile sector, from which the Company currently benefits, including the TUFS interest and capital subsidies, 'duty entitlement pass book scheme' and 'duty drawback scheme'. The Company also enjoys tax benefits due to the installation of wind energy generators under the Income Tax Axt, 1961. These incentives could be modified or removed at any time, or new regulations could be introduced applicable to the Company's business, which could adversely affect the Company's operations and financial results.

The Company is also subject to various regulations and textile policies, primarily in India. See "Regulations and Policies" on page 71. The Company's business and prospects could be adversely affected by changes in any of these regulations and policies, including the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that the Company will succeed in obtaining all requisite regulatory approvals in the future for its operations or that compliance issues will not be raised in respect of its operations, either of which would have a material adverse affect on the Company's operations and financial results.

15. Failure to comply with the conditions applicable to TUFS, being availed by the Company may render it ineligible for interest or capital subsidies

The Company presently avails term loan facility under the TUFS and the future debt funding is also proposed under the TUFS. These loans are eligible for 5% interest subsidy. The Company is also entitled to a 10% capital subsidy for investments in specified processing machinery. Such interest and capital subsidies are allowed subject to fulfilment of conditions provided therein. If the Company fails to comply with the conditions stipulated under the TUFS, the Company may be denied the interest or capital subsidy, making its operations less cost effective.

16. There are certain qualifications in the report issued by the auditors for the Company

The statutory auditors for the Company, Subbachar and Srinivasan, Chartered Accountants, have recorded the following qualifications in report dated May 03, 2006, in respect of the financial year ended March 31, 2006:

(a) non-provision of deferred tax as per the Accounting Standard 22 for the year of Rs. 507.81 lakhs and its consequent effect of understatement of deferred tax liability and overstatement of profits of the year to a like extent;

(b) non-provision of fringe benefit tax of Rs. 15 lakhs and its consequent effect of understatement of current liabilities and overstatement of profits of the year to a like extent.

The Company has provided for deferred tax in its books of accounts up to the financial year 2004-05. In financial year 2005-06, in view of a stay obtained from the High Court of Madras against the application of Accounting Standard 22 issued by the ICAI, the Company has not provided any deferred tax. For the financial year ending March 31, 2006, in view of the writ petition filed before the High Court of Madras, the Company has not provided for the fringe benefit tax for Rs. 15 lacs.

Based on the non-provision of deferred tax and fringe benefit tax in the financial year ending March 31, 2006, the deferred tax has not been provided in the restated accounts for the financial years ended March

31, 2002, 2003, 2004 and 2005 and fringe benefit tax, has not been provided in the restated accounts for the year ending March 31, 2006.

The financial impact of inclusion of deferred tax and fringe benefit tax and the effect of the deferred tax for restatement of depreciation in the restated financial statements is provided below:

(Rs. In Lakhs)

Financial year ended March 31,	**2002**	**2003**	**2004**	**2005**	**2006**
Net Profit after Extra Ordinary Items (As restated)	152.66	187.84	417.19	145.67	1,234.58
Deferred Tax Provision	4.97	(2.00)	(113.30)	(130.66)	(204.64)
Fringe Benefit Tax	-	-	-	-	(15.00)
Net Profit after Deferred Tax and Fringe Benefit Tax	157.63	185.84	303.89	15.01	1,014.94
Net worth as restated	2,552.53	2,707.88	4,050.39	4,042.72	4,381.62
Net worth after giving the effect of the Auditors Qualification	2,154.78	2,308.13	3,537.34	3,399.01	3,518.27

17. The Company requires certain regulatory approvals in the ordinary course of business, and the failure to obtain them in a timely manner or at all may adversely affect the Company's operations

The Company requires certain regulatory approvals and registrations for operating its business, some of which may have expired. For more information, see the section titled "Government Approvals" on page 147. In connection with its business, the Company has applied for, or is in the process of applying for, such approvals or their renewal. The Company may not receive such approvals or renewals within the time frames anticipated or at all, which could adversely affect the Company's operations and financial results.

18. Insufficient cash flows to meet required payments on its debt and working capital requirements, could adversely affect the Company's operations and financial results

The business of the Company requires a significant amount of working capital to finance the purchase of raw materials, maintain inventories, establishment of manufacturing facilities and acquisition of equipment. Moreover, the Company may need to incur additional indebtedness in the future to satisfy its working capital needs. The working capital requirements of the Company are also affected by the credit lines that the Company extends to its customers, in line with industry practice. All of these factors have resulted, or may result, in increase in the amount of receivables and short-term borrowings of the Company. There can be no assurance that the Company will continue to be successful in arranging adequate working capital for its existing or expanded operations on acceptable terms or at all, which could adversely affect the Company's operations and financial results.

19. The Company faces risks and uncertainties associated with its international operations

The Company has Subsidiaries in the United Kingdom and the United States and also sells its products primarily in these markets. As a result, the Company is subject to risks associated with selling and operating in foreign countries. These risks include uncertainties of laws and enforcement relating to the protection of assets, nationalisation, unstable political conditions, dependence on local labour market conditions and employment practices and restrictions on converting foreign currencies into Indian rupees and on remitting dividends or other payments by the Company's Subsidiaries. The imposition of, or increase in withholding and other taxes on remittances and other payments by foreign Subsidiaries, hyperinflation in certain foreign countries and the introduction of investment-related and other restrictions by foreign governments could also have a negative effect on the Company's business and profitability.

20. Loss of key managerial personnel could adversely affect the Company's operations

The Company's business substantially depends on the continued service of its key managerial personnel. The Company does not maintain "key man" insurance for any of its senior managers or other key personnel. The loss of the services of these key managerial personnel could have a material adverse effect on the Company. The future success of the Company will also depend on its ability to attract and retain highly skilled personnel, including senior management professionals. The Company could experience difficulty from time to time in hiring and retaining the personnel necessary to support the Company's business. If the Company does not succeed in retaining its current employees or is unable to attract new personnel, the reputation of the Company may be harmed and its future earnings may be negatively impacted.

21. Failure to comply with export obligations may subject the Company to significant import duties and other penalties

The Company has imported capital goods, which is used for manufacturing. Applicable governmental regulations allow the Company to import such goods at concessional rate of import duties, provided the Company correspondingly exports a pre-determined value of products within a specified time period. As of January 15, 2007, the Company has an obligation to export products of Rs.3,681.43, lakhs, which must be fulfilled within 8 years. While the Company fully expects to comply with this obligation, there can be no assurances that the Company will be able to meet its obligations on time. Any inability to fulfil these export obligations in a timely manner may require the Company to pay import duties and other penalties amounting to Rs.2,695.93 lakhs, which could have a material adverse effect on the Company's operations and financial results.

22. The Company will be controlled by the Promoters so long as they control a majority of the Equity Shares

After the completion of the Issue, the Promoters will control, directly or indirectly, in excess of ●% of the Company's post-Issue equity share capital. As a result, the Promoters will continue to exercise significant control over the Company, including being able to control the composition of the Company's board of directors and determine decisions requiring special majority voting, and the other shareholders will be unable to affect the outcome of certain shareholder voting. As a result, the Promoters may take or block actions with respect to the Company's business, which may conflict with the Company's interests or the interests of the minority shareholders, such as actions with respect to future capital raising or acquisitions. In addition, the Promoters also control certain other companies that are in the same business as the Company, such as LAWL and SAPL, with which the Company may have conflicts of interest.

23. The Company has entered into, and will continue to enter into, related party transactions.

The Company has entered into transactions with related parties, including the Promoters and Directors. For more information regarding the Company's related party transactions, see "Related Party Transactions" on page 120. Further, a significant portion of the Company's business is expected to involve transactions with related parties such as LAWL and other affiliates and joint ventures that the Board of Directors may choose to involve in the Company's business.

24. Certain agreements with the Company's lenders contain restrictive covenants

Agreements with certain of the Company's lenders contain certain restrictive covenants relating to the Company's rights, including the right to effect a change in capital structure, alter the constitution of the Board, raising additional finance, prohibition on the disposition of assets, expansion of the Company's business and change in certain financial measures and ratios, including the Company's debt-equity ratio. Additionally, in case of an event of default attributable to the Company under the financing agreements, certain lenders are entitled to seek an allotment of Equity Shares corresponding to the the entire outstanding loan and interest amounts.

25. There are a number of legal proceedings against the Company, Directors, Promoters and Promoter Group companies

The Company, the Directors, the Promoters and certain of the Promoter Group companies are involved in legal proceedings and claims in India in relation to certain civil matters, including consumer disputes. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse decision may have a significant effect on the Company's business and results of operations. The table below summarises the outstanding litigation relating to the Company, Directors, Promoters and Promoter Group companies as on the date of this Red Herring Prospectus:

- there are two writ petitions initiated by the Company;
- there is one appeal initiated by the Company before the Special Industrial Tribunal, Chennai in relation to a labour proceeding;
- there is one civil proceeding pending against the Company involving an aggregate amount of Rs. 19,25,000;
- there are two appeals initiated by a Group Company in relation to tax proceedings, involving an aggregate amount of Rs. 12,22,026;
- there are nine criminal proceedings initiated by the Group Companies;
- there are four labour proceedings pending against a Group Company;
- a group company is presently appealing against the refusal of grant of registration as a non banking financial company and prohibitions imposed by the RBI;
- there are three tax appeals pending in relation to Group Companies where an aggregate amount of Rs. 39,45,619 is quantifiable;
- there is one consumer proceeding pending against a Group Company, where an amount o f Rs. 50,000 is quantifiable;
- there are five proceedings initiated and currently pending before the Debt Recovery tribunal against a Group Company. The amount claimed against the Group Company and quantifiable as on date, is Rs. 56,571,116.22;
- of the above, a Promoter has been included as a co-defendant in five proceedings and as a co-defendant in proceedings for recoveries againt another company.

Additionally, as on March 31, 2006, an aggregate amount of Rs. 45,85,000 was due to small-scale industrial undertakings and outstanding in excess of 30 days.

For particulars of past (i) breaches of securities laws, (ii) notices received from preference share holders, (iii) other defaults in payment to depositors, (iv) defaults in repayment of fixed deposits and (v) defaults in payment of statutory dues and payment to financial institutions, refer to "Outstanding Litigation and Material Developments" on page 140.

26. Our Promoter and Chairman and Managing Director is on the RBI defaulters list.

Our Promoter and Chairman and Managing Director, Mr. K. Rajagopal is mentioned in the defaulters list in respect of default committed by two companies, Rajalaxmi Mills Limited, which is not part of our company, subsidiary, or promoter group and Coimbatore Lakshmi Investment and Finance Company Limited, which is part of our promoter group, where he was a director. He has, however, resigned from the directorship of both the companies and currently is not on the Board of either company. Further, the Reserve Bank of India or Government of India has not declared him as a willful defaulter.

27. The Company may suffer uninsured losses

The Company's asset could suffer physical damage from fire or other causes, resulting in losses, including loss of rent, which may not be fully compensated by insurance. In addition, there are certain types of losses, such as those due to earthquakes, floods, hurricanes, terrorism or acts of war, which may be uninsurable or are not insurable at a reasonable premium. The proceeds of any insurance claim may be insufficient to cover rebuilding costs as a result of inflation, changes in building regulations, environmental issues as well as other factors. Should an uninsured loss or a loss in excess of insured limits occur, the Company would lose the capital invested in and the anticipated revenue from the affected property. The Company would also remain liable for any debt or other financial obligation related to that property. The Company cannot assure investors that material losses in excess of insurance claims will not occur in the future.

28. Contingent liabilities could adversely affect the Company's financial condition

As of September 30, 2006, the Company had commitments and contingent liabilities in the following amounts, as disclosed in the Company's restated financial statements:

Commitments and Contingent liabilities not provided for	Amount (Rs. lakhs)
Commitments	
Estimated amount of contracts remaining to be executed on capital account	11.14
Contingent Liabilities	
Letter of Credit	1,007.60
Bank Guarantees	140.93
Disputed Income Tax Demands	26.77
Fringe Benefit Tax not provided in view of stay obtained	25.00
Total	**1,206.44**

29. Certain of the Promoter Group companies have incurred losses in recent fiscals

Certain of the Promoter Group companies have incurred losses in recent fiscal periods. Details of these losses are set forth below:

Promoter Group company	Profit after tax (Rs. lakhs)		
	2004	**2005**	**2006**
Seshraj Enterprises Private Limited	(3.20)	43.96	39.60
Lakshmi Apparels and Wovens Limited	89.92	(113.66)	8.77
Seshraj Apparels Private Limited	59.27	(38.11)	16.93
Coimbatore Lakshmi Investment and Finance Company Limited	(16.31)	359.73	(16.75)
Vijayeswari USA LLC	(130.11)	(51.28)	37.15
Anweshana	0.80	(2.08)	13.38

Some of the Promoter Group companies' viz., Vijayeswari Australia Pty Ltd., Seshraj Fabrics, Seshraj Textiles, Seshraj Wovens, R. G. & Co., Gun and Rifle Shop are not carrying out any business activities.

For more information, refer to "Promoters and Promoter Group" and "History and Certain Corporate Matters" commencing on pages 88 and 84, respectively.

30. The Equity Shares of the Company are listed but not traded

The Equity Shares of the Company are listed on Madras Stock Exchange. There has been no trading in these equity shares during the last three years, due to illiqidity in the Shares of the Company. Although the Company proposes to list the Equity Shares on MSE and BSE, through this Issue, the Company cannot assure active trading of its Equity Shares, in the future.

31. The Company has negative net cash flows during the financial year ended March 31, 2004, March 31, 2005 and March 31, 2006 and for the half year ended September 30, 2006.

During the financial year ended March 31, 2004, March 31, 2005, March 31, 2006 and for the half year ended September 30, 2006, the Company has reported negative net cash flows. Net cash flows during the financial year 2004, 2005, 2006 and for the half year ended September 30, 2006 is given below:

Rs. in Lakhs

As at	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Half Year ended Sept. 30, 2006
Cash flow from operating activities	309.35	(439.76)	6.35	(348.94)
Cash flow from investment activities	(447.82)	(225.03)	(365.36)	(169.16)
Cash flow from financing activities	349.28	527.51	267.77	712.35
Net Cash Flow	**210.81**	**(137.28)**	**(91.24)**	**194.25**

32. The Company had Unsecured Loans as at March 31, 2006 and September 30, 2006, which can be recalled by the lenders on demand

The Company has Unsecured Loans as at March 31, 2006 and September 30, 2006, which can be recalled by the lenders on demand. The details of the same is given below:

Rs. in Lakhs

Details of Interest and terms of repayment of Unsecured Loans

	Details 31.03.2006	As at 30.09.2006	Rate of Interest	Terms of Repayment
Fixed Deposits - From Directors	14.60	-	6% - 8%	On Maturity / Demand
- From Others	100.56	66.83	6% - 8%	On Maturity / Demand
Less: Unclaimed matured deposits	26.59	31.97	-	On Demand
Trade Deposits	3.37	3.17	-	On Demand
Interest accrued and due on unsecured loans	0.86	0.86	-	-
Total	**92.80**	**38.89**		

33. *The equity shares of a Promoter Group company, CLIF, have been suspended from trading by the BSE*

The Equity Shares of the CLIF are listed on the Madras Stock Exchange, Coimbatore Stock Exchange and Bombay Stock Exchange Limited. The shares have been suspended from trading by the BSE with effect from October 26, 1998 on the grounds of non-compliance with the provisions of the Listing Agreement. Further, BSE has on July 06, 2006 issued a notice (No CRD/DEL/2006/511435/179) requiring CLIF to show cause as to why BSE should not proceed to de-list the shares of CLIF, to which a response was issued by CLIF on July 21, 2006.

34. *There has been a shortfall in promise versus performance of a Group Company*

CLIF has accessed the capital market in the past. There has been a shortfall in the case of CLIF in relation to the promises made in course of its public issue of equity shares on January 19, 1994. The profitability projections made in the offer document and the actuals achieved are given below:

Projections

Rs. in Lakhs

Particulars	1993-94	1994-95	1995-96	1996-97
Gross Income	293.77	573.92	851.99	1181.52
Interest	92.30	145.60	224.00	260.00
PBDT	117.29	300.64	421.97	672.69
Depreciation	28.97	56.61	86.20	127.03
Profit Before Tax	86.41	238.75	330.48	540.38
Profit After Tax	78.84	149.08	195.84	318.25
Equity	498.49	498.49	498.49	498.49
Reserves and Surplus	52.34	111.69	207.83	416.42
Earnings per Share (Rs.)	1.58	2.99	3.93	6.38
Book Value (Rs.)	10.03	11.32	13.36	17.65
Dividend Payout (%)	15	18	20	22

Actuals

Rs. in Lakhs

Particulars	1993-94	1994-95	1995-96	1996-97
Gross Income	274.14	515.39	785.69	867.94
Interest	76.30	233.19	398.78	444.60
PBDT	146.21	155.16	190.57	237.76
Depreciation	10.25	23.27	47.90	60.59
Profit Before Tax	135.96	131.89	142.67	123.17
Profit After Tax	115.96	124.34	122.37	88.92
Equity	498.49	498.49	498.49	498.49
Reserves and Surplus	85.98	110.62	133.29	139.96
Earnings per Share (Rs.)	2.33	2.49	2.45	1.78
Book Value (Rs.)	10.56	10.84	11.53	10.99
Dividend Payout (%)	20	20	20	15

The variations in the financial performance as against the projections set out in the Prospectus is due to changes in the money market, the liquidity crunch and increase in interest rates resulting in lower margins.

35. Any future issuance of Equity Shares may dilute investors' shareholding and sales of the Company's Equity Shares by the Promoters or other major shareholders may adversely affect the trading price of Equity Shares

Any future equity issuances by the Company may lead to the dilution of investors' shareholdings. Any future equity issuances by the Company or sales of Equity Shares by the Promoters or other major shareholders may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of Equity Shares.

36. Some of the members of the Promoter Group are in a similar line of business

SEPL, LAWL and SAPL of the Promoter Group companies are in a line of business that is similar to the Company. Although the nature of business of SEPL, LAWL and SAPL is supplementary in nature, there may, in the future, be a conflict of interest between their businesses and the Company's. For details on the business conducted by the Promoter Group companies, refer to "Promoters and Promoter Group" and "History and Certain Corporate Matters" commencing on pages 88 and 84, respectively.

37. The Company has limited protection over its intellectual property

The Company has not yet registered the logo 'VTX' *and do not have a registered trademark. Further, the Company has made applications for the registration of the trademark* 'GossamerCotton' *and the* cotton ball deivce *in USA, UK, Singapore, Australia, New Zealand and India and registration of the trademark* 'GenuisaCotton' *and the* cotton ball deivce *in USA. The same is pending registration. This subjects the Company to the risk of imitation and loss of revenue.*

38. If the Company's employees unionise, it may be subject to industrial unrest, slowdowns and increased wage costs

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. Although, except the existing spinning unit, the Company's employees are not currently unionised, there can be no assurance that they will not unionise in the future. If the employees unionise, it may become difficult for the Company to maintain flexible labour policies, and the Company's business may be adversely affected.

External risk factors

1. Adverse developments in the United States or the United Kingdom could adversely affect the Company's business

The Company derives a significant proportion of the Company's revenues from clients in the United States and the United Kingdom. Accordingly, any adverse developments in these jurisdictions, including an economic slowdown, a decline in the value of the US Dollar or the British Pound or other factors that may have a negative effect on the economic health of the United States or the United Kingdom, may have a negative effect on the businesses of the Company's clients in these jurisdictions, and in turn may have an adverse effect on the Company's business.

2. A slowdown in economic growth in India could cause the Company's business to suffer

The Company's performance and growth are dependent on the health of the Indian economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalisation policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in the Indian economy may adversely impact the Company's business and financial performance and the price of the Equity Shares.

3. Any downgrading of India's debt rating by an independent agency may harm the Company's ability to raise debt financing

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect the Company's ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on the Company's capital expenditure plans, business and financial performance.

4. Because a significant percentage of the Company's revenues are denominated in foreign currencies and a significant percentage of the Company's costs are denominated in Indian Rupees, the Company faces currency exchange risk

The exchange rate between the Indian Rupees and the British Pound and the Indian Rupees and U.S. Dollar have changed substantially in recent years, and may continue to fluctuate significantly in the future.

In fiscals 2004, 2005 and 2006, 95%, 97% and 87% of the Company's revenues were denominated in foreign currency, most significantly in USD as well as GBP. At the same time, a substantial proportion of the Company's costs were incurred in Indian Rupees. The Company expects that a majority of the Company's revenues will continue to be generated in foreign currencies and that a significant portion of the Company's expenses will continue to be denominated in Indian Rupees. Further, our future capital expenditures, including any imported equipment, may be denominated in currencies other than Indian rupees. Therefore, declines in the value of the rupee against such other currencies could increase the rupee cost of servicing our debt or purchasing such equipment.

Accordingly, the Company's operating results have been and will continue to be impacted by fluctuations in the exchange rate between the Indian Rupee and the British Pound and the Indian Rupee and the U.S. Dollar, as well as exchange rates with other foreign currencies. Any strengthening of the Indian Rupee against the British Pound, the U.S. Dollar or other foreign currencies could adversely impact the Company's profitability.

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

The price of the Equity Shares may fluctuate after this Issue as a result of several factors, including volatility in the Indian and global securities markets, the results of the Company's operations, the performance of the Company's competitors, developments in the Indian textiles sector and changing perceptions in the market about investments in the Indian textiles sector, adverse media reports on the Company or the Indian textile sector, changes in the estimates of the Company's performance or recommendations by financial analysts, significant developments in India's economic liberalisation and deregulation policies, and significant developments in India's fiscal regulations.

An active trading market for the Equity Shares may not develop or be sustained after this Issue. Further, the price at which the Equity Shares are traded may not correspond to the Issue Price.

6. Conditions in the Indian securities market may affect the price or liquidity of the Equity Share

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. These exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected.

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

The Equity Shares will be listed on MSE and BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. Thereafter, upon receipt of final approval from the Designated Stock Exchange, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. The Company cannot assure that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above.

Notes to risk factors

- Based on the Company's restated unconsolidated financial statements, the net asset value per Equity Share of Rs.10 each based on the Company's net worth of Rs.4,381.62 lakhs as of March 31, 2006, was Rs.47.79 and based on the net worth of Rs.5,174.06 lakhs as of September 30, 2006 was Rs.56.43.;
- The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allotted to QIB Bidders on a proportionate basis, of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be available for allocation to Non-Institutional Bidders and not less than 35% of the Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price;
- Public issue of [●] Equity Shares of Rs. 10 each for cash at a price of Rs.[●] per Equity Share, including a share premium of Rs. [●] per Equity Share, aggregating Rs. 9,000 lakhs. The Issue will constitute ●% of the Company's post Issue paid-up capital;
- The average cost of acquisition of the Equity Shares of face value of Rs. 10 each by the each of our Promoters is as follows:

Name of the Promoter	Average cost of acquisition (Rs.)
Mrs. Jayanthi Ramchandra	Rs. 13.65 per share
Seshraj Enteprises Private Limited	Rs. 15.01 per share

The average cost of acquisition of the Equity Shares by the Promoters has been calculated by taking into account the amount paid by them to acquire the Equity Shares, including the issue of bonus shares to them. For more information, see "Capital Structure" on page 29;

- Other than as stated in "Capital Structure - Notes to Capital Structure", the Company has not issued any Equity Shares for consideration other than cash.
- Under-subscription, if any, in any of the categories would be met with spillover from other categories at the sole discretion of our Company in consultation with the BRLMs;

- Except as disclosed in the sections titled "Promoters and Promoter Group", "History and Certain Corporate Matters" or "Management" beginning on pages 88, 84 and 75, respectively, none of the Promoters, Directors and key managerial employees have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner or trustee and to the extent of the benefits arising out of such shareholding;
- The details of Related Party Transactions in the fiscal 2006 are provided in "Financial Statements - Related Party Transactions" on page 120;
- For details of transactions in the securities of the Company by the Promoters, the Promoter Group and directors in the last six months, refer to "Capital Structure – Notes to Capital Structure" on page 29;
- Trading in Equity Shares for all investors shall be in dematerialised form only, after the Equity Shares are made fully paid-up;
- Investors may note that in the event of over-subscription of the Issue, allotment to Qualified Institutional Buyers, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, see "Basis of Allotment" on page 179;
- Investors are advised to refer to "Basis for Issue Price" on page 44;
- Any clarification or information relating to the Issue shall be made available by the BRLMs and the Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever;
- Investors may contact the BRLMs and the Syndicate Member for any complaints pertaining to the Issue.

SUMMARY OF INDUSTRY, BUSINESS, STRENGTHS AND STRATEGIES OF THE COMPANY

Overview of the Indian textile industry

The Indian textile industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textile industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 16 percent to the country's export earnings. It provides direct employment to about 35 million people, which includes a substantial number of SC/ST, and women.

Textile exports contribute substantially to the Country's export earnings. In 2004- 05 they contributed 16.24% of the total export earnings of the country. In quantum terms they were USD13 billion and during April to November 2005, these grew by 8.2% over the corresponding period of the previous year. The overall target for 2005- 06 has been fixed at US$15.565 billion. The size of the domestic market is estimated at US$25 billion and imports form about 5% of the market size, i.e., US$ 2 billion. The export basket includes a wide range of items viz. cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups, and a variety of garments.

The Cotton/ Man-made Fibre Textile Mill Industry is the single largest organised industry in the country employing nearly 10 lakh workers. Besides, there are a large number of ancillary industries dependent on this sector such as those manufacturing various machinery, accessories, stores, ancillary and chemicals. Even on a modest assumption that a worker's family comprises five members, the direct dependents on the organised textile mills industry itself works out to about 50 lakhs.

Home textiles overview

The textile industry is emerging as a big opportunity for India in the post quota regime. India is emerging as a preferred supplier second only to China with its inherent advantage in apparel and home textiles. In 2004, India accounted for 3% of global USD 395bn textile trade.

In 2004 almost 60% of India's exports of textile and apparel were to highly quota-restricted markets of USA and EU. However, in the last couple of years a number of large US companies have filed for bankruptcy releasing a large chunk of capacity available for the Asian players. This coupled with the fact that USA is the single largest market for home textiles provides an estimation of the opportunity at hand.

Now, with the opening up of quotas it is expected that India's textile exports will cross USD 50bn by 2010 (As set in National Textile Policy 2000) against USD 14bn currently. India has already established itself as one of the top 5 exporters in the segment.

The home textiles space is seeing a lot of new entrants. However, to establish which players will be able sustain the competitive pressure in the export and domestic segments the following would be the key deciding parameters:

- scale;
- client relationship; and
- retail presence.

Business overview

The Company, an existing, profit earning, dividend paying company, is engaged in the production and sales of super fine cotton yarns and textile made-ups. The Company was incorporated in 1953 and commenced its activity with an initial installed capacity of 5,000 spindles and, over a period of five decades, has grown into a 'two star' category exporter of made-ups with in-house integrated facilities covering spinning, weaving, processing, sewing and design and product development.

The existing spinning unit of the Company, situated at Puliampatti, Pollachi Taluk has an installed capacity of 46,004 spindles. The weaving facility at Arakulam, Palladam Taluk, has an installed capacity of 84 looms, out of which 18 looms are owned by the Company. The balance weaving facilities have been leased from LAWL, a Promoter Group company.

The processing division of the Company has a capacity of 15,000 metres per day and is located at SIPCOT Industrial Growth Centre, Perundurai. The sewing activities located at Kuniamuthur, Coimbatore are outsourced from SAPL, a Promoter Group company. SAPL has an installed capacity of 24,00,000 pieces of made-ups per annum. The Company proposes to acquire the sewing facilities as a part of the proposed project.

The Company has installed 2 WEGs of 250 KW each at Sanganapuram, Tirunelveli District, for generating power for the purpose of captive consumption.

The entire production of made-ups is exported. The Company is now a player in the home textiles segment with a firm foothold in the niche segment of high-end ‘bedroom products’ and its customers include some of the world’s leading retailers such as Macy’s, Kohl’s, Laura Ashley and T.J. Maxx and H. Goods. The Company has also entered the branded arena with ingredient brands, GossamerCotton™ and GenuisaCotton™.

The Company proposes to expand the capacities in all the dvisions, viz., spinning, weaving, processing and sewing. With the implementation of the proposed project, the Company’s existing capacities would stand increased in the manner as detailed below:

Divisions	Existing installed capacity	Additional capacity through expansion	Capacity after the proposed expansion scheme
Spinning	46,004 spindles@	50,688 spindles	1,00,320 spindles
Weaving	84 looms*	80 looms	164 looms
Processing	15,000 metres per day	15,000 metres per day	30,000 metres per day
Made-ups	24,00,000 pieces per annum#	26,00,000 pieces per annum	50,00,000 pieces per annum
WEGs	500 KW	4,950 KW	5,450 KW

@ *49,632 spindles after the proposed modernisation and replacement*

* *Out of 84 looms the Company owns 18 looms. The balance 66 looms and the related infrastructure is owned by LAWL. The Company has entered into lease agreements for a period of 3 years with LAWL for the lease of land and existing building and for the operating of its weaving facilities. It has also entered into a lease agreement for a period of 25 years for the vacant land located at the same location, which to be utilised for the expansion of the weaving facilities.*

\# *Land on which the sewing facility is located is owned by Mrs. Mani Rajagopal and Mrs. Jayanthi Ramachandra and the buildings, plant and machineries are owned by SAPL. The Company proposes to acquire the land and the facilities owned by the Promoter Group as part of the proposed project.*

Competitive strengths

Extensive experience in the textiles sector

Our promoters, Mr. K. Rajagopal, Mr. A.L. Ramachandra and Mrs. Jayanthi Ramachandra have extensive experience in the textiles sector. Mr. K. Rajagopal was the managing director of Lakshmi Mills Company Limited for three decades, up to 1994. Mr. A.L. Ramachandra has more than 18 years of experience in textiles business both in the field of manufacturing and international marketing. Mrs. Jayanthi Ramchandra has more than 25 years of experience in designing and product development. Her designs meet the international market needs both in product and colour trends. Our promoters have worked with farmers and agricultural research agencies to develop new varieties of cotton with special characteristics that make them superior to any other varieties of extra long staple cotton.

Strong presence in the US and UK markets

The Company has strong presence in US and UK markets. The US and UK markets contributed 76% and 16% of its made-ups revenue respectivley during the financial year 2006.

Strong customer relationships

The Company has a strong relationships with international retailers and brands for over 9 years. The Company’s customers include some of the world’s leading retailers, such as *Macy’s*, *Kohl’s*, *T.J. Maxx* and *H. Goods* in the United States, *Muji* in the United Kingdom and brands such as *Laura Ashley*, *The White Company, Debenhams*, *Christy and*

Peacock Blue in the United Kingdom, *The Company Stores*, *Linen Source* and *Lands' End* in the United States, and *Private Collections* and *Charles Parsons* in Australia. The Company has been awarded the *'five star vendor award'* by *Macy's* for seven years consecutively.

Design capabilities

Design is a critical element of home textile manufacturing. The Company has ability to identify and stay abreast of evolving fashion trends. This strength enables the Company to design home textiles that meets the retailers' requirements allowing it to enhance its market share with the existing retailers and develop new customer relationships. Additionally, the ability to add value to the designs or design ideas which the customers bring to the Company helps it to develop stronger relationships with these customers and further strengthen its competitive position vis-à-vis its competitors.

Product development capabilities

The Company has product development centres located at its manufacturing facilities that focus on product development. The company has developed ingredient brands in the name of *GossamerCotton*™ *and GenuisaCotton™*. The *GossamerCotton*™ *and GenuisaCotton™* are spun into fine yarn out of superior quality long staple cotton such as *Suvin*. The superior quality long staple cotton buds are processed at a slow speed to yield fibres that are 25% longer than standard extra long staple cotton and 30% finer than the best Egyptian cotton. The *GenuisaCotton™* is an ecologically sustainable product. The Company has applied for trademark protection for *GossamerCotton*™ and *GenuisaCotton*™.

Vertically integrated producer with strategically located operations

The Company is a vertically integrated manufacturer in the home textiles segment with a firm foothold in the niche segment of high-end 'bedroom products'. The Company has fully integrated manufacturing facility with spinning, weaving, processing and sewing (made-ups manufacturing) capabilities enabling the Company to provide its customers with optimal levels of quality and service in an effective and cost-efficient manner. Through vertical integration, the Company also believes that it is well placed to realise efficiencies of scope and scale and control quality requirements at each stage of the textile manufacturing process.

Business strategy

Product improvements

The Company has set up plans to widen the range of higher value products like GossamerCotton™ *and* GenuisaCotton™ . *The Company proposes to widen the range of products with higher thread counts ranging from 600 to 1000 and products such as* GenuisaCotton™ *which will be positioned at the high-end market segment.*

Product extensions - bedroom to living room

The Company plans to extend its product profile with the addition of quilts, blankets, matelasse and coverlets in the current bedroom segment. The Company also proposes to enter the living room segment with curtains and furnishing fabrics. However, all through, it intends to concentrate on luxury market segments.

New markets

US and UK are the major markets for the Company, with 92% of its revenues in the made-ups coming from these markets. In FY 2006, the Company has made inroads into the Australian and New Zealand markets, which have accounted for 4% of its made-ups revenue. The Company proposes to widen its geographical reach by entering into new markets and increasing its presence in France, Australia and New Zealand markets.

Adoption of Technology in operations

The Company is in the process of implementing *'Textile Integrated Manufacturing',* an ERP package to improve operational efficiencies and internal controls. In addition, the Company is attempting to reduce labour-intensive operations by introducing semi-automation in its sewing plants. This will result in lower labour costs, as also standardization of products manufactured. Semi-automation is also essential for the newer product lines such as duvet covers, blankets, quilts and matelasse.

Expansion plans

With the addition of its planned capacities, the Company will be able to cater to newer product lines, such as duvet covers, blankets, quilts and matelasse.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from the restated unconsolidated financial statements of the Company as of and for the years ended March 31, 2006, 2005, 2004, 2003 and 2002 and half-year ended September 30, 2006. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and are presented in the section titled "Financial Statements" on page 99. The summary financial information presented below should be read in conjunction with the Company's restated unconsolidated financial statements, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 129.

Summary of Assets and Liabilities – Restated Unconsolidated

(Rupees in Lakhs)

Details	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Fixed Assets						
Gross Block	3831.31	4720.86	5312.36	5561.32	5841.02	6010.30
Less: Depreciation	2107.82	2333.51	2539.48	2845.34	2938.07	3066.93
Net Block	**1723.49**	**2387.35**	**2772.88**	**2715.98**	**2902.95**	**2943.37**
Capital Work in progress	273.95	183.80	51.21	65.00	0.00	0.00
(A)	**1997.44**	**2571.15**	**2824.09**	**2780.98**	**2902.95**	**2943.37**
B. Investments	145.37	159.24	160.04	59.17	54.14	54.14
Current Assets, Loans and Advances						
Inventories	2056.39	2628.18	2911.46	3687.90	4797.59	5506.72
Sundry Debtors	694.30	1961.26	2685.99	2759.63	3864.00	3540.71
Cash and Bank balances	140.02	140.08	350.89	213.61	122.37	316.62
Loan and Advances	1410.74	2595.58	2488.11	3304.13	2578.23	2953.32
Sub Total (C)	**4301.45**	**7325.10**	**8436.45**	**9965.27**	**11362.19**	**12317.37**
Less: Loans and Liabilities						
Secured Loans	2813.31	3577.37	3900.75	4484.97	4971.61	5827.11
Unsecured Loans	85.37	1318.65	291.72	256.88	92.80	38.89
Current Liabilities and Provisions	993.05	2451.59	3177.71	4020.82	4873.22	4274.82
Sub Total (D)	**3891.73**	**7347.61**	**7370.18**	**8762.67**	**9937.63**	**10140.82**
Deferred Tax Liability (E)	-	-	-	-	-	-
Net Worth (A+B+C-D-E)	**2552.53**	**2707.88**	**4050.40**	**4042.75**	**4381.65**	**5174.06**
Represented by						
Share Capital	96.00	96.00	458.46	458.46	458.46	916.92
Reserves & Surplus	2456.53	2611.88	3591.93	3584.26	4323.64	4668.20
Less: Miscellaneous Expenditure not written off	-	-	-	-	400.48	411.06
Net Worth	**2552.53**	**2707.88**	**4050.39**	**4042.72**	**4381.62**	**5174.06**

Statement of Profit and Loss – Restated Unconsolidated

(Rupees in Lakhs)

Details	For the year ending 31st					30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Income						
Net sales of products manufactured by the company	6004.50	7069.77	8363.38	8143.14	9365.49	6628.53
Other Income	371.23	503.34	836.80	650.79	387.94	326.97
Increase / (Decrease) in Stock	139.75	653.32	242.96	739.88	563.64	202.90
Total	**6515.48**	**8226.43**	**9443.14**	**9533.81**	**10317.07**	**7158.40**
Expenditure						
Raw Material consumed	2106.05	2714.62	2519.51	2690.53	3305.00	2701.58
Staff Costs	427.67	452.00	461.06	475.05	429.87	242.37
Other Manufacturing Expenses	2307.45	3318.44	4017.05	3916.22	3352.27	2183.08
Administration Expenses	449.12	466.21	543.82	589.76	462.41	357.48
Selling and Distribution Expenses	428.73	439.77	761.96	878.86	614.65	257.30
Interest	379.78	372.49	452.16	513.92	650.89	328.00
Depreciation	240.02	240.06	235.39	311.80	262.53	128.86
Total	**6338.82**	**8003.59**	**8990.95**	**9376.14**	**9077.62**	**6198.67**
Net Profit before Extra Ordinary Items & Tax	**176.66**	**222.84**	**452.19**	**157.67**	**1239.45**	**959.73**
Current tax	24.00	35.00	35.00	12.00	50.00	90.00
Reversal of earlier year excess provision of tax	-	-	-	-	45.13	-
Deferred tax	-	-	-	-	-	-
Net Profit before Extra Ordinary Items	**152.66**	**187.84**	**417.19**	**145.67**	**1234.58**	**869.73**
Less: Extra Ordinary Items – Product Development Expenditure – w.off	-	-	-	-	-	66.75
Less: Extra Ordinary Items - Unrealizable receivables w.off	-	-	-	-	390.65	-
Less: Provision for Doubt full receivables	-	-	100.00	-	-	-
Net Profit After Extra Ordinary Items	**152.66**	**187.84**	**317.19**	**145.67**	**843.93**	**802.98**
Less: Prior year adjustments	6.70	-	-	-	-	-
Add: Transfer from Investment Fluctuation Reserve	-	-	-	100.90	-	-
Add: Transfer from Investment Allowance (Utilized) Reserve	-	55.60	-	-	-	-
Add: Transfer from Debenture Redemption Reserve	-	100.00	-	-	-	-
Less: Provision for Diminution in Value of Investments	-	-	-	100.90	-	-
Surplus from Previous Year	784.45	778.41	1072.36	1312.49	1399.92	354.28
Amount Available for Appropriation	**930.41**	**1121.85**	**1389.55**	**1458.16**	**2243.85**	**1157.26**
Appropriations						
Transfer to General Reserve	50.00	17.00	15.00	5.82	1785.02	-
Transfer to Investment Fluctuation Reserve	68.40	-	-	-	-	-
Final Dividend	33.60	28.80	55.01	45.85	91.69	-
Tax on Dividend	-	3.69	7.05	6.57	12.86	-
Balance carried to Balance Sheet	778.41	1072.36	1312.49	1399.92	354.28	1157.26
Total	**930.41**	**1121.85**	**1389.55**	**1458.16**	**2243.85**	**1157.26**

THE ISSUE

Fresh issue	[●] Equity Shares of Rs. 10 each aggregating to Rs. 9,000 lakhs
Of which:	
Qualified Institutional Buyers Portion (1), (2)	Up to [●] Equity Shares (allocation on proportionate basis) out of which 5% of the QIB Portion or [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and [●] Equity Shares shall be available for allocation to all QIBs, including Mutual Funds
Non-Institutional Portion (2)	Not less than [●] Equity Shares, available for allocation on proportionate basis
Retail Portion (2)	Not less than [●] Equity Shares, available for allocation on proportionate basis
Equity Shares outstanding prior to the Issue:	91,69,240 Equity Shares of Rs. 10 each
Equity Shares outstanding post the Issue	[●] Equity Shares
Use of proceeds by the Company:	See the section titled "Objects of the Issue" on page 33.

(1) As per recent amendments to the SEBI Guidelines, allocation to QIBs is proportionate as per the terms of this Red Herring Prospectus. 5% of the QIBs portion would be specifically reserved only for Mutual Funds and Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available for. Further attention of all QIBs is required towards the following:

a. Once a QIB has applied for our issue, the QIB will not be allowed to withdraw the application, after the Bid Issue/Closing date.

b. Each QIB including Mutual Funds will be required to deposit 10% margin money with application.

(2) Subject to valid bids being received at or above the Issue Price, under–subscription, if any, in any of the categories would be allowed to be met with spill over interse from any other category, at the sole discretion of our Company in consultation with the BRLMs.

GENERAL INFORMATION

Registered office

Puliampatti, (Via) Pollachi
Coimbatore District
Tamil Nadu, India
Tel: +91 4259 223764/224534;
Fax: +91 4259 224687

Corporate office

10/400 Palghat Main Road, Kuniamuthur
Coimbatore 641 008
Tamil Nadu, India
Tel: +91 422 2252 661
Fax: +91 422 2251 538

Registration number

181-000248

Address of the RoC

Registrar of Companies, Tamil Nadu, Coimbatore
Stock Exchange Building, 2nd Floor, 683, Trichy Road
Singanallur, Coimbatore 641 005
Tamil Nadu, India

Board of Directors the Company

Name	Nature of directorship
Mr. K. Rajagopal	Executive Chairman and Managing Director
Mr. A. L. Ramachandra	Managing Director
Mrs. Jayanthi Ramachandra	Joint Managing Director
Mr. P. Vijay Raghunath	Non-executive, independent
Mr. V. Dharmaraj	Non-executive, independent
Mr. N. Balakrishnan	Non-executive, independent
Mr. Durai Ramasamy	Non-executive, independent
Mr. M.D. Selvaraj	Non-executive, independent
Capt. K.V. Narayanan	Non-executive, independent

Profiles of our Directors

Mr. K. Rajagopal holds a degree in bachelor of science in textiles from the Philadelphia College of Textiles and Sciences, United States of America. He was the Managing Director of Lakshmi Mills Company Limited for three decades, up to 1994. He was the Chairman of South India Mills Association for two terms. He was the Chairman of the Indian Cotton Mills Federation for one term. Mr. Rajagopal is a philanthropist, and was the president of the G. Kuppuswamy Naidu Memorial Trust from 1998 to 2004. He is one of the trustees of G. Kuppuswamy Naidu Memorial Hospital.

Mr. A.L. Ramachandra holds a masters degree in microbiology from the California State University, United States of America. He has 18 years of experience in the textile sector, both in the field of manufacturing and marketing.

Mrs. Jayanthi Ramachandra is a graduate in science from the Madras University and has over 25 years of experience in designing and product development.

Capt. K.V. Narayanan is a qualified commercial airline pilot with experience of over 25,000 commanding hours and has served with Indian Airlines Limited for 35 years as an executive commercial airline pilot. He retired as its Deputy Director, Operations in 1985.

Mr. Durai Ramasamy has completed his higher secondary education. He is an eminent agriculturist. He was elected as a Member of the Legislative Assembly, representing the Vellakoil constituency of Tamil Nadu from 1977 to 1996. He has also served as the Minister of Rural Industries in the Government of Tamil Nadu during the period 1991 to 1996.

Mr. V. Dharmaraj holds bachelor of science and bachelor of law degrees from the Madras University and has 40 years experience in the cotton yarn business, including 15 years in the home textiles business.

Mr. N. Balakrishnan holds a masters degree in arts from the University of Madras, a bachelor of law degree from the University of Rajasthan, and is an Associate of Federation of Insurance Institute of India. Mr. Balakrishnan has extensive experience in the field of insurance and has served as an Executive Director in the Life Insurance Corporation of India Limited from 1991 to 1996. He is presently a management consultant.

Mr. M.D. Selvaraj holds a masters degree in commerce and a masters degree in business administration from the University of Madras, and fellowship from the Institute of Company Secretaries of India. Mr. Selvaraj has been a practicing company secretary for over 20 years and has extensive experience in corporate and secretarial matters.

Mr. P. Vijay Raghunath holds a bachelors degree in law from the Bharathiar University, Coimbatore. He has been a lawyer for over 15 years.

Company Secretary and Compliance Officer

Radhika K. Kumar
10/400 Palghat Main Road, Kuniamuthur
Coimbatore 641 008
Tamil Nadu, India
Tel: +91 422 2252 661
Fax: +91 422 2251 538
E-mail: investors@vtx.co.in

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

Legal advisors to the Issue

AZB & Partners
AZB House, 67-4, 4th Cross
Lavelle Road, Bangalore 560 001
Tel: + 91 80 2212 9782
Fax: + 91 80 2221 3947

Book Running Lead Managers

IDBI Capital Market Services Limited
5th Floor, Mafatlal Centre
Nariman Point, Mumbai 400 021
Tel: +91 22 6637 1226/28
Fax: +91 22 2288 5850
Email: vtl.fpo@idbicapital.com
Website: www.idbicapital.com
Contact person: Huzefa Sitabkhan / Saurabh Jain

IL&FS Investsmart Limited
The IL&FS Financial Centre,
Plot No. C-22, G Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400051.
Tel.: +91-22-2653 3333
Fax +91-22-5693 1862/ 2653 3075
Email: vtl.ipo@investsmartindia.com
Website: www.investsmartindia.com
Contact person: Bhavin Ranawat

Registrar to the Issue

Bigshare Services Privare Limited
E-2/3, Ansa Industrial Estate, Saki Vihar Road,
Saki Naka, Andheri (East), Mumbai – 400 072.
Tel: 91-22-2847 0652
Fax: 91-22-2847 5207
Email: ipo@bigshareonline.com
Website: www.bigshareonline.com
Contact person: Mr. N. V. K. Mohan

Syndicate members

IDBI Capital Market Services Limited
5th Floor, Mafatlal Centre
Nariman Point, Mumbai 400 021
Tel: +91 22 6637 1226/28
Fax: +91 22 2288 5850
Email: vtl.fpo@idbicapital.com
Website: www.idbicapital.com
Contact person: Huzefa Sitabkhan / Saurabh Jain

IL&FS Investsmart Limited
The IL&FS Financial Centre,
Plot No. C-22, G Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400051.
Tel.: +91-22-2653 3333
Fax +91-22-5693 1862/ 2653 3075
Email: vtl.ipo@investsmartindia.com
Website: www.investsmartindia.com
Contact person: Bhavin Ranawat

Bankers to the Issue and Escrow Collection Banks

HDFC Bank Limited
26 A, Narayan Properties, Off Saki Vihar Road,
Chandivali, Saki Naka,
Andheri (East), Mumbai - 400 072
Tel: +91 22 2856 9009
Fax: +91 22 2856 9256
E-mail: viral.kothari@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Viral Kothari

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai – 400 001.
Tel.: +91 22 2262 7600
Fax: +91 22 2261 1138
E-mail: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Routray

The Hongkong and Shanghai Banking Corporation Limited

52/60 Mahatma Gandhi Road
Fort, Mumbai - 400 001
Tel: +91 22 2268 5568
Fax: +91 22 2262 3890
E-mail: zersisirani@hsbc.co.in
Website: www.hsbc.co.in
Contact Person: Mr. Zersis Irani

Indian Overseas Bank
2/10 Veer Nariman Road
Fort, Mumbai – 400 023
Tel: +91 22 2283 4326
Fax: +91 22 2204 5669
E-mail: forttbr@mummsco.iobnet.co.in
Website: www.iob.com
Contact Person: Mr. S. Nagarajan

Oriental Bank of Commerce
1057, Jaya Enclave,
Avinashi Road, Coimbatore 641 018
Tel: +91 422 221 0190
Fax: +91 422 221 5174
E-mail: bbbhayana@obcmail.com
Website: www.obcindia.com
Contact Person: Mr. B. B. Bhayana

Refund Banker to the Issue

HDFC Bank Limited
26 A, Narayan Properties, Off Saki Vihar Road,
Chandivali, Saki Naka,
Andheri (East), Mumbai - 400 072
Tel: +91 22 2856 9009
Fax: +91 22 2856 9256
E-mail: viral.kothari@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Viral Kothari

Bankers to the Company

Andhra Bank
Mill Road Branch, 17, Mill Road
Coimbatore 641 001
Tel: +91 422 239 3511
Fax: +91 422 239 3511
Email: bmcbe083@andhrabank.co.in

Oriental Bank of Commerce
1057, Jaya Enclave,
Avinashi Road Branch
Coimbatore 641 018
Tel: +91 422 221 7285
Fax: +91 422 221 5174
Email: bm1044@obcmail.co.in

ICICI Bank Limited
Cheran Plaza, 1st Floor,
1090, Trichy Road,
Coimbatore 641 018
Tel: +91 422 230 0199
Fax: +91 422 230 1373
Email: venkitachalam.m@icicibank.com

HDFC Bank Limited
HDFC House,
No. 29, Kamaraj Road (Near Circuit House)
Coimbatore 641 018
Tel: +91 422 222 1262
Fax: +91 422 222 2530
Email: hdfccoim@satyam.net.in

IDBI Limited
Stock Exchange Building,
683-686, Trichy Road
Coimbatore 641 005
Tel: +91 422 231 0262
Fax: +91 422 231 0257
Email: ta.ganesh@idbi.co.in

Auditors

Subbachar & Srinivasan, Chartered Accountants
35, Kalingarayar Street, Ramnagar
Coimbatore 641 009
Telefax: +91 422 223 4095
Email: tsvrsands@airtelbroadband.in

Statement of Inter-se Allocation of Responsibilities amongst the 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.	IDBI Capital	IDBI Capital
2.	Due diligence of the Company's operations / management / business plans/legal etc.	IDBI Capital	IDBI Capital
3.	Drafting & Design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, Registrar of Companies and SEBI.	IDBI Capital	IDBI Capital
4.	Selection of various agencies connected with the Issue including Registrar, Printers, Advertising Agency, Bankers to the Issue etc.	IDBI Capital	IDBI Capital
5.	Company positioning and pre-marketing exercise	IDBI Capital, IIL	IDBI Capital
6.	Finalize media & public relation strategy, drafting and approval of all publicity material other than statutory advertisement as mentioned in (3) above including corporate advertisement, brochure, etc.	IDBI Capital	IDBI Capital

Sr. No.	Activities	Responsibility	Co-ordinator
7.	Qualified Institutional Bidder (QIBs) Category: Finalising the list and division of investors for one-to-one meetings, Co-ordinating institutional investor meetings, institutional allocation and finalizing pricing decision.	IDBI Capital IIL,	IIL
8.	Non Institutional and Retail Marketing of the Issue, which will cover inter alia: ● Formulating marketing strategy ● Preparation of publicity budget ● Finalise Media and Public Relation strategy ● Finalising centers for holding conferences for brokers, press, etc. Follow-up on distribution of publicity and issue material including Bid cum application form, prospectus and deciding on the quantum of the issue material	IDBI Capital, IIL	IIL
9.	Managing the Book and Interaction & co-ordination with Stock Exchanges for book-building software, bidding terminals and mock trading	IDBI Capital, IIL	IDBI Capital
10.	Finalisation of Prospectus and RoC Filing etc.	IDBI Capital	IDBI Capital
11	The post bidding activities including, management of escrow accounts, co-ordinate non-institutional allocation, intimation of allocation, dispatch of refund orders to Bidders etc.	IDBI Capital	IDBI Capital
12.	The post issue activities for the Issue will involve essential follow up steps, which include the finalisation of basis of allotment / weeding out of multiple applications, listing of Equity Shares and dispatch of allotment advice and refund orders, co-ordination with the various agencies connected with the work such as the Registrars to the Issue, Bankers to the Issue and the bank handling refund business.	IDBI Capital	IDBI Capital

The selection of various agencies like registrar to the issue, bankers to the issue, bank collection centres, legal advisor to the issue, underwriters to the issue, advertising agencies, public relations agencies etc. will be or have been finalised by the Company in consultation with the BRLMs.

Credit rating

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

IPO grading

The Company has not obtained any grading for this Issue.

Trustees

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

Monitoring agency

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI Guidelines.

Appraising Entity

The project has not been appraised.

Book building process

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

1. the Company;
2. the Book Running Lead Managers;
3. the Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLMs;
4. the Escrow Collection Bank(s); and
5. the Registrar to the Issue.

The SEBI Guidelines has permitted an issue of securities to the public through the 100% Book Building Process, wherein up to 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. The Company will comply with the SEBI DIP Guidelines for this Issue. In this regard, the Company has appointed the BRLMs to procure subscriptions to the Issue.

QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. For details, see the section titled "Terms of the Issue" on page 157.

Illustration of book building and price discovery process (Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume 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 website of the NSE (www.nseindia.com) and BSE (www.bseindia.com). 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.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The Company, 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 the respective categories.

While the process of book building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Steps to be taken for bidding

1. Check eligibility for making a Bid (see section titled "Issue Procedure" on page 161.
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.

3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN cards or PAN allotment letter to the Bid cum Application Form (see section titled "Issue Procedure" on page 161).
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

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

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

(This portion has been intentionally left blank and will be completed before filing of the Prospectus with the RoC)

Name and Address of the Underwriters	Indicative number of Equity Shares to be underwritten	Amount underwritten (Rs. Lakhs)

The above mentioned amount is indicative and this would be finalised after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [●], 2007.

In the opinion of the Board of Directors (based on a certificate dated [●], 2007 given to them by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The above Underwriting Agreement has been accepted by the Board of Directors and the Company has issued letters of acceptance to the Underwriters.

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

CAPITAL STRUCTURE

The Equity Share capital before the Issue and after giving effect to the Issue, as at the date of filing of this Red Herring Prospectus with SEBI, is set forth below:

(Rs., except share data)

		Aggregate Value at face value	*Aggregate value at Issue Price*
A.	**Authorised equity capital**		
	2,00,00,000 Equity Shares of face value of Rs.10 each	20,00,00,000	●
B.	**Issued, subscribed and paid-up equity capital before the Issue**		
	91,69,240 Equity Shares of Rs.10 each fully paid-up before the Issue	9,16,92,400	●
C.	**Present issue in terms of this Red Herring Prospectus**		
	● Equity Shares of Rs. 10 each*	●	90,00,00,000
D.	**Equity capital after the Issue**		
	● Equity Shares of face value of Rs. 10 each	●	●
E.	**Securities Premium Account**		
	Before the Issue	7,24,92,400	
	After the Issue	—	

* *The present Issue has been authorised by the Board of Directors at their meeting on May 15, 2006, and by the shareholders of the Company at the AGM held on June 21, 2006.*

(a) The authorised capital (as at the first Public issue document filed with the MSE, on May 14, 1957) of Rs. 16,00,000 comprising 16,000 Equity Shares of Rs. 100 each was increased to Rs. 50,00,000 comprising 50,000 Equity Shares of Rs. 100 each pursuant to a resolution of the shareholders at an AGM held on June 17, 1981.

(b) The authorised capital of Rs. 50,00,000 comprising 50,000 Equity Shares of Rs. 100 each was increased to Rs. 2,00,00,000 comprising 2,00,000 Equity Shares of Rs. 100 each pursuant to a resolution of the shareholders at the AGM held on July 27, 1990.

(c) The authorised capital of Rs. 2,00,00,000 comprising 2,00,000 Equity Shares of Rs. 100 each was increased to Rs. 5,00,00,000 comprising 5,00,000 Equity Shares of Rs. 100 each pursuant to a resolution of the shareholders at an EGM held on June 23, 2003.

(d) The Equity Shares with a face value of Rs.100 each were sub-divided into Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at the AGM held on September 19, 2005. Consequently, the authorised capital was revised from Rs. 5,00,00,000 comprising 5,00,000 Equity Shares of Rs. 100 each, to Rs. 5,00,00,000 comprising 50,00,000 Equity Shares of Rs. 10 each.

(e) The authorised capital of Rs. 5,00,00,000 comprising 50,00,000 Equity Shares of Rs. 10 each was increased to Rs. 20,00,00,000 comprising 2,00,00,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at the AGM held on June 21, 2006.

Notes to capital structure

1. **Share capital history of the Company**

The following is the history of the paid-up equity share capital of the Company:

Date of Allotment	No. of equity shares	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reasons for allotment	Cumulative no. of equity shares	Cumulative paid-up share capital (Rs.)	Cumulative share premium (Rs.)
Since incorporation	700	100	100	Cash	Subscription to the Memorandum	700	7,00,00	Nil
September 28, 1955	13,600	100	100	Cash	Further allotment	14,300	14,30,000	Nil
September 28, 1955	1,700	100	100	Cash	Preferential allotment	16,000	16,00,000	Nil
July 15, 1981	16,000	100	-	-	Bonus issue in the ratio of 1:1	32,000	32,00,000	Nil
July 10, 1987	16,000	100	100	Cash	Further allotment	48,000	48,00,000	Nil
April 01, 1991	48,000	100	-	-	Bonus issue in the ratio of 1:1	96,000	96,00,000	Nil
October 31, 2003	3,62,462	100	300	Cash	Rights Issue in the rato 3:1	4,58,462	4,58,46,200	7,24,92,400
September 19, 2005	45,84,620	10	10	Split	Liquidity	45,84,620	4,58,46,200	7,24,92,400
July 10, 2006	45,84,620	10	-	-	Bonus issue in the ratio of 1:1	91,69,240	9,16,92,400	7,24,92,400

2. **Promoter contribution and lock-in**

Pursuant to Clause 4.10.1 (a) of the SEBI Guidelines, the requirements of promoters' contribution and lock in are not applicable to this Issue since the Company has been listed on the MSE for a period exceeding three years and has a track record of dividend payment for at least three years immediately preceding this Issue. For details of dividend declared by the Company in the past three years, see the section titled "Dividend Policy" on page 98.

3. **Equity Shares held by top 10 shareholders**

(a) The top ten shareholders of the Company and the number of Equity Shares (of Rs. 10 each) held by them as of the date of filing this Red Herring Prospectus with RoC and ten days prior to filing with RoC, is as follows:

Sr. No.	Name	No. of Equity Shares	%
1.	Seshraj Enterprises Private Limited	69,75,760	76.08
2.	Mani Rajagopal	4,17,140	4.55
3.	R. Gopinath	2,66,600	2.91
4.	Advanced Marketing Services Private Limited	1,26,140	1.38
5.	V. Dharmaraj	1,18,720	1.29
6.	R. Gopinath (HUF)	97,260	1.06
7.	ASK Investment and Financial Consultants Limited	70,000	0.76
8.	Surya.Ecom Private Limited	56,800	0.62
9.	Mythily D.	50,100	0.55
10.	Canara Bank – Trustee, Canbank Mutual Fund	40,000	0.44

(b) The top ten shareholders of the Company and the number of equity shares (of Rs. 100 each) held by them two years prior to date of filing of this Red Herring Prospectus with RoC is as follows:

Sr. No.	Name	No. of Equity Shares	%
1.	Seshraj Enterprises Private Limited	348788	76.08
2.	Mani Rajagopal	20857	4.55
3.	R. Gopinath	13330	2.91
4.	V. Dharamaraj	5936	1.29
5.	R. Gopinath (HUF)	4863	1.06
6.	ASK – Raymond James and Associates Limited	3905	0.85
7.	Advanced Marketing Services Private Limited	3138	0.68
8.	Mythily D	2505	0.55
9.	Suryavaradha Securities Private Limited	2000	0.44
10.	GIC Balance Fund	2000	0.44

4. Shareholding pattern before and after the Issue

The table below presents shareholding pattern of the Company before the proposed Issue and as adjusted for the Issue.

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue	
	No. of shares	%	No. of shares	%
Promoters				
Jayanthi Ramachandra	18,920	0.21		
Seshraj Enterprises Private Limited	69,75,760	76.08		
Sub Total (A)	**69,94,680**	**76.29**		
Promoter Group				
Relatives and other individuals				
Mani Rajagopal	4,17,140	4.55		
R. Gopinath	2,66,600	2.91		
R. Gopinath (HUF)	97,260	1.06		
Anutham Narayana	8,000	0.09		
Sub Total (B)	**7,89,000**	**8.61**		
Promoter and Promoter Group	77,83,680	84.90		
Public(C)	**13,85,560**	**15.10**		
Total share capital (A+B+C)	**91,69,240**	**100.00**		

5. None of Directors or Key Managerial Personnel of the Company hold Equity Shares in the Company, other than as follows:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue percentage shareholding	Post-Issue percentage shareholding
	Directors			
1.	Jayanthi Ramachnadra	18,920	0.21	
2.	V. Dharmaraj	1,18,720	1.29	
3.	Durai Ramasamy	24,000	0.26	
4.	M. D. Selvaraj	1,600	0.02	
	Key Managerial Personnel			
1.	V. Ramanathan	300	0.00	

6. The Company, its Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of the Company from any person, other than as disclosed in this Red Herring Prospectus.
7. Other than set out in "Capital Structure - Notes to Capital Structure - Share Capital History of the Company", the Promoter of the Company has not been issued Equity Shares for consideration other than cash.
8. There have been no transfers of Equity Shares by the Promoter and the Promoter Group within the last six months.
9. The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Under-subscription, if any, in any of the categories would be met with the spill over from any other category at the sole discretion of the Company in consultation with the BRLMs.
10. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares.
11. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
12. The Company has not raised any bridge loan against the proceeds of the Issue.
13. An oversubscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of [●] while finalising the Basis of Allotment.
14. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus to SEBI until the Equity Shares issued/ to be issued pursuant to the Issue have been listed.
15. The Company presently do not intend or propose to alter its capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, the Company may issue Equity Shares or issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by the Board to be in the interest of the Company.
16. The Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for bonus shares out of free reserves.
17. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
18. As of December 31, 2006, the total number of holders of Equity Shares is 855.

OBJECTS OF THE ISSUE

The objects of the Issue are:

1. To expand and achieve benefits of economies of scale by setting up the following additional facilities:

   Spinning : Add additional 50,688 spindles to the existing installed capacity and modernization of the existing unit.

   Weaving : Add 80 new looms to the existing weaving facility.

   Processing : Add 15,000 metres per day processing capacity to the existing capacity.

   Made-ups : Take over the existing sewing facility having capacity of 24,00,000 pieces per annum and adding additional capacity of 26,00,000 pieces per annum.

   WEGs : Addition of 4,950 KW WEGs to the existing capacity of WEGs.

   A summary of the expansion project is given in tabular form below:

Divisions	**Existing installed capacity**	**Additional capacity through expansion**	**Capacity after the proposed expansion scheme**
Spinning	46,004 spindles@	50,688 spindles	1,00,320 spindles
Weaving	84 looms*	80 looms	164 looms
Processing	15,000 metres per day	15,000 metres per day	30,000 metres per day
Made-ups	24,00,000 pieces per annum#	26,00,000 pieces per annum	50,00,000 pieces per annum
WEGs	*500 KW*	*4,950 KW*	*5,450 KW*

@49,632 spindles after the proposed modernisation and replacement

* Out of 84 looms the Company owns 18 looms. The balance 66 looms and the related infrastructure is owned by LAWL. The Company has entered into lease agreements for a period of 3 years with LAWL for the lease of land and existing building and for the operating of its weaving facilities. It has also entered into a lease agreement for a period of 25 years for the vacant land located at the same location, which to be utilised for the expansion of the weaving facilities.

\# *Land on which the sewing facility is located is owned by Mrs. Mani Rajagopal and Mrs. Jayanthi Ramachandra and the buildings, plant and machineries are owned by SAPL. The Company proposes to acquire the land and the facilities owned by the Promoter Group as part of the proposed project.*

2. To meet the issue expenses.

3. To get the Equity Shares being issued pursuant to this Red Herring Prospectus listed on the MSE and BSE.

The main objects stated in the Memorandum of Association of the Company enable the Company to undertake the existing activities and the activities for which the funds are being raised through the present Issue.

The Company has appointed The South India Textile Research Association, a textile research and consultancy association to conduct the *Techno-Economic Viability* study on the proposed project.

Cost of the Project

The funds required for the execution of the proposed expansion plan and other incidental expenses in pursuit of raising necessary funds and execution of the project is as follows:

(Rs. In lakhs)

Particulars	Spinning	Weaving	Processing	Sewing	Total
Land and Site Development	408	-	-	270	678
Building and other amenities	1,556	856	319	454	3,185
Plant & Machinery:					
a. Imported	1,657	4,889	325	2,269	9,140
b. Indigenous	5,427	732	532	71	6,762
Cost of Wind Mill					2,850
Assets to be acquired from Promoter Group				800	
Provision for Contingencies					1,240
Pre-operative expenses					1,053
Issue expenses					[●]
Margin for Working Capital					**1,917**
Total	**9,048**	**6,477**	**1,176**	**3,064**	[●]

Means of Finance

The proposed means of finance is as follows:

(Rs. In lakhs)

Particulars	Amount
Public Issue of Equity Share	9,000
Term Loans	17,000
Internal Accruals	[●]
Total	[●]

The Company is eligible to receive capital subsidy of 10% on certain plant and machinery procured for the processing division. However, the benefit of the same has not been taken into account in the means of finance shown above and to the extent of receipt internal accruals would get reduced.

The division wise details of the proposed project is detailed below:

Spinning Division

The company has an installed capacity of 46,004 spindles at its existing unit at Puliampatti, Pollachi Taluk. The company proposes to modernize the existing unit by replacing 30,164 spindles with 33,792 spindles. The company also proposes to add an additional spinning unit with a capacity of 50,688 spindles at Pilchinnampalayam, Pollachi Taluk about 15 km from the existing unit. After expansion and modernization the total spinning capacity of the Company will increase from 46,004 spindles to 1,00,320 spindles.

Land and Site Development

The company is in possession of 7.80 acres of land at Pilchinnampalayam, Pollachi Taluk. The Company requires around 15 acres of land for the new spinning unit. The company proposes to acquire additional 8 acres of land adjacent to the land in possession for the balance requirement. The total cost of land and site development envisaged by the company for the same is Rs. 408 lakhs. The details of the same is as below:

(Rs. In lakhs)

Particulars	Amount
Cost of Acquisition of Land	200
Registration Expenses	18
Legal and Professional Expenses	10
Site Development Expenses	180
Total	**408**

Building and other amenities

The Company proposes to construct the factory building of about 2,50,000 sq. ft. at an estimated cost of Rs. 1,500 lakhs. Building will consist inter-alia, sheds for storage of yarn and cotton, humidification plant, powerhouse and generator. Other amenities include false ceiling on building area estimated to cost Rs. 56 lakhs.

Plant and Machinery

The Company proposes to acquire the spinning machineries from various indigenous and international suppliers. The total cost of plant and machinery for the proposed new unit is estimated at Rs. 5,553 lakhs and for the modernization of existing spindles is estimated at Rs. 1,531 lakhs. The details of the same is as below:

(Rs. In lakhs)

Name of the Assets	Imported/Indigenous	No. of Units	Amount*
Existing Unit			
LC 300 A V3 Carding	Indigenous	8	165
Comber	Indigenous	1	33
Fly Frame with 120 spindles	Indigenous	1	21
LR6 Ring Frames with 1,056 spindles	Indigenous	32	1,002
Auto cone winders each with 60 drums	Imported	3	310
Total			**1,531**
New Unit with 50,688 Spindles			
Blowroom	Indigenous	3 lines	205
LC 300 A V3 Carding	Indigenous	21	433
Combers	Indigenous	11	363
Pre-comber draw frames	Indigenous	4	38
Super lap former	Indigenous	2	63
Post-comber draw frames	Indigenous	5	110
Fly Frames each with 144 spindles	Indigenous	10	255
LR6 Ring frames each with 1,056 spindles	Indigenous	48	1,503
Auto cone winders each with 60 drums	Imported	13	1,347
Humidification Plant and waste recovery system	Indigenous	-	241
Electricals and accesories	Indigenous	-	700
1250 kVA Generators Sets	Indigenous	3	245
Erection Charges	-	-	50
Total			**5,553**
Total Spinning Division Machineries			**7,084**

(Source: Techno-Economic Viability Report of SITRA)

*After considering the Import Duties and other incidental charges

Till date, for the spinning division, we have placed purchase orders worth Rs. 3372 lakhs for plant and machinery and made payments of Rs. 333 lakhs. These purchases include only indigenious components.

Weaving Division

The Company proposes to expand the existing weaving capacity from 84 looms to 164 looms. The expansion will be located adjacent to the existing facilities at Arakulam, Palladam Taluk.

Land

The Company has taken 5.35 acres of land owned by LAWL on lease for 25 years on an annual lease rental of Rs. 50,000 per annum, with an escalation of 10% at the end of every three years. The expansion will be carried out on the leased land.

Building and other amenities

The Company proposes to construct the factory building of about 1,25,000 sq. ft. at an estimated cost of Rs. 750 lakhs near the existing weaving unit. The proposed construction of building will consist sheds for housing the weaving machines, storage yard and other miscellaneous fixed assets. The cost of other amenities consisting of false ceiling and infrastructure facilities like canteen, dormitory and roads is estimated at Rs. 106 lakhs. The total cost of building and other amenities is estimated by SITRA at Rs.856 lakhs.

Plant and Machinery

Plant and Machinery cost mainly includes cost for looms, jacquard shedding, humidification plant, compressors, warping and sizing machine, etc. The total cost of plant and machinery for the proposed to be acquired is estimated by SITRA at Rs. 5,621 lakhs. The details of the same is as below:

(Rs. In lakhs)

Name of the Assets	Imported/ Indigenous	No. of Units	Amount*
Picanol Looms – Air Jet - Omni Plus 500	Imported	63	2,520
Picanol Looms – Rapier – Gammax	Imported	21	882
Staubli Jacqurad shedding machines	Imported	12	734
Warping and Sizing Machine	Imported	2	682
Todo wrap leasing machine	Imported	2	42
Staubli knotting machine	Imported	2	29
Cloth inspection cum rolling machines	Indigenous	6	30
Baling press	Indigenous	1	
Folding machine	Indigenous	1	
Humidification Plant	Indigenous	-	104
Boiler	Indigenous	1	20
1500 kVA diesel Generator set	Indigenous	1	97
Centrifugal air compressor and air drier	Indigenous	1	221
Material handling system	Indigenous	-	60
Electrical Installations	Indigenous	-	150
Erection Expenses	-	-	50
Total Weaving Division Machineries			**5,621**

(Source: Techno-Economic Viability Report of SITRA)

**After considering the Import Duties and other incidental charges*

Till date, for the weaving division, we have placed no purchase orders for plant and machinery.

Processing Division

The Company's processing division is located at SIPCOT Industrial Growth Centre, Perundurai, with an installed capacity to process upto 15,000 metres per day. The Company proposes to increase the capacity of processing division upto 30,000 metres per day. In addition to that the company also proposes to make some value addition in the process by installing special finishing machines.

Land

The Company is already in possession of 5.35 acres of land at SIPCOT Industrial Growth Centre, Perundurai. The existing land is adequate for the proposed expansion.

Building and other amenities

The Company proposes to construct the factory building of about 40,000 sq. ft. at an estimated cost of Rs. 240 lakhs. The Company has also made a provision of Rs.79 lakhs for setting up of other necessary infrastructure. The total cost of building and other amenities is estimated by SITRA at Rs. 319 lakhs.

Plant and Machinery

The plant and machinery in processing division mainly includes Hydraulic Jiggers, Semi Automated Jiggers, etc. The additional feature in the proposed expansion of processing activity is yarn-dyeing facility, which the company at present has outsourced to other units. The total cost of plant and machinery in processing division is estimated by SITRA at Rs. 857 lakhs. The details of the same is as below:

(Rs. In lakhs)

Name of the Assets	**Imported/ Indigenous**	**No. of Units**	**Amount***
Harish hydraulic – Pacific J – Jiggers (1500 (Kg)	Indigenous	2	87
Harish hydraulic – Pacific N – Jiggers (800 (Kg)	Indigenous	2	62
Fong's soft flow dyeing machines (600/300 kg)	Imported	2	150
RK Tex HT – HP yarn dyeing machine	Indigenous	6	100
Biancalani – Airo – special finishing machine	Imported	1	147
Rontex 2000 shrinkage range	Indigenous	1	62
Weft straightner machine	Imported	1	28
Fabric inspection machine	Indigenous	2	10
Effluent treatment plant	Indigenous	-	100
200 kVA Generator Set	Indigenous	1	17
Boiler	Indigenous	1	22
Utility lines	Indigenous	-	24
Lab equipments	Indigenous	-	3
Electrical equipments	Indigenous	-	30
Erection charges	-	-	15
Total Processing Division Machineries			**857**

(Source: Techno-Economic Viability Report of SITRA)

**After considering the Import Duties and other incidental charges*

Till date, for the processing division, we have placed purchase orders worth Rs.262.96 lakhs for plant and machinery and made payments/opened Letters of Credit of Rs.48.02 lakhs. These purchases include only imported components.

Sewing Division

The present sewing activities of the company is outsourced to SAPL. As a part of the proposed project the Company is also planning to acquire the land owned by the Promoter Group and assets of SAPL for an aggregate amount Rs. 800 lakhs. The Company also proposes to install additional sewing capacity of 26,00,000 pieces per annum at Chettipalayam, Coimbatore.

Land and Site Development

The company requires an additional land of around 12 acres for the proposed sewing facilities. Out of the 12 acres, the Company has already acquired 8.89 acres of land for a total amount of Rs.58.53 lakhs, including registration charges. The details of the land acquired for the proposed sewing division is given on page 70 of this Red Herring Prospectus. The remaining land required has already been identified. The total cost of land and site development envisaged by SITRA is Rs. 270 lakhs. The details of the same is as below:

(Rs. In lakhs)

Particulars	**Amount**
Cost of Acquisition of Land	73
Registration Expenses	7
Legal and Professional Expenses	10
Site Development Expenses	180
Total	270

Building and other amenities

The company proposes to construct factory building of about 73,000 sq. ft. at a cost of Rs. 454 lakhs, which includes shed for housing the sewing machines, storage yard, miscellaneous fixed assets, infrastructure for canteen, dormitory, roads, etc.

Plant and Machinery

Plant and Machinery cost mainly includes automated sewing machine, embroidery machines, buttonhole machine, etc. The company is planning to acquire machines from Germany. The total cost of machineries need to purchased is estimated to around Rs. 2,340 lakhs. The details of the same is given below:

(Rs. In lakhs)

Name of the Assets	**Imported/ Indigenous**	**No. of Units**	**Amount***
KSM-PFAFF SM3 flat bed 30 head embroidery machine	Imported	8	603
AKAB automated flat sheet, fitted sheet and pillow case sewing machine	Imported	3	1,653
Julki Lock stitch button holding and stitching machine	Imported	4	10
Pegasus-M732-safety stitch machine	Imported	5	3
Chola heat transfer machine	Indigenous	1	1
Fresh Air System, false ceiling, Air conditioner, partition work, air compressor, air drier, steam boiler and steam lines	Indigenous	-	48
Electricals including 200 kVA Diesel Generator set	Indigenous	-	22
Total			**2,340**

(Source: Techno-Economic Viability Report of SITRA)

**After considering the Import Duties and other incidental charges*

Till date, for the sewing division, we have placed purchase orders worth Rs.240.58 lakhs for plant and machinery and made payments/opened Letters of Credit of Rs.161.75 lakhs. These purchases include only imported components.

Assets to be taken over from Promoter Group

The Company proposes to acquire the land owned by the Promoter Group aggregating to 5.52 acres for an amount of Rs.552 lakhs. The company also proposes to acquire the building and the second hand plant and machineries owned by SAPL for an aggregate sum of Rs.248 lakhs. The details of the assets taken over by the Company is as below:

(Rs. In lakhs)

Name of the Assets	Seller	No. of Units	Valuation*	Age of Assets (Yrs)	Balance Estimated Life (Yrs)
Land (SF No. 202/2 in Kunaiamuthur)	Mrs. Mani Rajagopal and Mrs. Jayanthi Ramachandra	5.52 acres	552.00	-	-
Building	SAPL	45,621 Sq. ft.	176.00	-	-
Single Needle, bottom, feed lock stitch machine/Juki/ DDL5530/1989/Japan	SAPL	86	14.52	18	10
Single need, bottom feed lock stitch machine with servo motor/Juki/ DDl5550-6-WB/SC328/1989/Japan	SAPL	3	0.50	18	10
Single need, bottom feed lock stitch machine with edge cutter/DLM5200/1989/Japan	SAPL	2	0.34	18	10
5 thread, Safety stitch machine/Juki/MO2366/1989/Japan	SAPL	4	0.08	18	5
5 thread, Safety stitch machine/ Siruba/516 M2-35	SAPL	3	0.05	18	5
Bartack machine/Juki/Lk1850J/1991/Japan	SAPL	1	0.05	16	5
Button hole machine/Brother/LH4B814-2 Mark II/ 1989/Japan	SAPL	1	0.03	18	5
Button hole machine/Brother/LH4B814-2 Mark II /1996/Japan	SAPL	1	0.07	11	4
Button Attaching Machine/Brother CB3-b913-2/1989/Japan	SAPL	1	0.03	18	5
Button Attaching Machine/Juki/MB732/1989 /Japan	SAPL	2	0.03	18	2
Rib Cutting Machine/TND/2001/India	SAPL	1	0.03	6	10
Rib Cutting Machine /Mehala/2005/India	SAPL	1	0.05	2	10
Double needle Lock Stitch Machine/ Mitsubushi/DN265/1993/Japan	SAPL	4	1.96	14	5
Button Hole Machine/Pfaff/ 3116-31/04/000/957/20/1990/Germany	SAPL	1	0.05	17	5
Feed off the arm machine/ Juki/MS191A/ 1990/Japan	SAPL	1	0.02	17	10
Zig Zag Machine/Ranew/130/1995/India	SAPL	13	0.18	12	5

(Rs. In lakhs)

Name of the Assets	Seller	No. of Units	Valuation*	Age of Assets (Yrs)	Balance Estimated Life (Yrs)
Press Button attaching machine (Motor operated/—/2000/India	SAPL	1	0.02	7	5
Press Button attaching machine (Pnematic operated)/Indegenious/—/1992/India	SAPL	2	0.03	15	5
Vaccum Ironing tables/Sussman// 4'x2'/ 1990/Germany	SAPL	3	0.44	17	3
Small vaccum ironing tables/ Ramsons/ 4'x2.5'/1992/India	SAPL	4	0.42	15	2
Big Vaccum ironing tables/ Ramsons/5'x4'/ 1999/India	SAPL	5	0.88	8	10
Stain removing machine/ Ramsons/ CL01/ 1999/India	SAPL	1	0.61	8	10
Single needle, bottom feed lock stitch machine with integrated/Plaff/1183-8/ 31-900/24-910/06-911/37BS/2003/Germany	SAPL	60	49.90	4	15
Applique cutting machine AH/Perfecta/ Perfecta Applicut AH/2004/Switzerland	SAPL	3	15.94	3	10
Needle Sentry metal detector system/ Cintex/ needle search/2005/England	SAPL	1	6.00	2	20
Lay Cutting Machine/ Eastman/1990/US	SAPL	2	0.38	17	5
250 KVA Kirloskar/Cummins/Gen. Set	SAPL	1	2.50	15	5
125 KVA Kirloskar/Ashok Leyland Gen Set	SAPL	1	1.00	15	5
Jigs/Material handling Equipment & Work Station Storage Facilities	SAPL	-	20.00	5	15
Total			**844.11**		

**As per valuation report of M/s ESSAAR Consultants, Chennai dated September 01, 2006. M/s ESSAAR Consultants are recognised valuers for the purpose of valuation of assets and machineries and are empanelled with IDBI Ltd. and ICICI.*

The sellers have given their consent for the sale of the assets at an aggregate price of Rs.800 lakhs.

WEGs

The company proposes to install additional 3 WEGs of 1,650 KW aggregating to 4,950 KW to meet additional power requirements. The total cost of WEGs, as assessed by SITRA is Rs.2,850 lakhs. The WEGs are proposed to be installed on turnkey basis in Tamil Nadu. The exact location and WEG manufacturer are under finalisation.

Preliminary and Pre-Operative Expenses

The details of preliminary and pre-operative expenses is given below:

(Rs. in lakhs)

Particulars	**Amount**
Loan Syndication and Processing Fees	170
Professional charges	100
Interest during construction period	583
Administrative expenses	100
Trial run expenses	100
Total	**1,053**

Provision for Contingency

Contingency provision of 5% of the non-firm costs comprising of land and site development cost, building, plant and machinery and pre-operative expenses has been made amounting to Rs.1,240 lakhs.

Issue Expenses

The Issue expenses estimated by the Company are as under:

(Rs. In lakhs)

Particulars	**Expenses**
Lead management, underwriting and selling commission	●
Advertising and marketing expenses	●
Printing and stationery	●
Others (Registrar's fee, legal fee, listing fee, etc.)	●
Total	●

Margin Money for Working Capital

Incremental working capital margin requirement for the proposed expansion is estimated at Rs.1,917 lakhs. The working capital requirement has been estimated as below:

Holding period (months)

Particulars	**Spinning**	**Made-ups**
Raw Material	3	3
Work in Process	0.5	3
Finished Goods	1	1
Debtors	3	3
Creditors	1.5	1.5

Means of Finance

Equity Share Capital

The Company is planning to raise Rs.9,000 lakhs through public issue of Equity Shares, being issued in terms of this Red Herring Prospectus.

Term Loans

The project is proposed to be financed by way of Term Loan under the TUF scheme aggregating Rs.17,000 lakhs. The Company has received final and in-principle sanction aggregating to Rs.24,500 lakhs for the term loan.

The details of the final sanction received by the Company is given below:

(Rs. In lakhs)

Banks	Date of Sanction	Sanction Letter Number	Amount Sanctioned	Interest Rate
United Bank of India	September 27, 2006	CBG/ADV/VTL/365/2006-07	4,000	BPLR less 1.75%, i.e. 10% per annum
Indian Overseas Bank	October 17, 2006	-	7,500	BPLR less 1.50%, i.e. 10% per annum
EXIM Bank	January 15, 2007	CBG:EOU-D-636:540	2,500	BPLR less 1.50%, i.e. 10% per annum
	Total		**14,000**	

In addition, set out below are the brief particulars of the in-principle sanction aggregating to Rs.10,500 lakhs received by the Company:

(Rs. In lakhs)

Banks	Date of Sanction	Sanction letters Number	Amount of Sanction
State Bank of Travancore	September 09, 2006	CR.57/bm/VTL	3,000
UCO Bank	September 26, 2006	GEN/ADV/102/2006-07	5,000
Andhra Bank	October 09, 2006	Lr. No.:083/1/652	2,500
	Total		**10,500**

The above total constitutes 144% of the total debt funds requirement.

Internal Accruals

The company proposes to use internal cash accrual to the extent of Rs. — lakhs out of the cash accruals during the period April 2006 to March 2009.

The Company is eligible to receive capital subsidy of 10% on certain plant and machinery procured for the processing division. However, the benefit of the same has not been taken into account in the means of finance shown above and to the extent of receipt the internal accruals would get reduced.

Schedule of Implementation

The schedule of implementation as envisaged by SITRA is as follows:

Spinning Unit:

Unit I - The Company proposes to modernize the existing spinning mill by replacing 33,792 spindles. The modernization will be completed during the financial year 2008-09.

Unit II - Additional spinning unit of 50,688 spindles will be commissioned as under:

Year	No. of Spindles
August 2007	29,568
April 2008	21,120
Total	**50,688**

Weaving Unit:

The Company proposes to install 80 looms in the expansion project. The same will be commissioned based on installation of 8 looms per month starting from April 2007.

Processing Unit:

The additional capacity will be in operation from October 2007.

Sewing unit:

The additional capacity will be in operation from September 2007.

Deployment of Funds to the Project

The Company has incurred the following expenditure on the project till December 31, 2006. The same has been certified by Subbachar & Srinivasan, Chartered Accountants vide their certificate dated January 15, 2007.

(Rs. In lakhs)

Deployment of Funds	Amount
Cost of land (Sewing division)	58.53
Advance towards site development	1.11
Advance towards purchase of Spinning machineries	333.00
Advance towards purchase of Processing machineries	48.02
Advance towards purchase of Sewing machineries	161.75
Total	**602.41**

The above cost has been incurred out of internal accruals of the Company.

Year wise Deployment of the funds

(Rs. In lakhs)

	2006-07	2007-08	2008-09
Fund Deployment	[●]	16,093	3,603

Interim Use of Funds

Pending utilisation of funds as stated above, the Company intends to invest the proceeds of the fresh issue in high quality, interest/dividend bearing short term/long term liquid instruments including deposits with banks for the necessary duration. These investments will be authorised by the Company's Board or a duly authorised committee thereof.

Monitoring of Utilisation of Funds

The Board of Directors will monitor the utilisation of issue proceeds. Other than as mentioned above, no part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, key managerial personnel or companies promoted by our Promoters except in the course of normal business.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the BRLMs on the basis of assessment of market demand and on the basis of the following qualitative and quantitative factors for the Equity Shares offered by the Book Building Process. 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 times the face value at the higher end of the Price Band.

Qualitative factors

For some of the qualitative factors, which form the basis for computing the price refer to the sections titled "Business" on page 59 and "Risk Factors" on page 1, respectively.

Quantitative factors

Information presented in this section is derived from the Company's restated, consolidated financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are as follows:

Weighted average earnings per share (EPS)

Financial period	**EPS (Rs.)**	**Weight**
Financial year 2004	8.44	1
Financial year 2005	1.59	2
Financial year 2006	13.46	3
Weighted average	**8.67**	

Notes:

- *The earnings per share has been computed on the basis of restated profits and losses (before extra-ordinary itemsand prior year adjustments) for the respective years/periods after considering the impact of accounting policy changes, prior period adjustments/re-groupings pertaining to earlier years as per the auditors report.*
- *The face value of each equity share is Rs. 10.*

Price/earning (P/E) ratio

- Based on the financial year ended March 31, 2006, EPS is Rs. 13.46.
- Pre Issue P/E is not available, as the Equity Shares of the Company though listed on the MSE have not been traded since the last three years.
- P/E based on the financial year ended March 31, 2006, EPS of Rs. 13.46 is 8.54 at the Floor Price and 9.66 at the Cap Price.
- Industry P/E*:

  (a) Highest: 86.6

  (b) Lowest: 3.4

  (c) Average: 28.4

  * *Source: Capital Market Vol. XXI/22, Jan. 01 – 14, 2007; Segment: Textile - Products*

Weighted average return on net worth*

Financial period	Return on average net worth (%)	Weight
Financial year 2004	10.30	1
Financial year 2005	3.60	2
Financial year 2006	28.18	3
Weighted average	**17.01**	

* *Net worth has been computed by aggregating share capital, reserves and surplus and adjusting for revaluation reserves, intangible assets and deferred tax assets as per the audited restated financial statements.*

Minimum return on increased net worth required to maintain pre-Issue EPS

The minimum return on increased net worth required to maintain pre-Issue EPS is ●%.

NAV per Equity Share

NAV per equity share represents shareholders' equity less miscellaneous expenses as divided by weighted average number of equity shares. The NAV per Equity Share at March 31, 2006 is Rs. 47.79 and at September 30, 2006 is Rs.56.43.

NAV per Equity Share after the Issue

The NAV per Equity Share after the Issue is Rs. [●]

The Issue Price per Equity Share is Rs. [●]

The Issue Price per Equity Share will be determined on conclusion of the Book Building Process.

Comparison of accounting ratios as of March 31, 2006

	EPS (Rs.)	P/E	Return on average net worth (%)	Book value per share (Rs.)
Vijayeswari Textiles*	13.46	[●]	28.18	47.79
Peer group**				
Alok Industries	6.50	9.60	17.90	41.00
Welspun India	5.80	14.10	9.80	71.1

* *The EPS, return on average net worth and book value per share have been calculated from our audited restated financial statements.*

** *Source for other information is Capital Market Vol. XXI/22, Jan. 01 – 14, 2007;*

The BRLMs believes that the Issue Price of Rs.● is justified in view of the above qualitative and quantitative parameters. For further details, see the section titiled "Risk Factors" on page 1 and the financials of the Company including important profitability and return ratios, as set out in the auditor's report stated on page 99 to have a more informed view.

Note: The Company has made a bonus issue of Equity Shares in the ratio of 1:1 after March 31, 2006. The above ratios have been computed after considering this bonus issue.

STATEMENT OF TAX BENEFITS

To

Vijayeswari Textiles Limited
10/400, Palghat Road,
Kuniamuthur,
Coimbatore – 641 008

Statement of Tax Benefits available to the Company and its Shareholders.

We hereby report that the enclosed annexure states the tax benefits available to Vijayeswari Textiles 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.

PLACE: Coimbatore
DATE: 30th September 2006

For Subbachar & Srinivasan
Chartered Accountants

T.S.V.Rajagopal
Partner
Membership No. 200380

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO VIJAYESWARI TEXTILES LIMITED AND TO ITS SHAREHOLDERS

Under the Income-Tax Act, 1961 ("the Act"):

I. Benefits available to the Company

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.

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.

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

4. As per section 10(35) of the Act, the following income shall be exempt in the hands of the Company

   Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or

   Income received in respect of units from the Administrator of the specified undertaking; or

   Income received in respect of units from the specified company.

   However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

   For this purpose (i) "Administrator" means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) "Specified Company" means a company as referred to in section 2(h) of the said Act.

5. As per section 10(38) of the Act, long term capital gains arising to the Company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the Company.

   For this purpose, "Equity Oriented Fund" means a fund –

   (i) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and

   (ii) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

6. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge and education cess) without indexation benefits, at the option of the Company. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.

7. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified

asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset 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 long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

8. As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognised stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

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

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

2. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the Company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.

3. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits and Gains of Business or Profession" arising from taxable securities transactions, subject to certain limits specified in the section. No deduction will be allowed in computing the income chargeable to tax as "Capital Gains" or under the head "Profits and Gains of Business or Profession" for such amount paid on account of securities transaction tax.

4. As per section 112 of the Act, if the shares of the Company are listed on a recognised stock exchange, taxable long term capital gains, if any, on sale of the shares of the Company (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, whichever is less.

5. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset 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 long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

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

7. As per section 111A of the Act, short term capital gains arising to the shareholder from the sale of equity shares of the Company transacted through a recognised stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

III. Non-Resident Indians/Non Resident Shareholders (Other than FIIs and Foreign Venture Capital Investors).

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

2. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the Company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.

3. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head “Profits & Gains of Business or Profession” arising from taxable securities transactions, subject to certain limits specified in the section. No deduction will be allowed in computing the income chargeable to tax as “capital gains” or under the head “Profit and gains of Business or Profession” for such amount paid on account of securities transaction tax.

4. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a “long term specified asset” within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset 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 long term specified asset is transferred or converted into money.

   A “long term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

   (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

   (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

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

6. Under section 115-I of the Act, the Non-Resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Act viz. “Special Provisions Relating to Certain Incomes of Non-Residents” which are as follows:

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

(ii) As per section 115F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to a Non-Resident Indian from the transfer of shares of the company subscribed to in convertible foreign exchange shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

(iii) As per 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 specified 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) As per 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 the assessment year in which he is first assessable as a Resident, 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.

The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

IV. Foreign Institutional Investors (FIIs)

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

2. As per section 10(38) of the Act, long term capital gains arising to the FIIs from the transfer of a long term capital asset being an equity share in the Company where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the FIIs.

3. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10 %
Short term capital gains (other than referred to section 111A)	30 %

The above tax rates have to be increased by the applicable surcharge and education cess.

4. In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

5. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a “long term specified asset” within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset 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 long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

V. Venture Capital Companies/Funds

1. As per section 10(23FB) of the Act, all venture capital companies/funds registered with the Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the Company. However income received by a person out of investment made in a venture capital company or in a venture capital fund shall be chargeable to tax in the hands of such person.

VI. Mutual Funds

1. As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

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

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

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

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

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

Notes:

(i) All the above benefits are as per the current tax laws.

(ii) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investments in the shares of the company.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to Vijayeswari Textiles Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

INDUSTRY

The information presented in this section has been extracted from various publicly available documents and sources, including officially prepared materials from the Government and its various ministries and has not been prepared or independently verified by the Issuer or the BRLMs.

Overview of the Indian textile industry

The Indian textile industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textile industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 16 percent to the country's export earnings. It provides direct employment to about 35 million people, which includes a substantial number of SC/ST, and women. (Source: Annual report of the Ministry of Textiles for the year 2005-2006)

Textile exports contribute substantially to the Country's export earnings. In 2004- 05 they contributed 16.24% of the total export earnings of the country. In quantum terms they were USD13 billion and during April to November 2005, these grew by 8.2% over the corresponding period of the previous year. The overall target for 2005- 06 has been fixed at US$15.565 billion. The size of the domestic market is estimated at US$25 billion and imports form about 5% of the market size, i.e., US$ 2 billion. (Source: Annual report of the Ministry of Textiles for the year 2005-2006). The export basket includes a wide range of items viz. cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups, and a variety of garments.

The Cotton/ Man-made Fibre Textile Mill Industry is the single largest organised industry in the country employing nearly 10 lakh workers. Besides, there are a large number of ancillary industries dependent on this sector such as those manufacturing various machinery, accessories, stores, ancillary and chemicals. Even on a modest assumption that a worker's family comprises five members, the direct dependents on the organised textile mills industry itself works out to about 50 lakhs.

In its broadest sense, Indian textile industry comprises:

Spinning: India is the third largest producer of cotton in the world. It also has a strong production base for synthetic fibres. Indian spinning industry is dominated by cotton yarn. With an installed capacity of 40 million spindles, India accounts for about 23 per cent of the world's spindle capacity. This subsegment of the industry is concentrated in Gujarat, Tamil Nadu, Maharashtra and Madhya Pradesh.

Weaving and knitting: The woven fabric production industry can be divided into three sectors: power loom, handloom and mill sector. The decentralized power loom sector accounts for 95 per cent of the total cloth production. The knitted fabric forms 18 per cent of the total fabric production. India is equipped with 1.80 million shuttle looms (45% of the world), 0.02 million shuttle less looms (3% of the world) and 3.90 million handlooms (85% of world). This segment is concentrated in Tamil Nadu and Gujarat.

Processing Industry: Processing is the weakest link in India's entire textile value chain. The processing industry is largely decentralized and marked by hand processing units and independent processing units. Composite mill sectors are very few falling into the organised category. Indian processing industry has deployed low-end technology with little investment initiative in technology upgradation. The decentralized processing industry lacks Research & Development and innovation.

Garment manufacturing: The apparel industry is the largest foreign exchange earner accounting for more than 8% of India's exports in 2004-05. It also accounts for 48% of India's total textile exports. This industry is structurally a labour intensive, low wage industry with some variations across its market segments. Pricing in the industry depends upon the extent of value addition in the end product, the more the value addition the higher per unit price realization. The competitive advantage of companies in this market segment is related to their ability to create designs that capture tastes and preferences, and even better - influence such tastes and preferences - in addition to cost effectiveness. This industry has also seen a significant amount of global relocation of production and outsourcing to lower-cost producers.

(Source: Annual report of the Ministry of Textiles for the year 2005-2006)

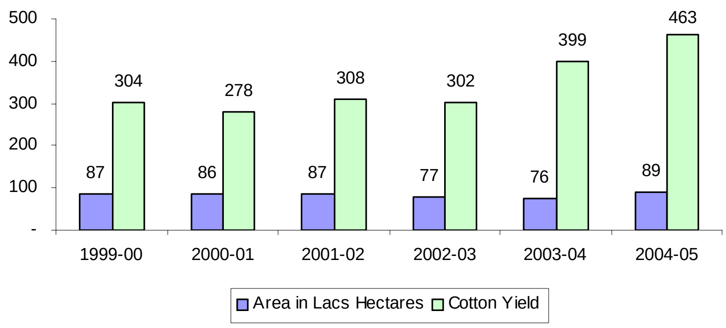
Production and consumption of cotton

Cotton is the predominant raw material used for cotton yarns and the home textiles. India has abundant supply of different staples of cotton. This gives it an edge over the other nations. Pakistan and China are at present net importers of cotton. During the last five decades, the production of cotton has increased from 30 lakh bales of 170 kgs each in 1950-51 to an all time high of 243.0 lakh bales of 170 kgs each during 2004-05. There has also been a substantial rise in area under cultivation from 58.91 lakh hectares in 1950-51 to a record high of 92.87 lakh hectares in 1998- 99. The average yield also rose from 88 kgs in 1950-51 to 463 kgs in 2004-05. During the cotton season 2004-05 (Oct.- Sept), the production was placed at 243 lakh bales, which was higher by 64 lakh bales (39%) as compared to previous season. Due to timely rains and favourable agro-climatic conditions in all the cotton growing States, area under cotton cultivation has increased by 17% and has been placed at 89.20 lakh hectares. *(Source: Annual report of the Ministry of Textiles for the year 2005-2006)*

The average yield per hectare has been placed at 463 kgs as against 399 kgs per hectare during the previous season. One of the reasons for low yield in India as compared to world average of about 731 kg/hectare is that nearly 65% of the area under cotton cultivation is rainfed. During the current year 2005-06 the acreage is likely to be on par with last year. *(Source: Annual report of the Ministry of Textiles for the year 2005-2006)*

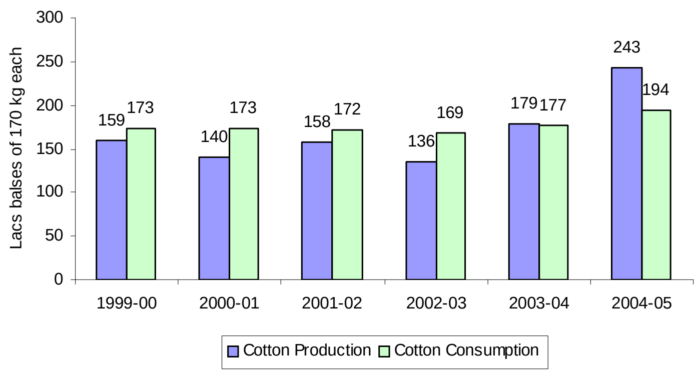
The production is expected to be at a level of about 242.50 lakh bales as per estimates of Cotton Advisory Board. The largest share in the total production of cotton is of medium staple and medium long staple varieties followed by long staple. The share of short staple cotton is about 7%. The share of medium & medium long staple varieties was more than 50% and the remaining are long and extra long staple varieties. Recently there has been a shift in the cultivation pattern and now farmers are switching over to high yielding long staple varieties from the medium staple varieties. The main cotton producing States are Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Punjab, Haryana, Rajasthan, Karnataka, Tamil Nadu, though Orissa and West Bengal are also gaining momentum. Data on area, production, yield and consumption of cotton from 1999-2000 to 2004-05 (cotton season) are given below:

Cotton production area and yield per hectare



Source: Cotton Advisory Board

Cotton production and cotton consumption

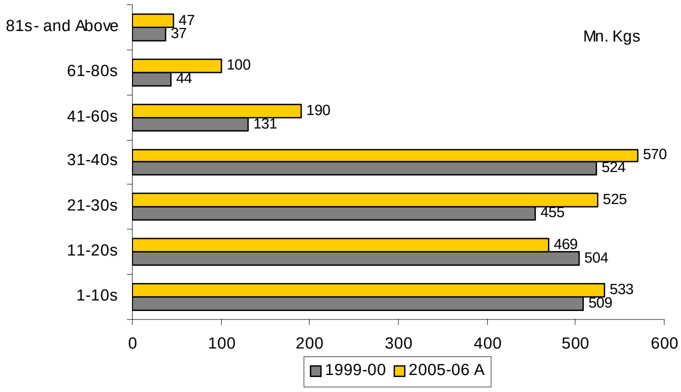


Source: Cotton Advisory Board

Production of spun yarn

The production of spun yarn, including the production of yarn from SSI spinning sector, was 3046 million kg. in 1999-2000. It is estimated to be 3411 million kg. in 2005- 06. The contribution of SSI sector in the total spun yarn production is about 5%. *(Source: Annual report of the Ministry of Textiles for the year 2005-2006)*

Count-wise production of cotton yarn during the 1999-00 along with anticipated figures for 2005-06 is given below:



Source: Annual report of the Ministry of Textiles for the year 2005-2006

Higher quality counts yarns (80s and above) anticipated to be produce during 2005-06 constitute only 2% of the total yarn produced during the same period.

Home textiles overview

The textile industry is emerging as a big opportunity for India in the post quota regime. India is emerging as a preferred supplier second only to China with its inherent advantage in apparel and home textiles. In 2004, India accounted for 3% of global USD 395bn textile trade.

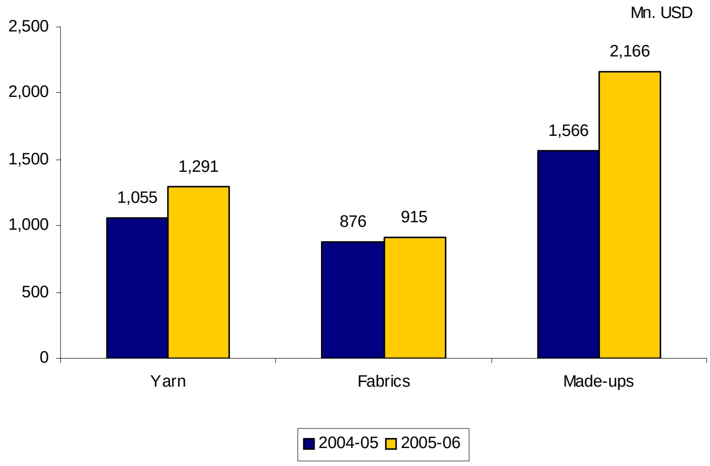
In 2004 almost 60% of India's exports of textile and apparel were to highly quota-restricted markets of USA and EU. However, in the last couple of years a number of large US companies have filed for bankruptcy releasing a large chunk of capacity available for the Asian players. This coupled with the fact that USA is the single largest market for home textiles provides an estimation of the opportunity at hand.

Now, with the opening up of quotas it is expected that India's textile exports will cross USD 50bn by 2010 (As set in National Textile Policy 2000) against USD 14bn currently. India has already established itself as one of the top 5 exporters in the segment.

The home textiles space is seeing a lot of new entrants. However, to establish which players will be able sustain the competitive pressure in the export and domestic segments the following would be the key deciding parameters:

- scale;
- client relationship; and
- retail presence.

Export of Made-ups contributes around 49% of the total export of cotton textiles. During the period April/February 2005-06 total Made-up exports where USD 2.17bn registering a growth of 38.36% over the correspondent period last year. Details of the export of cotton textiles for the period April/February 2004-05 and April/February 2005-06 s given below:



Exchange Rate: Apr/Feb 2005-06 1 US $ = Rs. 44.11 and Apr/Feb 2004-2005 1 US $ = Rs.45.00

Source: TEXPROCIL/"India Trades, CMIE"/DGCIS, Kolkata

An item wise breakup of the export of cotton made-ups for the periods April/February 2004-05 and April/February 2005-06 is given below:

Description	**APR 2005/ FEB 2006 Mn. US $**	**% share**	**APR 2004/FEB 2005 Mn. US $**	**% share**	**% Growth in Value term**
Dress Materials etc	**278**	**13**	**225**	**14**	**24%**
Towels (Terry)	228	11	126	8	80%
Bedspreads/Bed Sheets	178	8	113	7	58%
Carpets/Carpetting Material	177	8	115	7	54%
Table, Toilet & kitchen Linen	145	7	131	8	10%
Bed linen/Coverlets	129	6	78	5	66%
Durries/Druggets/Rug	89	4	64	4	39%
Table Cloth	81	4	66	4	22%
Cushion Cover	80	4	59	4	34%
Curtains	66	3	41	3	61%
Shawls / Scarves / Dupattas	49	2	49	3	-2%
Pillowcase	48	2	32	2	48%
Towels (non-terry)	47	2	38	2	26%
Arab Rumals /Turbans	43	2	21	1	104%
Dusters/Glass Cloth	41	2	18	1	125%
Place mats	41	2	26	2	56%
Napkins	37	2	31	2	21%
Blankets and Waste Blankets	21	1	14	1	53%
Total (incl. others)	**2166**	**100**	**1566**	**100**	**38%**

Exchange Rate: Apr/Feb 2005-06 1 US $ = Rs. 44.11 and Apr/Feb 2004-2005 1 US $ = Rs.45.00

Source: TEXPROCIL/"India Trades, CMIE"/DGCIS, Kolkata

The significant growth in the cotton textiles is mainly attributed to the post-MFA scenario.

Post-MFA scenario

With the abolition of quotas from 1st January, 2005, the liberalized trading regime has opened new vistas for the sustained development of the textile industry by providing greater export opportunities and creating a large number of additional jobs, especially for unskilled, semi-skilled workers and women. Various measures have been taken to prepare the textile industry to reap the benefits of the post-MFA regime. The Government has rationalized the fiscal structure, allowed 100% FDI under the automatic route, de-reserved the readymade garments, hosiery and knitwear sector, launched the TUFS on April 01, 1999, and the Technology Mission for Cotton (TMC) on February 21, 2000.

The Textile Centre Infrastructure Development Scheme (TCIDS) and Apparel Parks for Export Scheme (APES) has been merged into a single scheme namely the 'Scheme for Integrated Textile Parks' (SITP). In the new scheme, Government support in the form of grant or equity would be limited to 40% of the project cost, subject to a ceiling of Rs. 40.00 crore.

Opportunity for India in made-ups

USA: A fast growing market for home textiles: According to data from the *US Department of Commerce*, US imports of made-ups of Cotton pillowcases, Cotton Sheet and Cotton Bed Spread has grown more than 50 percent form USD1.37bn in 2004 to USD 2.07 in 2005. India's share in the export to US in the above categories increased by around 45% from USD 0.22bn in 2004 to USD 0.32bn in 2005. The US textile and apparel industry has witnessed a significant structural change over the past decade. Cheaper imports from China, India and Pakistan and the growing clout of large retailers have led to a gradual decline in the domestic manufacturing capacity of several textile items. The quantum of exports to US of different countries for Cotton pillowcases, Cotton Sheet and Cotton Bed Spread for the year 2001 to 2005 is given below:

USD billion

Countries	2001	2002	2003	2004	2005
China	0.22	0.25	0.23	0.26	0.63
Pakistan	0.14	0.15	0.17	0.22	0.52
India	0.10	0.14	0.18	0.22	0.32
Portugal	0.16	0.16	0.14	0.14	0.12
Turkey	0.05	0.06	0.06	0.06	0.08
Others	0.24	0.28	0.35	0.46	0.39
Total World	**0.91**	**1.03**	**1.13**	**1.37**	**2.07**

Source: US Department of Commerce, US imports of made-ups of cotton pillowcases (360), cotton sheet (361) and cotton bed spread (362)

Vendor Consolidation: Vendor consolidation would be natural fallout of the quota removal. The orders that were spread among a number of vendors will now flow to the most cost effective and the one who is equipped with design skills to provide maximum value addition. Indian home textile players have managed long lasting relations with the mass merchants like Walmart, fashion stores like JC Penny and even premium designer players like Tommy Hilfiger. India will also gain from the strategy of spreading sourcing risks even if China offers the most competitive prices.

Shift of manufacturing to Asia: Several large manufacturers like Pillowtex and WestPoint Stevens have filed for Chapter 11 protection. Pillowtex has 15% of the US market (2002 Towel Revenues USD 450mn and Bed Linen Revenue USD 220mn) and WestPoint had 17% of market share (2002 Towel Revenues USD 455mn and USD 580mn Bed linen). In addition Portugal, Turkey and Brazil with capacities of around 1150000 MT are also unviable in the long term as their costs of running are 25-30% higher than those of the Asian players. India is already second in global home textiles trade and any incremental opportunity will work to its advantage. (Source: US Department of Commerce)

Strong domestic demand: Just like the apparel and footwear the home linen market is moving from unbranded to branded. Indian players have a huge domestic buffer. Luxury brands such as LVMH, Ermenegildo, Zegna, Bvlgari, Escada, Hugo Boss, Tommy Hilfiger, Cartier, etc. have entered the Indian market with presence mostly in five-star hotels in New Delhi and Mumbai. Many others are firming up plans to set up shop in the country to offer new-age global Indians an aspirational lifestyle they have demanded for long. The young Indian population with its growing disposable income has become a ready consumer for the new brands and the new products.

Cost advantage in Asia: Low labour cost in nations like Bangladesh and Pakistan has enabled them to capture a significant share of the export market. The cost structure of Indian companies is now aligning with its Asian peers. The major problem areas were interest costs and power costs. India's cost of power was almost 30% higher than that of China and 25% higher than that of Pakistan. However, this has been taken care of with companies setting up captive power units and the rising number of windmills and the Technology Upgradation Fund (TUF) under which companies have an interest subsidy of 5% and processing companies have a capital subsidy of 10%. This has reduced the effective borrowing cost for textile companies to 3-5%.

Government initiatives for promoting textiles industries

TUFS

*The Technology Upgradation Fund Scheme (TUFS), the "flagship" Scheme of the Ministry of Textiles, was launched on 01.04.1999 with the objective of making funds available to the domestic textile industry for upgrading the technology of existing units, and also to set up new units with state-of-the-art technology for enhancing their viability and competitiveness in the domestic and international markets. Initially, the Scheme was upto 31.03.2004, and has since been extended till 31.03.2007. In the Xth Period (2002-07), Rs.1,270 crores have been earmarked for the scheme. (*Source: Annual report of the Ministry of Textiles for the year 2005-2006)

Benefits under the TUFS

- 5% interest reimbursement of the normal interest charged by the lending agency on rupee term loan (RTL); or
- 5% credit linked capital subsidy (CLCS) for SSI textile and jute sector; or
- 20% credit linked capital subsidy (CLCS) for powerloom sector; or
- 5% interest reimbursement plus 10% capital subsidy for specified processing machinery.

The scheme covers spinning, cotton ginning & pressing, silk, reeling & twisting, wool scouring & combing, synthetic filament yarn texturising, crimping, and twisting, manufacturing of viscose filament yarn (VFY) / viscose staple fibre (VSF), weaving/ knitting including non-wovens and technical textiles, garments, made-up manufacturing, processing of fibres, yarns, fabrics, garments and made-ups, and the jute sector.

The progress of the TUFS since inception up to December 31, 2005 is given below:

Rs. In Crores

Year	Received		Sanctioed		Disbursed	
	No. of application	Cost of Project	No. of application	Amount	No. of application	Amount
1999-2000	407	5771	309	2421	179	746
2000-2001	719	6296	616	2090	494	1863
2001-2002	472	1900	444	629	401	804
2002-2003	494	1835	456	839	411	931
2003-2004	867	3356	884	1341	814	856
2004-2005	986	7941	986	2990	801	1757
2005-2006*	569	9927	553	4187	502	2206

* Upto December 31, 2005

Source: Annual Report Ministry of Textiles 2005-2006

Initiative in the Budget 2006-07

In the Budget 2006-07, the following important announcements regarding the textile sector have been made.

- excise duty on man-made fibre and filament yarn reduced from16% to 8%;
- import duty on man made fibre and filament yarn reduced from 15% to 10%;
- the allocation for Technology Upgradation Fund Scheme (TUFS) has been enhanced from Rs. 435.00 cr. to Rs. 535.00 cr.;
- an allocation of Rs. 189.00 cr. has been provided for the Scheme for Integrated Textiles Parks (SITP);
- the Jute Technology Mission has been announced;
- a Jute Board is proposed be established;
- the Cluster Development approach will continue, 100 additional clusters at a cost of Rs. 50.00 cr. will be covered;
- yarn depots will be established to ensure the uninterrupted supply of yarn to weavers;
- a 'Handloom Mark' on the pattern of 'Wool Mark' will be introduced;
- TUFS will be extended to the handloom sector to provide interest subsidy on term loans;
- the provision for the handloom sector, has been enhanced from Rs. 195.00 cr. to Rs. 241.00 cr.

Highlights of the revised rates of drawback, 2006-2007

The Department of Revenue, Ministry of Finance has announced the revised in all Industry Rates of Duty Drawback vide Notification No. 81/2006-Cus (NT) dated 13-07-2006. These Rates have come into force w.e.f. 15-07-2006. Some of the significant features of the Revised Rates with reference to manufacture and exports of Cotton Textiles are as follows:

Rates have been increased in general for Cotton Yarn, Fabrics & Made-ups. Details are as follows:

Export Product	Existing Rate of Drawback (Valid upto 14-07-2006)		Revised Rate of Drawback w.e.f. 15-7-06	
	Rate	Value cap Rs /Kg	Rate	Value capRs / Kg
Cotton Yarn < 60 Counts (Grey)	3.5%	7/-	4%	8/-
Cotton Yarn < 60 Counts (Dyed)	4.5%	12/-	5%	13.30/-
Cotton Yarn > 60 Counts (Grey)	5%	15/-	6.8%	20.40/-
Cotton Yarn > 60 Counts (Dyed)	6%	20/-	7.8%	26/-
Cotton Fabrics (Grey)	4%	12/-	4.7%	14/-
Cotton Fabrics (Dyed)	5%	18/-	5.7%	20.50/-
Cotton Made-Ups (Bed Linen, Table Linen, Toilet Linen, Kitchen Linen, Curtain)	5%	50/-	6.4%	64/-

Note: Above Rates applicable when Cenvat facility has not been availed

BUSINESS

Overview

The Company is a profit earning, dividend paying entity engaged in the production and sales of super fine cotton yarns and textile made-ups. The Company was incorporated in 1953 and commenced its activity with an initial installed capacity of 5,000 spindles and, over a period of five decades, has grown into a 'two star' *category exporter of made-ups with in-house integrated facilities covering spinning, weaving, processing, sewing and design and product development.*

The existing spinning unit of the Company, situated at Puliampatti, Pollachi Taluk has an installed capacity of 46,004 spindles. The weaving facility at Arakulam, Palladam Taluk, has an installed capacity of 84 looms, out of which 18 looms are owned by the Company. The balance weaving facilities have been leased from LAWL, a Promoter Group company. The processing division of the Company has a capacity of 15,000 metres per day and is located at SIPCOT Industrial Growth Centre, Perundurai. The sewing activities located at Kuniamuthur, Coimbatore are outsourced from SAPL, a Promoter Group company. SAPL has an installed capacity of 24,00,000 pieces of made-ups per annum. The Company proposes to acquire the sewing facilities as a part of the proposed project.

The Company has installed 2 WEGs of 250 KW each at Sanganapuram, Tirunelveli District, for generating power for the purpose of captive consumption.

The entire production of made-ups is exported. The Company is now a player in the home textiles segment with a firm foothold in the niche segment of high-end 'bedroom products' and its customers include some of the world's leading retailers such as Macy's*,* Kohl's, Laura Ashley *and* T.J. Maxx and H. Goods*. The Company has also entered the branded arena with ingredient brands,* GossamerCotton™ *and* GenuisaCotton™*.*

Competitive strengths

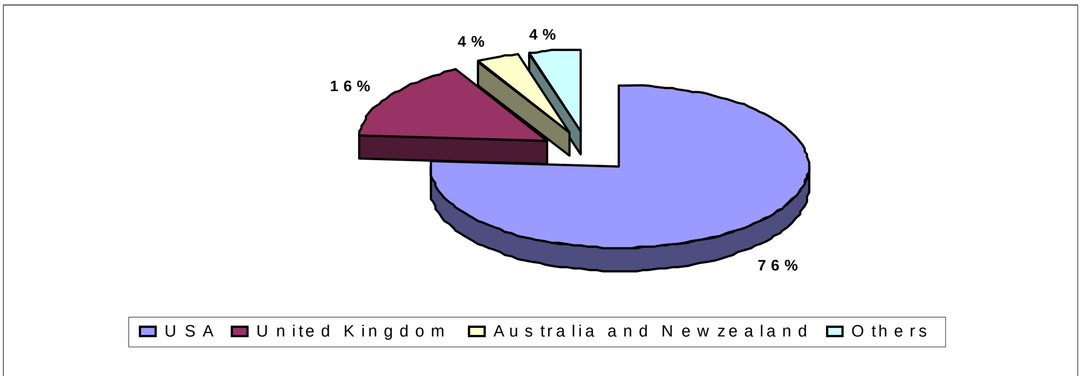
Extensive experience in the textiles sector

Our promoters, Mr. K. Rajagopal, Mr. A.L. Ramachandra and Mrs. Jayanthi Ramachandra have extensive experience in the textiles sector. Mr. K. Rajagopal was the managing director of Lakshmi Mills Company Limited for three decades, up to 1994. Mr. A.L. Ramachandra has more than 18 years of experience in textiles business both in the field of manufacturing and international marketing. Mrs. Jayanthi Ramchandra has more than 25 years of experience in designing and product development. Her designs meet the international market needs both in product and colour trends.

Our promoters have worked with farmers and agricultural research agencies to develop new varieties of cotton with special characteristics that make them superior to any other varieties of extra long staple cotton.

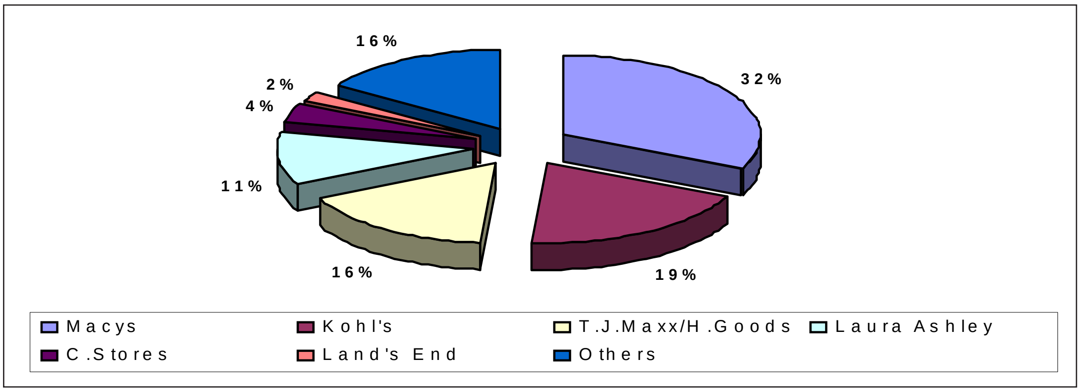
Strong presence in the US and UK markets

The Company has strong presence in US and UK markets. The US and UK markets contributed 76% and 16% of its made-ups revenue respectivley during the financial year 2006. A country-wise break up of the made-up sales during the financial year 2006 is provided below:



Strong customer relationships

The Company has a strong relationships with international retailers and brands for over 9 years. The Company's customers include some of the world's leading retailers, such as *Macy's*, *Kohl's*, *T.J. Maxx* and *H. Goods* in the United States, *Muji* in the United Kingdom and brands such as *Laura Ashley*, *The White Company, Debenhams*, *Christy and Peacock Blue* in the United Kingdom, *The Company Stores*, *Linen Source* and *Lands' End* in the United States, and *Private Collections* and *Charles Parsons* in Australia. The Company has been awarded the *'five star vendor award'* by *Macy's* for seven years consecutively. The following chart represents a client-wise break up of the Company's percentage of revenues from sales of made-ups during the financial year 2005-06:



Design capabilities

Design is a critical element of home textile manufacturing. The Company has ability to identify and stay abreast of evolving fashion trends. This strength enables the Company to design home textiles that meets the retailers' requirements allowing it to enhance its market share with the existing retailers and develop new customer relationships. Additionally, the ability to add value to the designs or design ideas which the customers bring to the Company helps it to develop stronger relationships with these customers and further strengthen its competitive position vis-à-vis its competitors.

Product development capabilities

The Company has product development centres located at its manufacturing facilities that focus on product development. The company has developed ingredient brands in the name of *GossamerCotton™ and GenuisaCotton™*. The *GossamerCotton™ and GenuisaCotton™* are spun into fine yarn out of superior quality long staple cotton such as *Suvin*. The superior quality long staple cotton buds are processed at a slow speed to yield fibres that are 25% longer than standard extra long staple cotton and 30% finer than the best Egyptian cotton. The *GenuisaCotton™* is an ecologically sustainable product. The Company has applied for trademark protection for *GossamerCotton™* and *GenuisaCotton™*, an internally developed, innovative product.

Vertically integrated producer with strategically located operations

The Company is a vertically integrated manufacturer in the home textiles segment with a firm foothold in the niche segment of high-end 'bedroom products'. The Company has fully integrated manufacturing facility with spinning, weaving, processing and sewing (made-ups manufacturing) capabilities enabling the Company to provide its customers with optimal levels of quality and service in an effective and cost-efficient manner. Through vertical integration, the Company also believes that it is well placed to realise efficiencies of scope and scale and control quality requirements at each stage of the textile manufacturing process.

Business strategy

Product improvements

The Company has set up plans to widen the range of higher value products like GossamerCotton™ *and* GenuisaCotton™. *The Company proposes to widen the range of products with higher thread counts ranging from 600 to 1000 and products such as* GenuisaCotton™ *which will be positioned at the high-end market segment.*

Product extensions - bedroom to living room

The Company plans to extend its product profile with the addition of quilts, blankets, matelasse and coverlets in the current bedroom segment. The Company also proposes to enter the living room segment with curtains and furnishing fabrics. However, all through, it intends to concentrate on luxury market segments.

New markets

US and UK are the major markets for the Company, with 92% of its revenues in the made-ups coming from these markets. In FY 2006, the Company has made inroads into the Australian and New Zealand markets, which have accounted for 4% of its made-ups revenue. The Company proposes to widen its geographical reach by entering into new markets and increasing its presence in France, Australia and New Zealand markets.

Adoption of Technology in operations

The Company is in the process of implementing 'Textile Integrated Manufacturing', an ERP package to improve operational efficiencies and internal controls. In addition, the Company is attempting to reduce labour-intensive operations by introducing semi-automation in its sewing plants. This will result in lower labour costs, as also standardization of products manufactured. Semi-automation is also essential for the newer product lines such as duvet covers, blankets, quilts and matelasse.

Expansion plans

With the addition of its planned capacities, the Company will be able to cater to newer product lines, such as duvet covers, blankets, quilts and matelasse.

Products and application

Cotton yarn

The expertise of the Company in manufacturing super fine counts of 80s to 160s stems from the tradition of having worked with farmers and agricultural research agencies to develop new varieties of cotton with special characteristics which make them superior to other varieties of extra long staple cotton. The super fine cotton yarn is being exported to markets such as Spain, Italy and Japan and is also utilised for captive consumption.

Made-ups

The Company is now a player in the home textiles segment with a firm foothold in the niche segment of high-end 'bedroom products'. The Company has retained its focus on the luxury segment over the years with the made-ups sales contributing 85% of the revenues in fiscal 2006.

GossamerCotton™ and GenuisaCotton™

The company has developed ingredient brands in the name of GossamerCotton™ and GenuisaCotton™. The GossamerCotton™ and GenuisaCotton™ are spun into fine yarn out of superior quality long staple cotton such as Suvin. The superior quality long staple cotton buds are processed at a slow speed to yield fibres that are 25% longer than standard extra long staple cotton and 30% finer than the best Egyptian cotton. The GenuisaCotton™ is an ecologically sustainable product. This ingredient brands are being well received in the international retail markets. Macy's, the Company's largest customer, has included the ingredient brand as part of its private label for retailing. The company has applied for registration of trademark in the name of GossamerCotton™ in USA, UK, India, Singapore, Australia and New Zealand and registration of trademark in the name of GenuisaCotton™ in USA.

The breakup of revenues from sales of cotton yarn and made-ups for the last 5 years is provided below:

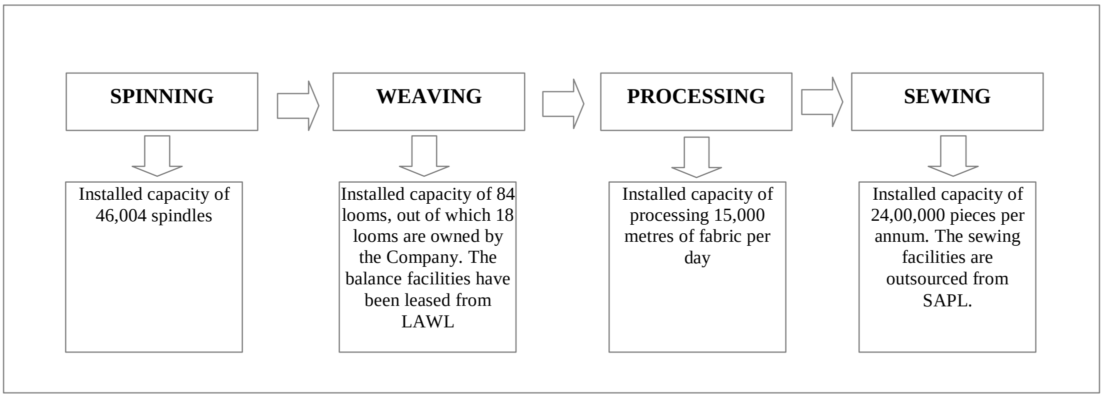
(Rs. In lakhs)

Product	2001-02	2002-03	2003-04	2004-05	2005-06
Cotton yarn	3,152	2,359	1,706	1,680	1,411
Made-ups	2,846	4,711	6,658	6,463	7,955
Total	**5,998**	**7,070**	**8,363**	**8,143**	**9,365**

The revenues of the Company have seen a shift from sales of cotton yarn to sales of made-ups over the last five years. The sales of made-ups have increased at a CAGR of 29% over the last five years. For the FY 2006, the sales of made-ups have contributed 85% of the total revenues representing higher value addition in the product range.

Existing facilities and the proposed expansion project

The existing facilities of the Company are described below on the basis of textile value chain:



The proposed expansion has been designed to increase the annual capacity for made-ups from 24,00,000 pieces to 50,00,000 pieces. The expansions in spinning, weaving and processing divisions are planned to match the increased capacities in made-ups. The spinning capacities are proposed to be increased from 46,004 to 1,00,320 spindles by installing a new spinning unit of 50,688 spindles and modernizing the existing unit by replacing 30,164 spindles with 33,792 spindles. The Company proposes to increase the weaving capacities from 84 looms to 164 looms. The project proposes installation of additional processing capacity of 15,000 metres per day, including capabilities to process fabrics for duvet covers, blankets, quilts and matelasse. To meet its additional power requirements, the Company proposes to install 3 WEGs of 1,650 KW capacity each for the purpose of captive power consumption.

As a part of the proposed project the Company has earmarked an amount of Rs. 800 lakhs to take over the land owned by Mrs. Mani Rajagopal, wife of Mr. K. Rajagopal, Promoter of the Company and Mrs. Jayanthi Ramchandra, Promoter of the Company and the buildings, plant and machinery owned by SAPL.

Further, the Company has entered into lease agreements for a period of 3 years with LAWL for the lease of land and existing building and for operating of its weaving facilities. It has also entered into a lease agreement with LAWL for a period of 25 years for the vacant land at the same location, which is to be utilised for setting up additional weaving facilities.

With the implementation of the above project, the Company's existing capacities would stand increased in the manner as detailed below:

Divisions	Existing installed capacity	Additional capacity through expansion	Capacity after the proposed expansion scheme
Spinning	46,004 spindles@	50,688 spindles	1,00,320 spindles
Weaving	84 looms*	80 looms	164 looms
Processing	15,000 metres per day	15,000 metres per day	30,000 metres per day
Made-ups	24,00,000 pieces per annum#	26,00,000 pieces per annum	50,00,000 pieces per annum
WEGs	500 KW	4,950 KW	5,450 KW

@ 49,632 spindles after the proposed modernisation and replacement

* Out of 84 looms the Company owns 18 looms. The balance 66 looms and the related infrastructure is owned by LAWL. The Company has entered into lease agreements for a period of 3 years with LAWL for the lease of land

and existing building and for the operating of its weaving facilities. It has also entered into a lease agreement for a period of 25 years for the vacant land located at the same location, which to be utilised for the expansion of the weaving facilities.

Land on which the sewing facility is located is owned by Mrs. Mani Rajagopal and Mrs. Jayanthi Ramachandra and the buildings, plant and machineries are owned by SAPL. The Company proposes to acquire the land and the facilities owned by the Promoter Group as part of the proposed project.

The Company's existing production facilities are located in the state of Tamil Nadu. The locations of the plants are detailed below:

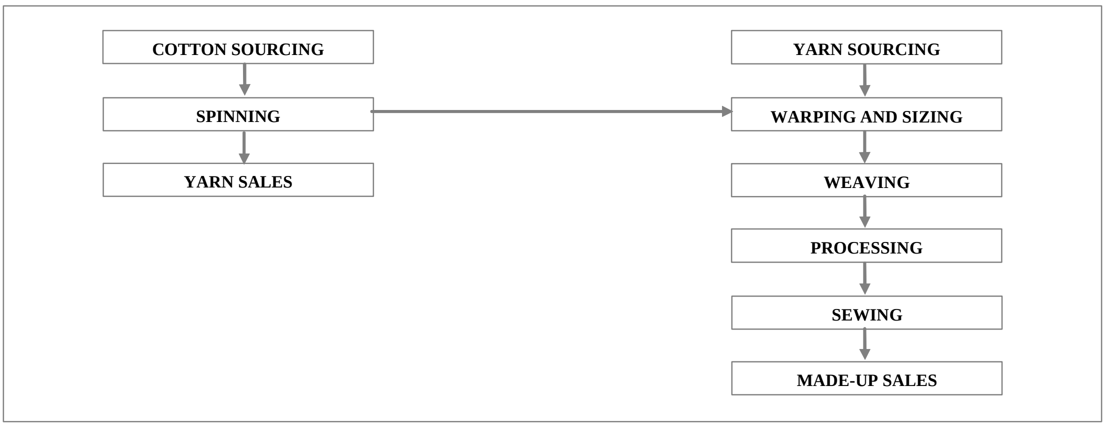
Division	Location
Spinning	Puliampatti, Pollachi Taluk
Weaving	Arakulam, Palladam Taluk
Processing	SIPCOT Industrial Growth Centre, Perundurai
Sewing	Kuniamuthur, Coimbatore
WEGs	Sanganapuram, Tirunelveli District

The Company proposes to expand the facilities at the following locations:

Division	Location	Area	Remarks
Spinning	Pilchinnampalayam, Pollachi Taluk	15.00 acres	7.80 acres of land already owned by the company and balance to be acquired.
Weaving	Arakulam, Palladam Taluk	5.35 acres	25 years lease from LAWL.
Processing	SIPCOT Industrial Growth Centre, Perundurai	5.35 acres	Sufficient space for expansion at the existing unit
Sewing (Made-up)	Chettipalayam, Coimbatore	12.00 acres	Land has been identified and 8.89 acres already acquired

Manufacturing processes

The company's current and proposed operations, as illustrated below, include spinning, weaving, processing and sewing.



Spinning

- Blow room: *The cotton bales received (which normally contain impurities such as seed particles and leaf dust) are processed through the blow room and made into cotton laps;*
- Carding: *The cotton laps received from blow room are fed into carding machine to improve parallelisation of the fibres and to convert the loose fibres into rope (sliver);*
- Combing: *A specified percentage of short fibres are removed at this stage.*
- Draw frame*: The slivers are passed through draw frame wherein the uniformity of fibres along the cross section and straightening of the fibres is achieved;*
- Simplex: *The combed sliver is fed into a* simplex *machine for reduction in size obtained on bobbin shape with minimal twist insertions;*
- Ring frame: *The bobbin shaped roving thin sliver is passed through the drafting rollers of ring frame in order to obtain the desired weight per unit length while a set of twist is inserted to bind the fibres. The yarn, having specific properties, is now on cops; and*
- Winding/Autoconer*: The cops are wound on paper cones for larger size packing and sale. Yarn faults are eliminated at this stage through electronic yarn clearers incorporated in automatic cone winders.*

Weaving

The various stages of this process are as under:

- Warping: *Warping is the process of winding individual yarn threads from numerous cones on to a beam to form a sheet of yarn;*
- Sizing: *Sizing is the addition of starch and other materials that improves the strength of yarn to facilitate weaving; and*
- Weaving: *In the process of weaving a sheet of yarn (warp) is loaded on to the looms and another yarn is introduced perpendicular to the sheet (weft). The inter lacing of both warp and weft creates woven fabric.*

Processing

After weaving the grey fabric is sent to the processing unit, where it undergoes numerous chemical processes, including dyeing through which it attains colour and lusture. Processing is regarded as the most crucial part of all the activities. The various stages of this process are as under:

- Batch preparation*: A batch of fabric for singeing is prepared by stitching pieces together by means of a sewing machine;*
- Singeing: *The process of singeing is carried to remove the loose fibres protruding from the surface of the fabric;*
- Desizing: *Desizing is the process of removing sizing ingredients applied during sizing.*
- Scouring: *The main purpose of scouring cotton fabrics is to remove natural as well as added impurities by subjecting the fabric to the treatment followed by hot washing.*
- Bleaching*: The bleaching process is essential for obtaining a good whiteness depending upon whether the fabric is dyed or finished pure white;*
- Dyeing: *The dyeing process consists of application of dyestuff solution in hydraulic jiggers by an exhaustion method;*
- Drying*: Drying is essentially a process of drying bleached/dyed fabric to the required width in the hot air stenter.*
- Finishing*: During finishing, fabric is passed through a solution of softener followed by squeezing on the padder and drying on the pin frame of stenter to the desired width; and*
- Calendering: *Calendering is a mechanical process of passing fabrics between a series of hard (iron) and soft (cotton) bowls (rollers) to improve its aesthetics.*

Sewing division

After receiving finished fabric in rolls from process house the fabric is fed into cutting machines, which cuts the fabric into the required length and width. These cut fabrics undergo sewing process and embellishment including embroidery according to the requirements. The made-ups are then ironed, folded and sent for packaging.

Design studio and services

The Company's CAD studio, located at its corporate office in Kuniamuthur, Coimbatore, is fully equipped with all modern creative tools, to meet the varied demands of the customers. The design studio also houses an elaborate library of magazines and books, which provide valuable archival matter for design inspiration and technical updates.

The design team creates colour co-ordinated themed collections, covering the whole range of home textiles. The range extends from bed sheeting, pillowcases, shams, duvet covers, quilts, matelasse, blankets, bedspreads, throws and curtains.

The modern CAD design studio with well-trained technologists simulates dressed beds to jacquard fabrics. These creations offer a cost effective, time saving, close to real tool for the marketing team.

Infrastructure facilities and utilities

Spinning unit

Raw material

Cotton procurement is amongst the most important elements in the spinning of yarn. The Company procures and stocks superior quality of cotton such as Suvin, Egyptian cotton, Supima, Giza and DCH Super fine to ensure regular production and availability of a consistent quality of yarn.

The Company requires approximately 1,700 metric tonnes of cotton annually for the existing facilities. After the proposed expansion, the Company would require approximately 5,200 metric tonnes of cotton per annum.

The sources of the different varieties of cotton are as below:

Variety	Source
Supima *cotton*	*United States*
Giza *cotton*	*Egypt*
Suvin *cotton*	*Tamil Nadu, India*
DCH super fine cotton	Madhya Pradesh, Karnataka (India)
DCH cotton	Tamil Nadu, Madhya Pradesh, Karnataka (India)

Power

The division has a sanctioned load of 1,907 kVA from the Tamil Nadu Electricity Board. As a stand-by arrangement, the Company also has 3 generators with an aggregate capacity of 2,710 kVA to meet its current requirements.

Power is one of the major cost constituents in the textile industry. Wind energy has been generally recognized as a low cost source of energy. The company has invested in 2 WEGs at Sanganapuram, Tirunelveli District, with an agrrgeate installed capacity of 500 KW. The Company captively consumes the power generated resulting in reduction of power costs.

After the proposed expansion, the spinning facilties would need around 150 Lakhs units of power per annum. As a part of the expansion plan the Company is installing 3 WEGs of 1,650 KW capacity each, aggregating to 4,950 KW. The same would be utilised for the captive consumption. For the balance requirement the company will procure the power from the electricity board.

Water

The requirement of water is marginal for a spinning unit. The humidification plant consumes water for its operation. The daily requirement of water is around 2,000 litres, which is met through open and bore wells.

Effluent disposal/environmental compliance

The production of yarn does not result in any pollution related hazards. The Company has obtained necessary consents from the Tamil Nadu Pollution Control Board for its existing unit.

Employees

The details of the manpower for the existing facilities and the expansion plans are as below:

Category	Existing	Proposed	Total
Skilled	319	250	569
Unskilled	94	90	184
Staff	38	30	68

Weaving unit

Raw material

The weaving division requires approximately 4,700 kilograms of yarn per day for producing 10,000 metres of fabric. Of its total requirements, the division procures around 75% of yarns from various mills in close proximity to the weaving division. After the proposed expansion, the weaving unit will require around 11,000 kilograms of yarn per day. The requirement of yarn would be met from captive production and procured from outside.

Power

The weaving division has 800 kVA of sanctioned load from Tamil Nadu Electricity Board. As a stand-by arrangement the division has a generator set of 1,075 kVA to meet its total requirements. For the proposed expansion, the division will require an additional 1,000 kVA of power. The Company proposes to meet the additional requirement of power from the existing sources. As a stand by arrangement the division is also procuring a 1,500 KVA generator set.

Water

The humidification, sizing and compressors consume water for their operation. The present requirement is around 60,000 litres per day. The Company has permission to draw up to 15,000 litres per day from Tamil Nadu Water Supply and Drainage Board. The balance requirement is met through bore wells and purchase of water. For the enhanced capacity after expansion the requirement of water will be 1,20,000 litres per day. The Company will continue to draw water from the board, bore well and purchase its balance requirement. There is sufficient availability of water in and around the unit.

Effluent disposal/environmental compliance

The weaving of fabric does not result in any pollution related hazards. The Company has applied for the renewal of consents from the Tamil Nadu Pollution Control Board.

Employees

The details of the manpower for the existing facilities and the expansion plans are as below:

Category	Existing	Proposed	Total
Skilled	198	175	373
Semi Skilled	48	59	107
Unskilled	48	58	106
Staff	42	24	66

Processing unit

Raw material

The processing activities require a large number of dyes and chemicals. Being a critical part of the manufacturing process and keeping in view the strict quality norms by overseas customers the Company uses only high quality chemicals.

Power

The processing division has 300 kVA sanctioned load from Tamil Nadu Electricity Board. As a stand-by arrangement, the Company has a 250 kVA generator set to meet its power requirements. For the proposed expansion, the division will require 150 kVA of additional power. This additional power will be drawn from the electricity board. The division is also planning to acquire a generator set of 380 kVA as a stand by arrangement.

Water

The processing unit requires large quantities of water for its operations. The current requirement of water is approximately 2,00,000 litres per day. The division has a zero discharge effluent treatment plant from where around 85% of the consumed water is recycled. The balance 15% water is drawn from the SIPCOT Industrial Growth Centre. The division has permission from SIPCOT to draw up to 3,00,000 litres of water per day. For the proposed expansion, considering the availability of recycled water, the division will not require permission for drawal of additional water.

Effluent disposal/environmental compliance

The processing industry is extremely environmentally sensitive and a pollution hazardous industry. The Company has applied for the renewal of consents from the Tamil Nadu Pollution Control Board.

Employees

The details of the manpower for the existing facilities and the expansion plans are as below:

Category	Existing	Proposed	Total
Skilled	56	99	155
Unskilled	62	48	110
Staff	34	4	38

Sewing division

Raw material

The sewing division requires around 13,000 metres of processed fabric per day. The requirement of the division is met through in-house production. After the proposed expansion the sewing division would require around 26,000 metres of processed fabric per day. The same would be met out of the enhanced in-house processing capacity.

Power

The power requirement for the sewing division is approximately 1,350 units per day. After the proposed expansion, the power requirement would in the range of 2,700 units per day. The division currently meets its power requirements from the electricity board. The division also has an alternate arrangement of 250 KVA through generator sets.

Water

The requirement of water is marginal for the sewing division.

Effluent disposal/environmental compliance

The sewing activities do not result in any pollution related hazards. The Company has obtained necessary consents from the Tamil Nadu Pollution Control Board.

Employees

The details of manpower for the existing facilities and the expansion plans are as below:

Category	Existing	Proposed	Total
Skilled	339	339	678
Unskilled	413	413	826
Staff	**220**	**100**	**320**

Products of the Company

Cotton yarn

The expertise of the Company in manufacturing super fine counts of 80s to 160s stems from the tradition of having worked with farmers and agricultural research agencies to develop new varieties of cotton with special characteristics which make them superior to other varieties of extra long staple cotton. The super fine cotton yarn is being exported to markets such as Spain, Italy and Japan and is also utilised for captive consumption.

Made-ups

The Company is now a player in the home textiles segment with a firm foothold in the niche segment of high-end 'bedroom products'. The Company has retained its focus on the luxury segment over the years with the made-ups sales contributing 85% of the revenues in fiscal 2006.

Exports

The Company is 'two star' export house recognized by Director General of Foreign Trade. 100% of the Company's made-ups are exported to United States, United Kingdom, Australia New Zealand, France and other countries. As on January 15, 2007, the Company had a pending export obligation of Rs.3,681.43 lakhs.

Major customers, selling arrangements

The products of the Company comprise cotton yarn and made-ups. The Company sells yarns in the domestic as well as international markets and exports made-ups to major international retailers, such as Macy's, Kohl's, T.J. Maxx and H. Goods in the United States, Muji in the United Kingdom and brands such as Laura Ashley, The White Company, Debenhams, Christy and Peacock Blue in the United Kingdom, The Company Stores, Linen Source and Lands' End in the United States, and Private Collections and Charles Parsons in Australia. The sales to these players in the US and European markets are made from India as well through the Subsidiaries.

Competition

The Company faces competition from both domestic and international players. In India, the main competitors of the company are Bombay Dyeing and Manufacturing Company Limited, Alok Industries Limited and Welspun India Limited. Internationally, the Company faces competition from Pakistan, China, Italy, Portugal and Turkey, among other countries.

Future prospects

The Indian textile sector appears well poised to optimally benefit from the quota-free regime, as well as the increasing and changing dynamics resulting from the increasing popularity of organised retail market in domestic market. While China has dwarfed India on all fronts in the textile segment, India still has significant growth potential from the current levels. The players have realized that they can excel in niche segment with their superior designing skills, rather than concentrate on volumes, when pitched against China.

Capacity utilisation

Particulars *		Financial Year					
		2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Spinning	Installed capacity (spindles)	46,004	46,004	46,004	46,004	63,000	93,524
	Capacity utilisation (spindles)	30,514	34,250	32,299	42,780	57,230	85,456
	% of capacity utilisation	66	74	70	93	91	91
Weaving	Installed capacity (looms)	78	78	84	84	144	164
	Capacity utilisation (looms)	68	66	73	63	108	131
	% of capacity utilisation	87	84	86	75	75	80
Processing	Installed capacity (Meters per day)	-	12,500	15,000	15,000	22,500	30,000
	Capacity utilisation (Meters per day)	-	8,463	11,522	12,000	19,125	25,500
	% of capacity utilisation	-	68	77	80	85	85
Sewing	Installed capacity (lacs pices)	24	24	24	25	40	50
	Capacity utilisation (lacs pices)	19	23	21	20	32	43
	% of capacity utilisation	81	96	87	80	80	85

* Weighted Average Installed Capacity

Property

The Company has its registered office located at Puliampatti, (Via) Pollachi Taluk, Coimbatore District, Tamil Nadu, India. The Company has its corporate office located at 10/400 Palghat Main Road, Kuniamuthur, Coimbatore 641 008, Tamil Nadu, India.

Location	Area (Acres)	Leave and Licence/ Lease/Freehold	Activities undertaken
Puliampatti (Via) Pollachi Taluk, Coimbatore District, Tamil Nadu	17.99	Freehold	Existing Spinning Unit
10/400 Palghat Main Road, Kuniamuthur, Coimbatore, Tamil Nadu	5.52	Leased,(Proposed to be acquired as a part of the Project)	Corporate Office and Existing Sewing Unit

The lands and property in the possession of the Company are located at the following places:

Location	Area (Acres)	Leave and Licence/ Lease/Freehold	Activities undertaken/ to be undertaken
Puliampatti (Via) Pollachi Taluk, Coimbatore District, Tamil Nadu	17.99	Freehold	Existing Spinning Unit
Arakulam, Palladam, Tamil Nadu	13.00	Leased, Terminating on October 15, 2009	Existing Weaving Unit
K-36 SIPCOT Industrial Estate, Perundurai, Erode District, Tamil Nadu	5.35	Leased, Terminating on January 02, 2102	Existing and Proposed Processing Unit
10/400 Palghat Main Road, Kuniamuthur, Coimbatore, Tamil Nadu	5.52	Leased, (Proposed to be acquired as a part of the Project)	Existing Sewing Unit and Corporate Office
Sanganapuram, Tiruvelneli District, Tamil Nadu	15.40	Freehold	Existing WEGs
Pilchinnampalayam, Pollachi Taluk, Coimbatore District, Tamil Nadu	7.80	Freehold	New Spinning Unit
Arakulam, Palladam, Tamil Nadu	5.35	Leased, Terminating on October 15, 2031	Proposed Weaving Unit
Pilchinnampalayam, Pollachi Taluk, Coimbatore District, Tamil Nadu	7.79	Freehold	Vacant land
Gedi Medu, Gomangalam, Pollachi Taluk, Coimbatore District, Tamil Nadu	3.28	Freehold	Vacant land
Vijayapuram, Pollachi Taluk, Coimbatore District, Tamil Nadu	2.20	Freehold	Vacant land
Puliampatti (Via) Pollachi Taluk, Coimbatore District, Tamil Nadu	0.74	Freehold	Factory Shed

Property acquired/to be acquired as a part of the Project

New Sewing Unit – Chettipalayam, Coimbatore

The Company has acquired 8.89 acres of land at Chettipalayam, Coimbatore for its new sewing unit. The details of the same are given below:

Sr. No.	Name of the Seller	Area (Acres)	Amount (Rs.)
1	M. Natarajan, S/o Mariappa Mudaliar8/11, Pudupalayam South Street, Narasimmanaikan PlayamCoimbatore - 641 031Occupation – Business	0.75	4,44,000
2	V. Mohan, S/o N. Velliengiri Chettiar9A/4, Nesavalar Colony, P. N. Pudur, Coimbatore – 641 041Occupation – Business	0.75	4,44,000
3	A. Balasubramainam, S/o C. K. Arumugam Pillai4,Vinayagar Koil Street, Udyampalayam, Coimbatore - 641 028Occupation – Business	0.75	4,44,000
4	R. Kankaraj, S/o C. P. Rajagopal11, Nethaji Nagar, Najundapuram Road, Coimbatore - 641 036Occupation – Advocate	0.75	4,44,000
5	C. Krishnan, S/o Chellan2/76, Tiru V. Ka Street, Nelandipalayam, Coimbatore 641 025Occupation – Business	0.75	4,44,000
6	A. Thangavel, S/o Arumugathevar19B Nanjappa Street, Maruthur, Ramanatha Puram, Coimbatore 641 045Occupation – Retired Government Servant	0.86	4,44,000
7	A. Vadivel, S/o K. Angusamy Chettiar23/49, Lokamanya Street, R. S. Puram, Coimbatore 641 002Occupation – Retired Semi-Government Servant	0.86	4,44,000
8	N. Jegadeesan, S/o R. Nataraj Chettiar132, Ramachandra Road, R. S. Puram, Coimbatore 641 002Occupation – Business	0.86	4,44,000
9	S. Vijaya Kumar, S/o P. Senniappa Gounder42/3, GVD Layout, Coimbatore 641 002Occupation – Business	0.86	4,44,000
10	C. Atthappan, S/o M. Chinnasamy172/322, Sundaram Street, Coimbatore 641 001Occupation – Business	0.86	4,44,000
11	T. Govindaraj, S/o Thiruvenkatasamy Niadu91/ 147/2 Govindasamy Layout, Coimbatore 641 001Occupation – Business	0.86	4,44,000
	Total	**8.89**	**48,84,000**

Existing Sewing Unit and Corporate Office – Kuniamuthur, Coimbatore

The Company proposes to acquire 5.52 acres of land from the Promoter Group at Kuniamuthur, Coimbatore on which the existing sewing unit and the corporate office are located. The details of the same are given below:

Sr. No.	Name of the Seller	Area (Acres)	Amount (Rs.)
1	Mrs. Mani Rajagopal, W/o Mr. K. RajagopalAshwin, 691, Avinashi Road, Coimbatore - 641 037Occupation – Industrialist	4.52	4,52,00,000
2	Mrs. Jayanthi Ramchandra, W/o Mr. A. L. Ramachandra230, Tea Estates Compound, Race Course, Coimbatore - 641 018Occupation – Industrialist	1.00	1,00,00,000
	Total	**5.52**	**5,52,00,000**

REGULATIONS AND POLICIES

The Government of India has over the years formulated various regulations and policies for the development of the textile sector in India. Some of regulations and policies applicable to the Company are discussed below.

Textile sector

National Textile Policy

The Ministry of Textiles announced the formulation of the National Textile Policy, 2000 **("Textile Policy")** in November 2000 with the objective of enabling the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The Textile Policy envisages a multi-pronged strategy to achieve these long term goals. The strategy aims at modernising the equipment and technology that is used in the sector and simultaneously strengthening the traditional knowledge, skills and capabilities in this sector.

The Textile Policy also targets the development of a strong multi-fibre base to facilitate product upgradation and diversification. The Textile Policy provides for government financing and venture capital funding for setting up textile plants. Particular emphasis is laid on exports with the proposal of multi-disciplinary institutional mechanisms to formulate policy and action plans, including the restructuring of Export Promotion Councils and operating a brand equity fund exclusively for textile and apparel products. The Textile Policy also contains sector specific agendas. For the cotton sector, it designates the Technology Mission of Cotton as the nodal body to bring about increase in productivity and stability in prices. For the spinning and weaving sectors, decentralised modernisation is the thrust of the government policy and for the garments sector, the government proposes a number of measures in light of the WTO rules and regulations, including strategic alliances with leading global manufacturers and the establishment of textile/apparel parks.

Additionally, subsequent to the announcement of Textile Policy, the woven segment of readymade garment sector and the knitting sector have been de-reserved from the list of items reserved for exclusive manufacture in the small scale sector.

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. The GoI launched the TUFS for textiles and jute industries with effect from April 01, 1999 for a period of 5 years, which was subsequently extended up to March 31, 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. 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. 4,350 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 upto March 31, 2007.

The Textiles Committee Act, 1963

The Textiles Committee has been established under the Textiles Committee Act, 1963, with the primary objective of ensuring standard quality of textiles both for internal marketing and export purposes and standard type of textile machinery. Its functions include the promotion of textiles and textile exports, research in technical and economic fields, establishing standards for textiles and textile machinery, setting up of laboratories and data collection. Additionally, the Textile Committee regulates the imposition of cess on textile and textile machinery that is manufactured in India under the Textiles Committee Act.

The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978

The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978 prescribes and provides for the levy and collection of an additional duty of excise on certain textiles and textile articles.

Cotton Control Order 1986

The Cotton (Control) Order, 1986 ("Cotton Order") prescribes the maximum quantity of cotton that may be possessed by a manufacturer, a cotton ginning factory, a cotton pressing factory, a cotton ginning and pressing factory and a person (other than a member of a Hindu Undivided Family growing cotton). The Cotton Order establishes the office of the Textile Commissioner as the regulator thereunder. The Cotton Order further specifies the quality standards that have to be met while picking cotton for the purposes of export and domestic consumption as well as the markings that have to be made on the cotton bale before marketing of the same.

Ministry of Textiles Order, F.No.8/3/2001-Tpc, dated December 19, 2001

The Ministry of Textiles Order, F.No.8/3/2001-Tpc, dated December 19, 2001("Textiles Order") was promulgated in supercession of the Textile (Development and Regulation) Order, 1993. The Textiles Order mandates that every manufacturer of textiles or textile machinery and every person dealing in textiles must keep books of accounts and records relating to his business as required under the Textiles Order and must furnish such returns or information in respect of their business as and when directed by the Textile Commissioner.

Further, the Textile Order authorises the Textiles Commissioner to pass directions with respect to the production and supply of textiles by textile manufacturers if the same is required in public interest or in the interest of national security. The Textile Commissioner, under the Textiles Order, is authorised to specify from time to time, certain markings that must be made on textiles by a manufacturer of such textiles. No person, other than a manufacturer, is permitted to have in his possession or under his control textiles without such markings and no person is permitted to offer or store such unmarked textiles for sale.

Finance Act, 2007

The Finance Act, for the financial year 2007, as passed by the Parliament of India, has proposed certain changes to the existing regulations and policies governing the textile industry in India. These proposals relate to:

- increased allocation for the TUFS and the scheme for integrated textile parks;
- reduction in excise duty on man made fibre yarn and filament yarn from 16% to 8%; and
- Reduction in import duty on man made fibre yarn and filament yarn from 15% to 10%.

Trade related subsidies

Export Promotion Capital Goods 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 Foreign Trade Policy, which came into effect on September 01, 2004. The Foreign Trade Policy also permits EPCG licence holders to opt for technological upgradation for their existing capital goods imported under the EPCG licence, subject to certain prescribed conditions.

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.

Duty entitlement pass book ("DEPB") scheme

DEPB credit rates have been prescribed for 83 texiles 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.

Duty drawback scheme

Exporters are allowed refund of the excise and import duty suffered on inputs of the export products under this scheme. The Ministry of Finance, GoI announced the revised 'All Industry Rates of Duty Drawback', which came into effect on May 05, 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 Directorate General of Foreign Trade, 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 high speed diesel/furnace oil has also been factored in the drawback calculation.

Wind energy

The wind power programme in India was initiated towards the end of the Sixth Plan in 1983-84. India has a separate Ministry for Non-Conventional Energy Sources ("MNES"). In 1980, Commission on Alternative Sources of Energy was set up to look into feasibility of tapping into sources of renewable energy. In 1982, a separate Department of Non-Conventional Energy Sources was created under the aegis of the Ministry of Energy for promoting activities relating to development, trial and induction of variety of renewable energy technologies for use in different sectors. In 1992, the MNES started functioning as a separate Ministry to develop all areas of renewable energy. Policy guidelines were issued by the MNES to all the States during the mid Nineties with a view to promote commercial development and private investment in this sector. The guidelines pertain to areas such as provision of facilities for wheeling, banking, third party sale, and buy-back of electricity. Nine states have introduced renewable energy policies following the MNES's Guidelines in the country.

MNES

The mandate of MNES includes research, development, commercialisation and deployment of renewable energy systems/devices for various applications in rural, urban, industrial and commercial sector.

In order to ensure quality of wind farm projects and equipments, the MNES introduced the 'Guidelines for wind power projects' (the "MNES Guidelines") in July 1995 for the benefit of state electricity boards, manufacturers, developers and end-users of energy to ensure proper and orderly growth of the wind power sector. The MNES Guidelines are periodically updated and issued. The MNES Guidelines, inter-alia, make provision for proper planning, siting, selection of quality equipment, implementation and performance monitoring of wind power projects. The MNES Guidelines seek to create awareness among various stakeholders about planned development and implementation of wind power projects.

In 1987, MNES established the IREDA, a financial institution to complement the role of MNES and make available finance to renewable energy projects. IREDA functions under administrative control of MNES. IREDA is involved in extending financial assistance and related services to promote deployment of renewable energy systems in India.

In addition, MNES has established various specialised technical institutions to carry out its mandate. In relation to the wind energy sector, the Centre of Wind Energy Technology at Chennai is the major specialised technical institution, looking into areas such as technology development, testing and certification. In addition, it has also been playing vital role in the wind resource assessment programme of the country.

Setting up of wind farms

The MNES Guidelines set out the conditions that are required to be met for establishing wind farms and also for manufacturing and supplying equipment for wind power projects. These conditions include submission of detailed project reports, approval of sites for wind power installations, type certification by independent testing and certification agencies (either the Centre of Wind Energy Technology or an international certification agency) to ensure quality of the WTGs manufactured. In addition, manufacturers and developers are also required to provide their technical capability and infrastructure.

Regulation of foreign investment

FEMA regulations

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, GoI, which is regulated by the FIPB.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 **("FEMA Regulations")** to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India.

As laid down by the FEMA Regulations, no prior consents and approvals is required from the RBI, for FDI under the 'automatic route' within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI. Presently, investments in companies engaged in the textile sector fall under the RBI's 'automatic route' for FDI/NRI investment of up to 100%.

Ministry of Industry, Department of Industrial Policy and Promotion, Press Note No. 17 (1998 series)

With a view to encouraging investments towards setting up of integrated units and thus achieving value additions, as well as to address the current difficulties of the cotton yarn export oriented units, the GoI promulgated Press Note No. 17 (1998 Series), which allows export oriented units the operational flexibility of exporting cotton yarn without being subject to domestic cotton sourcing restrictions to the extent provided for within the press note.

THE MANAGEMENT

Board of Directors

Under its Articles of Association, the Company is required to have no less than seven Directors and no more than twelve Directors. Presently, the Company has nine Directors on its Board, of which six are independent.

The following table sets forth details regarding the Board of Directors:

Name, father's/spouse's name, address, designation, occupation and term	Nationality	Age (years)	Other directorships
Mr. K. Rajagopal S/o Mr. Kuppuswamy Naidu Ashwin, 691 Avanashi Road Pappanaickenpalayam Coimbatore 641 037, Tamil Nadu, India. Chairman and Managing Director Industrialist Executive Director Not liable to retire by rotation	Indian	76	Lakshmi Apparels and Wovens Limited Seshraj Enterprises Private Limited
Mr. A.L. Ramachandra S/o Mr. A.L. Suryanarayana 230, Tea Estates, Race Course Coimbatore 641 018 Tamil Nadu, India Managing Director Industrialist Executive Director Not liable to retire by rotation	Indian	46	Lakshmi Apparels and Wovens Limited Seshraj Apparels Private Limited Vijayeswari UK Limited, Vijayeswari Australia Pty Limited
Mrs. Jayanthi Ramachandra W/o Mr. A.L. Ramachandra 230, Tea Estates, Race Course, Coimbatore 641 018 Tamil Nadu, India Joint Managing DirectorIndustrialist Executive Director Not liable to retire by rotation	Indian	45	Seshraj Enterprises Private Limited Seshraj Apparels Private Limited Vijayeswari UK Limited Vijayeswari Australia Pty Limited
Mr. P. Vijay Raghunath S/o Mr. M. Panchapakesan 9, Rukmani Nagar, Ramanathapuram Coimbatore 641 045 Tamil Nadu, India Independent Director Advocate Liable to retire by rotation	Indian	39	Elgi Tread India Limited Pricot Meridian Limited English Tools and Castings Limited

Name, father's/spouse's name, address, designation, occupation and term	Nationality	Age (years)	Other directorships
Mr. Durai Ramasamy S/o Mr. Duraisamy Gounder 9/11, Mettupalayam, (Via) Vellakovil District Erode 638 111 Tamil Nadu, IndiaIndependent Director Business Liable to retire by rotation	Indian	76	Sakthi Synthetic Gems Limited
Capt. K.V. Narayanan S/o Mr. C. Kopan Kotikulam 102, Anchor Residency,260, 15th Main Road, R.M.V. Extension Bangalore 560 080 Karnataka, India Independent Director Retired executive Liable to retire by rotation	Indian	79	Lakshmi Apparels and Wovens Limited
Mr. M.D. Selvaraj S/o Mr. M. Doraiswami 'Surya', 33-34, Mayflower Avenue Sowripalayam Road Coimbatore 641 028 Tamil Nadu, India Independent Director Practicing company secretary Liable to retire by rotation	Indian	53	Elgi Rubber Products Limited Elgi Tread India Limited Suryavaradh Securities Private Limited
Mr. N. Balakrishnan S/o Mr. L. Nachimuthu 'Sri Sai', New No.8/Old No. 73 Janakpuri Street, Chennai 600 042 Tamil Nadu, India Independent Director Management consultant Liable to retire by rotation	Indian	68	The Indian Hume Pipe Company Limited Barany Consultancy and Training Private Limited
Mr. V. Dharmaraj S/o Mr. A. Veerappan Chettier 35, Ramanujam NagarKarur 639 002 Tamil Nadu, India Independent Director Business Liable to retire by rotation	Indian	62	Sri Namagiri Lakshmi Finance and Chit Fund Private Limited Swarnashree Investments Private Limited

Profiles of our Directors

Mr. K. Rajagopal holds a degree in bachelor of science in textiles from the Philadelphia College of Textiles and Sciences, United States of America. He was the Managing Director of Lakshmi Mills Company Limited for three decades, up to 1994. He was the Chairman of South India Mills Association for two terms. He was the Chairman of the Indian Cotton Mills Federation for one term. Mr. Rajagopal is a philanthropist, and was the president of the G. Kuppuswamy Naidu Memorial Trust from 1998 to 2004. He is one of the trustees of G. Kuppuswamy Naidu Memorial Hospital.

Mr. A.L. Ramachandra holds a masters degree in microbiology from the California State University, United States of America. He has 18 years of experience in the textile sector, both in the field of manufacturing and marketing.

Mrs. Jayanthi Ramachandra is a graduate in science from the Madras University and has over 25 years of experience in designing and product development.

Capt. K.V. Narayanan is a qualified commercial airline pilot with experience of over 25,000 commanding hours and has served with Indian Airlines Limited for 35 years as an executive commercial airline pilot. He retired as its Deputy Director, Operations in 1985.

Mr. Durai Ramasamy has completed his higher secondary education. He is an eminent agriculturist.He was elected as a Member of the Legislative Assembly, representing the Vellakoil constituency of Tamil Nadu from 1977 to 1996. He has also served as the Minister of Rural Industries in the Government of Tamil Nadu during the period 1991 to 1996.

Mr. V. Dharmaraj holds bachelor of science and bachelor of law degrees from the Madras University and has 40 years experience in the cotton yarn business, including 15 years in the home textiles business.

Mr. N. Balakrishnan holds a masters degree in arts from the University of Madras, a bachelor of law degree from the University of Rajasthan, and is an Associate of Federation of Insurance Institute of India. Mr. Balakrishnan has extensive experience in the field of insurance and has served as an Executive Director in the Life Insurance Corporation of India Limited from 1991 to 1996. He is presently a management consultant.

Mr. M.D. Selvaraj holds a masters degree in commerce and a masters degree in business administration from the University of Madras, and fellowship from the Institute of Company Secretaries of India. Mr. Selvaraj has been a practicing company secretary for over 20 years and has extensive experience in corporate and secretarial matters.

Mr. P. Vijay Raghunath holds a bachelors degree in law from the Bharathiar University, Coimbatore. He has been a lawyer for over 15 years.

Borrowing powers of the Board

Pursuant to a resolution dated June 21, 2006 passed by our shareholders in accordance with provisions of the Companies Act, our Board has been authorised to borrow sums of money for the purpose of the Company upon such terms and conditions and with or without security as the Board of Directors may think fit. The Company may borrow money up to Rs. 5,00,00,00,000 upon such terms and in such manner as they think fit and to grant any mortgage, charge or standard security over its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the company or of any third party.

Details of terms of appointment of executive Directors

Name of Director	Contract/appointment letter/resolution	Details of remuneration	Term
Mr. K. Rajagopal	By resolution of the shareholders of the Company dated September 10, 2004	Rs. 80,000 per month, in addition to perquisites and other allowances. Commission at a rate of 1% of the net profit of the Company, subject to the ceilings prescribed in Sections 198, and 309 of the Companies Act 1956	Re-appointed as the Chairman and Managing Director for a term of five years commencing October 26, 2004
Mr. A.L. Ramachandra	Appointed as the Director – home textiles, by resolution of the shareholders of the Company dated September 18, 2002. Redesignated as the Managing Director pursuant to a resolution of the Board dated April 28, 2005	Rs. 35,000 per month, in addition to perquisites and other allowances. Commission at a rate of 1% of the net profit of the Company, subject to the ceilings prescribed in Sections 198, and 309 of the Companies Act 1956	Appointed as Director – Home Textiles for a term of five years commencing July 01, 2002. Re-designated as the Managing Director pursuant to a resolution of the Board dated April 28, 2005
Mrs. Jayanthi Ramachandra	By resolution of the shareholders of the Company dated September 13, 2005	Rs. 50,000 per month, in addition to perquisites and other allowances. Commission at a rate of 1% of the net profit of the Company, subject to the ceilings prescribed in Sections 198, and 309 of the Companies Act 1956	Re-appointed as Joint Managing Director for a term of five years commencing September 13, 2005

Corporate governance

Corporate governance is administered through the Board 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 the Board. Pursuant to listing of the Equity Shares, the Company would be required to enter into listing agreements with the BSE. The Company is listed with the MSE and is 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:

Audit committee

The audit committee comprises:

- Mr. V. Dharmaraj, an independent Director, is the chairman of our audit committee;
- Mr. N. Balakrishnan;
- Mr. Durai Ramasamy; and
- Mr. M.D. Selvaraj.

Terms of reference of our audit committee include:

1. oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
2. recommending to the Board the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of the audit fees;

3. approval of payment to the statutory auditors for any other services rendered by the statutory auditors;

4. reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

    (a) matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956,

    (b) changes, if any, in accounting policies and practices and reasons for the same,

    (c) major accounting entries involving estimates based on the exercise of judgment by the management,

    (d) significant adjustments made in the financial statements arising out of audit findings,

    (e) compliance with listing and other legal requirements relating to financial statements,

    (f) disclosure of any related party transactions, and

    (g) qualifications in the draft audit report;

5. reviewing, with the management, the quarterly financial statements before submission to the Board for approval.

Shareholders'/Investors' grievance committee

The shareholders'/investors' grievance committee comprises:

- Mr. V. Dharmaraj, an independent Director, is the chairman of the committee;
- Mr. A.L. Ramachandra; and
- Mrs. Jayanthi Ramachandra.

The shareholders'/investors' grievance committee is responsible for the redressal of shareholders and investors' grievances such as non-receipt of share certificates and balance sheet dividend. The committee oversees performance of the registrars and transfer agents of the Company and recommends measures for overall improvement in the quality of investor services. The committee also monitors the implementation and compliance of our code of conduct for prohibition of insider trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992. The Company has appointed Ms. Radhika K. Kumar as the Compliance Officer for this Issue.

Remuneration committee

The remuneration committee comprises:

- Mr. P. Vijay Raghunath, an independent Director, is the chairman of the committee;
- Mr. M.D. Selvaraj; and
- Mr. V. Dharmaraj.

The remuneration committee determines the Company's remuneration policy, having regard to performance standards and existing industry practice. Under the existing policies of the Company, the remuneration committee, inter alia, determines the remuneration payable to our Directors.

Apart from discharging the above-mentioned basic function, the remuneration committee also discharges the following functions:

1. framing policies and compensation including salaries and salary adjustments, incentives, bonuses, promotion, benefits, stock options and performance targets of the top executives;

2. determining the remuneration of Directors; and

3. formulating strategies for attracting and retaining employees, employee development programmes.

Shareholding of the Directors in the Company

The shareholding of the Directors in the Company as on the date of filing of this Red Herring Prospectus with SEBI is as below:

Name	No. of Equity Shares	Pre-Issue percentage shareholding
Mrs. Jayanthi Ramachnadra	18,920	0.21
Mr. V. Dharmaraj	1,18,720	1.29
Mr. Durai Ramasamy	24,000	0.26
Mr. M. D. Selvaraj	1,600	0.02

Interest of Promoters and Directors

All Directors of the Company may be deemed to be interested to the extent of sitting fees and/or other remuneration, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of reimbursement of expenses, if any, payable to them under the Articles of Association of the Company. The Chairman and Managing Director, Managing Director and Joint Managing Director may be deemed to be interested to the extent of remuneration paid to them for services rendered by them and commissions that they are entitled to.

All Directors may also be deemed to be interested in the Equity Shares, if any, held by them, their relatives or by the companies and firms in which they are interested as directors/members/partners or that may be subscribed for and allotted to them, out of the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the Equity Shares.

The corporate office of the Company and the sewing facility are located on land owned by Mrs. Mani Rajagopal, wife of Mr. K. Rajagopal who is one of the Promoters, and Mrs. Jayanthi Ramchandra, a Promoter and currently the Joint Managing Director of the Company. The Promoters and Directors may be deemed to be interested to the extent of the sale consideration paid by the Company for the acquisition of this land. Further, the Promoters and Directors may be deemed to be interested to the extent sale consideration payable by the Company to SAPL for acquiring its assets.

The Company has entered into lease agreements for a period of 3 years with LAWL for the lease of land and existing building and for operating of its weaving facilities. It has also entered into a lease agreement with LAWL for a period of 25 years for the vacant land at the same location, which is to be utilised for setting up additional weaving facilities. The Promoters and Directors may be deemed to be interested to the extent of the lease rentals payable by the Company to LAWL under the lease agreements.

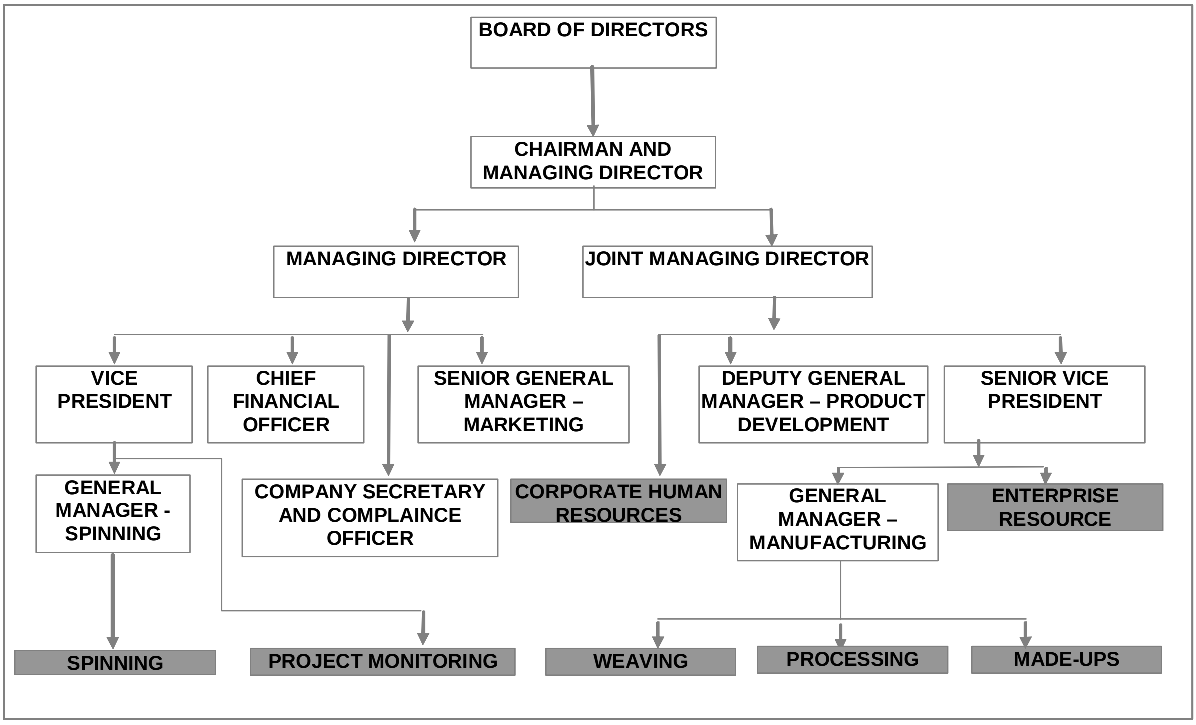
Changes in the Board of Directors

The changes in the Board of Directors of the Company during the past three years are as follows:

Name of Director	Date of Appointment	Date of Cessation	Reasons
Mr. A.L. Ramachandra	September 18, 2002	-	Re-appointed as Director and appointed as Director - Home Textiles for a term of five years commencing July 01, 2002.
Mr. A.R. Guruswamy	Sptember 29, 2003	June 28, 2004	Resigned
Mr. P. Vijay Raghunath	June 28, 2004	-	Appointed as director in the casual vacancy caused due to resignation of Mr. A. R. Guruswamy
Mr. P. Vijay Raghunath	September 10, 2004	-	Appointment confirmed at the AGM
Mr. K. Rajagopal	September 10, 2004	-	Re-appointed as Chairman and Managing Director for a term of five years commencing October 26, 2004
Mr. G.R. Raju	September 10, 2004	November 01, 2004	Resigned

Name of Director	Date of Appointment	Date of Cessation	Reasons
Mr. M.D. Selvaraj	November 01, 2004	-	Appointed as director in the casual vacancy caused due to resignation of Mr. G. R. Raju
Mr. R. Gopinath	September 10, 2004	April 28, 2005	Resigned as Managing Director but continued as a director
Mr. A.L. Ramachandra	April 28, 2005	-	Redesignated as the Managing Director pursuant to a resolution of the Board dated April 28, 2005
Mr. G.R. Vasanthakumar	September 29, 2003	April 28, 2005	Resigned
Capt. K.V. Narayanan	April 28, 2005	-	Appointed as director in the casual vacancy caused due to resignation of Mr. G. R. Vasanthakumar
Mrs. Jayanthi Ramchandra	September 19, 2005	-	Re-appointed as a Director and appointed as Joint Managing Director for a term of five years commencing September 13, 2005
Mr. V. Raju Naidu	September 18, 2002	September 19, 2005	Retired by rotation
Mr. R. Gopinath	-	September 19, 2005	Resigned
Mr. Sudarsan Varadaraj	September 10, 2004	May 02, 2006	Resigned
Mr. M.D. Selvaraj	June 21, 2006	-	Appointed

Organisation structure



Key managerial personnel

In addition to the whole-time Directors of the Company, details of other key managerial personnel are provided below. All these key managerial employees are permanent employees of the Company.

Mr. S. Parameswaran (Senior Vice President): Mr. Parameswaran is a certified textile technologist from the City and Guilds and has over four decades of experience in the textile, and specifically, the weaving sector. Prior to joining the Company as Senior Vice President, in 2006, he headed the weaving division of LAWL for the last 15 years. His current remuneration is approximately Rs. 8,95,000 per annum.

Mr. V. Ramanathan (Vice President): Mr. Ramanathan holds a licenciate in textile manufacturing from the PSG Polytechnic College, Coimbatore, and commenced his professional work experience with the Lakshmi Mills Company Limited in 1966, where he served till 1983. Mr. Ramanathan has been with the Company for over 20 years and has detailed knowledge of spinning machinery and materials and extensive experience in production processes. For the financial year ended March 31, 2006, the remuneration paid to Mr. Ramanathan was approximately Rs. 4,58,000.

Mr. G. Shekar (Senior General Manager – Marketing): Mr. Shekar holds a bachelors degree in commerce from the University of Madras. Prior to joining the Company as Senior General Manager - Marketing in 2006, he was employed with LAWL, a Promoter Group company for the last 15 years. He currently oversees the merchandising and marketing departments of the Company. His current remuneration is approximately Rs. 7,35,000 per annum.

Mr. C. Mohan (General Manager – Manufacturing): Mr. Mohan holds a diploma in textile designing and weaving from the SSM Institute of Technology, Komarapalyam. Prior to joining the Company as General Manager – Manufacturing in 2006, he was employed with LAWL, a Promoter Group company for the last 15 years. He currently heads all three of the Company's supply chains - weaving, processing and made-ups. His current remuneration is approximately Rs. 6,86,000 per annum.

Ms. N. Padma (Chief Financial Oficer): Ms. Padma is a qualified costs and works accountant. Prior to joining the Company in 2003, she worked with Textool Company Limited in a managerial capacity for 10 years. Ms. Padma is in charge of the Finance and Accounts Department of the Company and is also responsible for project finance related aspects of the Company's current expansion plans. For the financial year ended March 31, 2006, the remuneration paid to Ms. Padma was approximately Rs. 4,10,000.

Mr. V. Balasundaram (General Manager – Spinning): Mr. Balasundaram holds a diploma in textile technology from the PSG Polytechnic College, Coimbatore, and a masters in labour management from the the Madurai Kamaraj University, Madurai. Mr. Balasundaram has an aggregate work experience of 22 years, having worked in various capacities for Indian textile companies. Prior to joining the Company in 2006, he worked as a mill manager for Madura Coats Limited for five years and headed its unit at Madurai. His current remuneration is approximately Rs. 7,00,000 per annum.

Mr. S. Sachidanandam (Deputy General Manager – Product Development): Mr. Sachidanandam holds a diploma in textile designing and weaving from the SSM Institute of Textile Technology, Komrapalayam. Prior to joining the Company as Deputy General Manager – Product Development in 2006, he was employed with LAWL, a Promoter Group company for the last 15 years. He currently overseas the product development activities of the Company. His current remuneration is approximately Rs. 6,40,000 per annum.

Ms. Radhika K. Kumar (Company Secretary and Compliance Officer): Ms. Kumar is a qualified costs and works accountant and is an associate of the Institute of Company Secretaries. Ms. Kumar has an aggregate work experience of 13 years in finance, costing and secretarial activities. Prior to joining the Company in 2006, Ms. Kumar worked with Ollys India Apparels Private Limited for approximately six years. Her current remuneration is approximately Rs. 5,03,000 per annum.

Shareholding of key managerial personnel

None of the key managerial employees hold any Equity Shares, except as below:

Name	No. of Equity Shares
Mr. V. Ramanathan	300

Bonus or profit sharing plans for key managerial employees

Except for a percentage of net profits by the Company as commission to certain Directors as officers and employees of the Company, the Company does not have any bonus or profit sharing plan for key managerial personnel.

Interest of key managerial employees

Except for a percentage of net profits by the Company as commission to certain Directors as officers and employees of the Company, none of the key managerial employees of the Company have any interest in the Company except to the extent of remuneration and reimbursement of expenses.

Changes in the key managerial personnel

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

Name	Designation	Date of change	Reason
Mr. S. Parameswaran	Senior Vice President	April 01, 2006	Appointed as Senior Vice President
Mr. V. Ramanathan	Vice President	July 01, 2005	Redesignated as Vice President from General Manager - Spinning
Mr. G. Shekar	Senior General Manager – Marketing		April 01, 2006 Appointed as Senior General Manager – Marketing
Mr. S. Sachidanandam	Deputy General Manager – Product Development	April 01, 2006	Appointed as Deputy General Manager – Product Development
Mr. C. Mohan	General Manager – Manufacturing	April 01, 2006	Appointed as General Manager – Manufacturing
Mr. V. Balasundaram	General Manager – Spinning	January 06, 2006	Appointed as General Manager – Spinning
Ms. N. Padma	Chief Financial Officer	January 31, 2006	Redesignated as Chief Financial Officer from General Manager, Finance & Accounts
Ms. Radhika K. Kumar	Company Secretary	May 13, 2006	Appointed as Company Secretary

For details of changes in the Directors, see the section titled "The Management" on page 75.

Employees share purchase scheme/Employee stock option scheme

The Company does not have any stock option plan.

Payment or benefit to officers

Except statutory benefits upon termination of their employment in the Company or superannuation, no officer of the Company is entitled to any benefit upon termination of his employment.

HISTORY AND CERTAIN CORPORATE MATTERS

History of the Company

The Company was incorporated on September 05, 1953. The registered office of the Company is situated at Puliampatti, (Via) Pollachi, Coimbatore District, Tamil Nadu, India.

The Company has a history of over five decades, having commenced its spinning operations in 1957 with an initial capacity of 5,000 spindles. The spindleage was gradually increased to 15,020 as of 1965. During the period 1965 to 1981, the Company embarked upon an extensive modernisation programme, increasing its spindle capacities from 15,020, in 1965 to 40,216 in 1981. The present capacity is 46,004 spindles. The Company established capacities in weaving and processing facilities in 1995 and 2004 respectively.

The Equity Shares of the Company are listed on the Madras Stock Exchange since 1957.

Main objects

The main objects of the Company, as contained in its Memorandum of Association, are as follows:

- to carry on all or any of the following businesses:- namely, cotton spinners and doublers, wool, silk, flax, jute, hemp and staple fibre spinners, linen manufacturers, cotton, flax, hemp, jute and wool merchants, wool combers, worsted spinners, woollen spinners, yarn merchants, worsted stuff manufacturers, bleachers and dyers and makers of vitriol, bleaching and dyeing materials and to purchase, sell, comb, prepare, spin, dye, and deal in flax, hemp, jute, wool, cotton, silk and other fibrous substances, and to weave or otherwise manufacture, buy and sell and deal in linen, yarn, cloth, and other goods and fabrics, whether textile, felted, netted or looped;
- to deal in and also to work spinning and weaving mills, cotton mills, jute mills, and mills of another description; and to maintain, erect and work ginning factories, foundries and manufacturers of every kind of goods and merchandise; and to erect, maintain and work presses for pressing merchandise into bales. To erect warehouses, tanks, chawls, or other buildings and to erect such machinery, engines, apparatus and work thereon as may be necessary for the purposes of the Company, and to sell or mortgage all or any portion of the same as may be thought desirable;
- to buy, contract for, sell or send for sale in the whole world, cotton, waste, droppings, fly, silk, wool, jute, hemp and other fibrous articles; to deal in all materials and things necessary or useful for dyeing, printing and bleaching purposes and generally to deal in all or any of the fabrics, articles and things and to do all these either on cash or on credit and for ready or future delivery;
- to gin kappas and to spin, weave, manufacture, dye, print and bleach cotton, waste, droppings, fly, silk, wool, jute, hemp and other fibrous articles, and to prepare yarn, clothe, bleached or unbleached and other fabrics and things of what nature or kind so ever;
- to generate, consume, purchase, sell, supply and distribute electricity by erection/installation of wind or hydel or thermal or solar or atomic or any other sources in India or elsewhere; and
- to carry on the business of financiers including refinancing of all operations, rediscounting bills, securitisation, purchase or assignment of financial assets/hire purchase, leasing and letting or lease of movable properties.

Changes in the Memorandum of Association

The following changes have been made to the Memorandum of Association:

Date	Amendment
June 17, 1981	Consequential changes on increase in authorised capital to Rs. 50,00,000 (50,000 equity shares of Rs. 100 each)
July 27, 1990	Consequential changes on increase in authorised capital to Rs. 2,00,00,000 (2,00,000 equity shares of Rs. 100 each)
August 13, 1990	Objects clause amended to include the following objects (p1 to p5): ● manufacturing, importing, dealing, converting etc of all kinds of machinery including textile machinery and textile spares ● to erect, maintain and work all kinds of machinery and buildings for the manufacture of all kinds of textile fabrics; ● to manufacture and deal in lathes and all ancilliary machinery and other workshop machinery and tools of all kinds; ● to manufacture and deal in shuttles, gears and other textile spares; and ● to carry on the business of engineering Iron and steel founders, welders, wiredrawers, etc.
Septemer 15, 1997	Objects clause amended to include the following object (tt):§ to generate, consume, purchase, sell, supply and distribute electricity by erection or installation of wind or hydel or thermal or solar or automatic or any other source in India or elsewhere and to install/ erect transmission equipments, feeder lines, substation etc in connection therewith
August 24, 2001	Objects clause amended to include the following object (uu):§to carry on the business of finances including refinancing of all operations, rediscounting bills,securitization, purchase/ assignment of financial assets hire purchase, lease and letting lease of immovable properties of all kinds
June 23, 2003	Consequential changes on increase in authorised capital to Rs. 5,00,00,000 (5,00,000 equity shares of Rs. 100 each)
September 19, 2005	Face value of equity shares reduced to Rs. 10 per equity share. Authorised capital modified to Rs. 5,00,00,000, divided into 50,00,00,000 equity shares of Rs.10 each
June 21, 2006	Consequential changes on increase in authorised capital to Rs. 20,00,00,000

Key events and milestones

A chronology of some key events and milestones since the Company's inception are as follows:

Year	Key events, milestones and achievements
1953	Incorporation of Vijayeswari Textiles Limited
1957	Installed 5,000 spindles and commenced spinning operations
1957	Equity Shares listed on the MSE
1984	Increased spinning capacity to 49,972 spindles
1987	Started exports of super fine yarns
1995	Installed 12 looms and commenced weaving operations
1996	Commenced exports of home textiles products
1999	Won the Macy's *'five star vendor award'*
2000	Won the Macy's *'five star vendor award'*

Year	Key events, milestones and achievements
2001	Won the Macy's *'five star vendor award'*
2002	Won the Macy's *'five star vendor award'*
2002	Acquired Vijayeswari USA LLC as a wholly owned subsidiary
2003	Won the Macy's *'five star vendor award'*
2003	Acquired Vijayeswari UK Limited as a wholly owned subsidiary
2004	Won the Macy's *'five star vendor award'*
2004	Commissioned a processing plant at SIPCOT Industrial Growth Centre, Perundurai, with a capacity of 12,500 metres per day
2005	Recognised as a 'Two Star Export House' by the Joint Director General of Foreign Trade
2005	Won the Macy's *'five star vendor award'* for the seventh consecutive year
2006	*GossamerCotton™* launched at the Heimtex Fair, Germany
2006	Increased the processing capacity to 15,000 metres per day

Subsidiaries

The Company has two Subsidiaries, Vijayeswari USA LLC and Vijayeswari UK Limited. Particulars of these entities are provided below.

Vijayeswari USA LLC

Vijayeswari USA LLC was incorporated on September 14, 2001. The company was acquired as wholly owned subsidiary in the FY 2002-2003 for the purpose of marketing and selling the Company's products in USA. The principal place of business of Vijayeswari USA LLC is situated at 1 Prudential Plaza, East Randolph Drive, Chicago, Illinois.

Shareholding Pattern as on September 30, 2006

Shareholder	No. of shares	%
Vijayeswari Textiles Limited	19,000	100

Managers as on September 30, 2006

The Manager of the company is Mr. A. L. Ramachandra.

Financial performance

(Rs. Lakhs except per share data)

	March 31, 2004	March 31, 2005	March 31, 2006
Sales and other income	2918.51	4021.50	3989.06
Profit/loss before tax	(130.11)	(51.28)	37.15
Profit/Loss after tax	(130.11)	(51.28)	37.15
Equity capital (Face Value USD 1)	8.27	8.27	8.48
Earnings per share (Rs.)	(684.79)	(269.89)	195.53
Book value per equity share (Rs.)	(672.74)	(942.68)	(732.58)
Reserves & Surplus	(136.09)	(187.38)	(147.67)

Vijayeswari UK Limited

Vijayeswari UK Limited was incorporated on July 25, 2001. The company was acquired as a wholly owned subsidiary in the FY 2003-2004 for the purpose of marketing and selling the Company's products in UK. The registered office of Vijayeswari UK Limited is situated at Unit 4C/4D, West Point, 36-37 Warple Way, Acton, London W3 8JF.

Shareholding Pattern as on September 30, 2006

Shareholder	No. of shares	%
Vijayeswari Textiles Limited	1,000	100

Directors as on September 30, 2006

The Board of Directors of Vijayeswari UK Limited comprises Mr. A.L. Ramachandra, Mrs. Jayanthi Ramachandra and Ms. T. Frost.

Financial performance

(Rs. Lakhs except per share data)

	March 31, 2004	March 31, 2005	March 31, 2006
Sales and other income	1773.38	1436.27	1551.04
Profit/Loss after tax	128.60	3.98	1.91
Equity capital (Face Value GBP 1)	0.83	0.83	0.77
Earnings per share (Rs.)	12,860.00	398.00	191.00
Book value per equity share (Rs.)	11,963.00	12,361.00	12,546.00
Reserves & Surplus	118.80	122.78	124.69

Shareholders agreements

The Company does not have any shareholders' agreements.

Other agreements

There is no material agreement, apart from those entered into in the ordinary course of business carried on or intended to be carried on by the Company and there are no material agreements entered into more than two years before the date of this Red Herring Prospectus.

Strategic partners

The Company has no strategic partners.

Financial partners

The Company has no financial partners.

PROMOTERS AND PROMOTER GROUP

The Promoters

The Promoters of the Company comprise Mr. K. Rajagopal, Mr. A.L. Ramachandra, Mrs. Jayanthi Ramachandra and Seshraj Enterprises Private Limited. Details of the Promoters are provided below.

Mr. K. Rajagopal (passport number E5772181; voter identification number not available; driving licence number R/TN/038/29722/02; bank account number 471035118, Indian Bank), aged 76 years, is the Chairman and Managing Director of the Company. Mr. Rajagopal holds a degree in bachelor of science in textiles from the Philadelphia College of Textiles and Sciences, United States of America. He was the Managing Director of Lakshmi Mills Company Limited for three decades, up to 1994. He was the Chairman of South India Mills Association for two terms. He was the Chairman of the Indian Cotton Mills Federation for one term. Mr. Rajagopal is a philanthropist, and was the president of the G. Kuppuswamy Naidu Memorial Trust from 1998 to 2004. He is one of the trustees of G. Kuppuswamy Naidu Memorial Hospital.

Mr. A. L. Ramachandra (passport number E5341193; voter identification number HBW2675379; driving licence number R/TN/038/11692/99; bank account number 10163063051, State Bank of India), aged 46 years, is the Managing Director of the Company. Mr. Ramachandra holds a masters degree in microbiology from the California State University, United States of America. He has 18 years of experience in the textile sector, both in the field of manufacturing and marketing.

Mrs. Jayanthi Ramachandra, (passport number E8897415; voter identification number HBW2675361; driving licence number F/TN/38/1059/1999; bank account number 10163063040, State Bank of India), aged 45 years, is the Joint Managing Director of the Company. Mrs. Ramachandra is a graduate in science from the Madras University and has over 25 years of experience in designing and product development.

Seshraj Enterprises Private Limited

SEPL was incorporated as a private company under the Companies Act on December 07, 1992 and is engaged in apparel trading and manufacturing of packing cases. On November 28, 2003, the registered office of SEPL was shifted from 694, Avanashi Road, Coimbatore 641 037, Tamil Nadu, India, to its present office at 10/400, Palghat Main Road, Kuniamuthur, Coimbatore 641 008, Tamil Nadu, India. Currently, SEPL is the holding of the Company. The equity shares of SEPL are not listed on any stock exchange. There have been no changes in the capital structure of SEPL in the past three years, except further issue of equity shares as detailed below:

Date	Name of allottee	No. of equity shares
October 23, 2003	Mani Rajagopal	59,000
October 23, 2003	Jayanthi Ramachandra	60,001
October 23, 2003	K. Rajagopal	101

Shareholding Pattern as on September 30, 2006

The shareholding pattern of SEPL is as follows:

Shareholder	No. of shares	%
K. Rajagopal	101	0.06
Mani Rajagopal	120,002	66.63
Jayanthi Ramachandra	60,001	33.31
Total	**1,80,104**	**100.00**

Directors as on September 30, 2006

The Board of Directors of SEPL comprises Mr. K. Rajagopal, Mrs. Mani Rajagopal and Mrs. Jayanthi Ramachandra.

Financial performance

(Rs. In Lakhs)

	March 31, 2004	March 31, 2005	March 31, 2006
Operating and Other Income	45.85	91.76	107.69
Profit/(Loss) before Tax	(2.53)	46.62	42.85
Profit/(Loss) after Tax	(3.20)	43.96	39.60
Equity Share Capital	18.01	18.01	18.01
Reserves and Surplus	952.48	996.45	1036.05
Earnings per share (Rs.)	(5.24)	24.41	21.99
Book Value (Rs.)	538.85	563.26	585.26

Change in management

There has been no change in the management of SEPL.

Promoter Group

In addition to the Promoters named above, the natural persons, HUFs, companies, firms and proprietorships listed below are part of the Promoter Group. The natural persons who are part of the Promoter Group (due to their relationship with the Promoters), other than the Promoters named above are as follows:

Sr. No.	Name	Relation to Promoter
1.	Mani Rajagopal	Wife of K. Rajagopal
2.	R. Gopinath	Son of K. Rajagopal
3.	G.K. Sundaram	Brother of K. Rajagopal
4.	Shasikala Suryanarayana	Mother of A.L. Ramachandra
5.	Anutham Narayana	Son of A.L. Ramachandra
6.	Amruthavalli	Daughter of A.L. Ramachandra

None of the Promoter Group individuals listed above hold any Equity Shares in the Company, except as provided below:

Shareholder	No. of shares	%
Mani Rajagopal	4,17,140	4.55
R. Gopinath	2,66,600	2.91
R. Gopinath (HUF)	97,260	1.06
Anutham Narayana	8,000	0.09

In addition to Seshraj Enterprises Private Limited, Vijayeswari USA LLC and Vijayeswari UK Limited, the companies, which are part of the Promoter Group, are Lakshmi Apparels and Wovens Limited, Seshraj Apparels Private Limited, Vijayeswari Australia Pty Limited and Coimbatore Lakshmi Investment and Finance Company Limited.

The partnership firms, which are a part of the Promoter Group, are Anweshana, Kay Arr Enterprises, Seshraj Fabric, Seshraj Wovens, Seshraj Textiles and R.G. & Co.

The sole proprietorship, which is a part of the Promoter Group, is Gun and Rifle Shop.

The HUF, which is a part of the Promoter Group, is K. Rajagopal (HUF)

Details of companies forming part of the Promoter Group are as follows:

Lakshmi Apparels and Wovens Limited

LAWL was incorporated as a public limited company under the Companies Act, 1956 on March 21, 1991 and is engaged in the manufacture of grey fabric and also undertakes conversion work from yarn to fabric for the Company and other companies. On, March 01, 2003 the registered office of SAPL was shifted from 1088, Avanashi Road, Coimbatore 641 037, Tamil Nadu, India, to its present office at 10/400, Palghat Main Road, Kuniamuthur, Coimbatore 641 008, Tamil Nadu, India. The equity shares of LAWL are not listed on any stock exchange. There have been no changes in the capital structure of LAWL in the past three years.

Shareholding Pattern as on Septmeber 30, 2006

The shareholding pattern of LAWL is as follows:

Shareholder	No. of shares	%
Promoter and Promoter Group		
A. L. Ramachandra	1,76,200	5.87
R. Gopinath	2,01,400	6.71
Mani Rajagopal	1,18,200	3.94
R. Gopinath (HUF)	1,34,000	4.47
Jayanthi Ramachandra	5,58,500	18.62
Madhavi Gopinath	42,000	1.40
Gayatri Balaji	6,000	0.20
K. V. Narayanan	20,000	0.67
Mohan Nambiar	2,000	0.07
Balaji Thumala	10,000	0.33
Vijayeswari Textiles Limited	4,40,000	14.67
Anutham Narayana	11,600	0.39
Subtotal Total (A)	**17,19,900**	**57.33**
Others (B)	12,80,100	42.67
Total (A) + (B)	**30,00,000**	**100.00**

The total number of shareholders of LAWL is 1,804.

Directors as on Septmeber 30, 2006

The Board of Directors of LAWL comprises Mr. K. Rajagopal, Mr. A.L. Ramachandra, Dr. T. Balaji, Mr. N. Mohan Nambiar and Capt. K.V. Narayanan.

Financial performance

(Rs. In Lakhs)

	March 31, 2004	***March 31, 2005***	***March 31, 2006***
Operating and Other Income	1044.36	923.82	1497.53
Profit/(Loss) before Tax	127.51	(131.60)	16.46
Profit/(Loss) after Tax	89.92	(113.66)	8.77
Equity Share Capital	300.00	300.00	300.00
Reserves and Surplus	59.40	(54.26)	(45.49)
Earnings per share (Rs.)	3.00	(4.46)	0.71
Book Value (Rs.)	11.98	8.19	8.48

Change in management

There has been no change in the management of LAWL.

Seshraj Apparels Private Limited

The company was originally incorporated as 'Mojo Apparels Private Limited' under the Companies Act, 1956 on November 03, 1989. The name of the company was changed to 'Seshraj Apparels Private Limited on March 04, 1993. SAPL is engaged in the manufacture and sale of readymade garments and also undertakes conversion work for the Company in relation to the manufacture of made-ups. On November 24, 2003, the registered office of SAPL was shifted from 694, Avanashi Road, Coimbatore 641 037, Tamil Nadu, India, to its present office at 10/400, Palghat Main Road, Kuniamuthur, Coimbatore 641 008, Tamil Nadu, India. The equity shares of SAPL are not listed on any stock exchange. There have been no changes in the capital structure of SAPL in the past three years, except further issue of shares as detailed below:

Date	Name of allottee	No. of equity shares
January 27, 2005	K. Rajagopal	38,000

Shareholding Pattern as on Septmeber 30, 2006

The shareholding pattern of SAPL is as follows:

Shareholder	No. of shares	%
K. Rajagopal	4,33,000	36.20
K. Rajagopal (joint holding with Kay Arr)	2,00,000	16.72
R. Gopinath	1,57,600	13.18
A.L. Ramachandra	1,43,000	11.96
Jayanthi Ramachandra	1,36,500	11.41
Mani Rajagopal	1,18,600	9.92
Shasikala Suryanarayana	6,000	0.50
Madhavi Gopinath	1,300	0.11
Total	**11,96,000**	**100.00**

Directors as on September 30, 2006

The Board of Directors of SAPL comprises Mrs. Jayanthi Ramachandra and Mr. A.L. Ramachandra.

Financial performance

(Rs. In Lakhs)

	March 31, 2004	March 31, 2005	March 31, 2006
Operating and Other Income	553.06	497.16	507.03
Profit/(Loss) before Tax	74.76	(36.58)	17.18
Profit/(Loss) after Tax	59.27	(38.11)	16.93
Equity Share Capital	115.80	119.60	119.60
Reserves and Surplus	(45.39)	(83.49)	(66.56)
Earnings per share (Rs.)	5.12	(3.26)	0.14
Book Value (Rs.)	6.08	3.02	4.43

Change in management

There has been no change in the management of SAPL.

Vijayeswari Australia Pty Limited

Vijayeswari Australia was incorporated on September 01, 2004 with its registered office at Unit 1, Building 5, 49 French's Forest Road, French's Forest NSW 2086, Australia. Vijayeswari Australia has been formed with the object to import and distribute textiles. The company has not carried any trading or other business activities. There has been change in the registered office of Vijayeswari Australia. The equity shares of Vijayeswari Australia are not listed on any stock exchange.

Shareholding pattern as on September 30, 2006

Mrs. Jayanthi Ramachandra owns the entire issued and paid up capital of Vijayeswari Australia.

Directors as on September 30, 2006

The Board of Directors of Vijayeswari Australia comprises Mr. A. L. Ramachandra and Mrs. Jayanthi Ramachandra.

Financial performance

(Rs. In Lakhs)

	March 31, 2005	**March 31, 2006**
Operating and Other Income	-	-
Profit/(Loss) before Tax	-	-
Profit/(Loss) after Tax	-	-
Equity Share Capital	0.03	0.03
Reserves and Surplus	(1.35)	(17.09)
Earnings per share (Rs.)	-	-
Book Value (Rs.)	(1,320.00)	(17,060.00)

Change in capital structure and management

Pursuant to a share transfer transaction consummated between the Company and Mrs. Jayanthi Ramachandra on March 31, 2006, Vijayeswari Australia has ceased to be a subsidiary of the Company.

Coimbatore Lakshmi Investment and Finance Company Limited

CLIF was incorporated as a public limited company under the Companies Act, 1956 on September 19, 1989. On, August 28, 2004 the registered office of CLIF was shifted from 1088, Avanashi Road, Coimbatore 641 037, Tamil Nadu, India, to its present office at 10/400, Palghat Main Road, Kuniamuthur, Coimbatore 641 008, Tamil Nadu, India. Currently, CLIF is not undertaking any business operations except recoveries of dues and repayment of liabilities.

CLIF was engaged in the business of Hire Purchase, Leasing and Bills Discounting. CLIF was originally classified by RBI as a "Hire Purchase and Leasing Company" and was permitted to accept public deposit. The company had applied for renewal of registration as an NBFC with RBI, which was rejected in 2002. In 1998, the company was unable to meet the demands/re-payment of fixed deposits and accordingly the Company Law Board, Chennai had framed a scheme/ schedule for re-payment of fixed deposits. As on August 07, 2006, CLIF had reported repayment of deposits in accordance with the scheme to the Company Law Board.

There have been no changes in the capital structure of CLIF in the past three years. The Equity Shares of CLIF are listed on the Madras Stock Exchange, Coimbatore Stock Exchange and Bombay Stock Exchange Limited. The shares have been suspended from trading from BSE w.e.f. October 26, 1998. Further, CLIF had not paid the listing fees to the Madras Stock Exchange and Coimbatore Stock Exchange from FY 1999-2000 onwrads. The same has been paid by CLIF in October 2006. As on date of filing of this Red Herring Prospectus, there was no transaction of equity shares of the company on the stock exchanges for the last three years.

For details see the section titled "Outstanding Litigations and Material Developments" on page 140.

Shareholding Pattern as on September 30, 2006

The shareholding pattern of CLIF is as follows:

Shareholder	No. of shares	%
Promoter and Promoter Group		
K. Rajagopal	27,602	0.55
R. Gopinath	25,602	0.51
Mani Rajagopal	500	0.01
Madhavi Gopinath	10,500	0.21
Venu Agencies	77,000	1.54
Advanced Marketing Services Private Limited	1,22,211	2.45
Vijayeswari Textiles Limited	5,83,595	11.71
Subtotal Total (A)	**8,47,010**	**16.99**
Others (B)	**41,37,902**	**83.01**
Total (A) + (B)	**49,84,912**	**100.00**

Directors as on September 30, 2006

The Board of Directors of CLIF comprises Mrs. Mani Rajagopal, Mr. M.R. Achayakumar and Mr. V. Ramanathan.

Financial performance

(Rs. In Lakhs)

	March 31, 2004	March 31, 2005	March 31, 2006
Operating and Other Income	7.21	373.41	15.19
Profit/(Loss) before Tax	(16.31)	359.73	(16.66)
Profit/(Loss) after Tax	(16.31)	359.73	(16.75)
Equity Share Capital	498.49	498.49	498.49
Preference Share Capital	80.35	80.35	80.35
Reserves and Surplus	(2,784.23)	(2,424.50)	(2,441.24)
Earnings per share (Rs.)	(0.33)	7.22	(0.34)
Book Value (Rs.)	(55.85)	(48.64)	(48.97)

Change in management

There has been no change in the management of SAPL.

Details of partnership firms, proprietorship concerns and HUFs forming part of the Promoter Group are as follows:

Anweshana

Anweshana was incorporated as a partnership firm on March 23, 1992 and is engaged in retail sales in books, stationery, gifts and toys.

Partners and profit sharing ratio as September 30, 2006

Details of the partners and the profit and loss sharing ratio of Anweshana are as follows:

Partner	%
Mani Rajagopal	95.00
Shasikala Suryanarayana	05.00
Total	**100.00**

Financial performance

(Rs. In Lakhs)

	March 31, 2004	March 31, 2005	March 31, 2006
Partners' Capital	0.40	0.20	0.20
Partners' Current Account	20.36	16.20	37.44
Sales	166.58	141.70	180.00
Profit/(Loss) after Tax (PAT)	0.80	(2.08)	13.38

Kay Arr Enterprises

Kay Arr Enterprises was incorporated as a partnership firm on October 14, 1972 and is engaged in the business of leasing of machineries and investments in shares.

Partners and profit sharing ratio as on September 30, 2006

Details of the partners and the profit and loss sharing ratio of Kay Arr Enterprises are as follows:

Partner	%
Mani Rajagopal	33.33
Jayanthi Ramachandra	33.33
R. Gopinath (HUF)	33.33
Total	**100.00**

Financial performance

(Rs. In Lakhs)

	March 31, 2004	March 31, 2005	March 31, 2006
Partners' Capital	0.75	0.75	0.75
Partners' Current Account	24.47	24.44	21.41
Sales	3.08	6.24	18.13
Profit/(Loss) after Tax (PAT)	2.79	5.96	11.34

Seshraj Fabrics

Seshraj Fabrics was incorporated as a partnership firm on May 12, 1989 for the purpose of engaging in the business of manufacturing cloth and leasing machinery. Seshraj Fabrics has not been engaged in any business activities since April 1994.

Partners and profit sharing ratio as on September 30, 2006

Details of the partners and the profit and loss sharing ratio of Seshraj Fabrics are as follows:

Partner	%
Mani Rajagopal	30.00
A.L. Ramachandra	30.00
R. Gopinath	30.00
Vijay Venkataswamy	10.00
Total	**100.00**

Financial performance

(Rs. In Lakhs)

	March 31, 2004	March 31, 2005	March 31, 2006
Partners' Capital	0.30	0.30	0.30
Partners' Current Account	(12.04)	(12.04)	(12.04)
Sales	-	-	-
Profit/(Loss) after Tax (PAT)	-	-	-

Seshraj Wovens

Seshraj Wovens was incorporated as a partnership firm on October 25, 1989 for the purpose of engaging in the business of manufacturing cloth and leasing machinery. Seshraj Wovens has not been engaged in any business activities since April 1994.

Partners and profit sharing ratio as on September 30, 2006

Details of the partners and the profit and loss sharing ratio of Seshraj Wovens are as follows:

Partner	%
Mani Rajagopal	48.00
Jayanthi Ramachandra	08.00
R. Gopinath	44.00
Total	**100.00**

Financial performance

(Rs. In Lakhs)

	March 31, 2004	March 31, 2005	March 31, 2006
Partners' Capital	8.84	8.84	8.84
Partners' Current Account	(8.83)	(8.83)	(8.83)
Sales	-	-	-
Profit/(Loss) after Tax (PAT)	-	-	-

Seshraj Textiles

Seshraj Textiles was incorporated as a partnership firm on June 18, 1989 for the purpose of engaging in the business of manufacturing cloth and leasing machinery. Seshraj Textiles has not been engaged in any business activities since April 1994.

Partners and profit sharing ratio as on September 30, 2006

Details of the partners and the profit and loss sharing ratio of Seshraj Textiles are as follows:

Partner	%
Jayanthi Ramachandra	50.00
A.L. Ramachandra	50.00
Total	**100.00**

Financial performance

(Rs. In Lakhs)

	March 31, 2004	March 31, 2005	March 31, 2006
Partners' Capital	0.50	0.50	0.50
Partners' Current Account	(61.27)	(61.27)	(61.27)
Sales	-	-	-
Profit/(Loss) after Tax (PAT)	-	-	-

R.G. & Co.

R.G. & Co. was incorporated as a partnership firm on May 15, 1989 for the purpose of engaging in the business of leasing of vehicles. R.G. & Co. has not been engaged in any business activities since April 1994.

Partners and profit sharing ratio as on September 30, 2006

Details of the partners and the profit and loss sharing ratio of R.G. & Co. are as follows:

Partner	**%**
Mani Rajagopal	45.00
R. Gopinath	45.00
A.L. Ramachandra	10.00
Total	**100.00**

Financial performance

(Rs. In Lakhs)

	March 31, 2004	**March 31, 2005**	**March 31, 2006**
Partners' Capital	0.20	0.20	0.20
Partners' Current Account	(2.00)	(2.00)	(2.00)
Sales	-	-	-
Profit/(Loss) after Tax (PAT)	-	-	-

Gun and Rifle Shop

Gun and Rifle Shop was established as a proprietorship concern by K. Rajagopal (HUF) on July 01, 1965 for the purpose of engaging in the business of dealing in arms and ammunition. Gun and Rifle Shop has not been engaged in any business activities since April 2004.

Financial performance

(Rs. In Lakhs)

	March 31, 2004	**March 31, 2005**	**March 31, 2006**
Capital Account	0.10	0.10	0.10
Current Account	(2.29)	(2.29)	(2.29)
Sales	-	-	-
Profit/(Loss) after Tax (PAT)	-	-	-

K. Rajagopal (HUF)

K. Rajagopal is the Karta of K. Rajagopal (HUF), which primarily managed the business activities of the Gun and Rifle Shop and is engaged in agricultural activities:

Financial performance

(Rs. In Lakhs)

	March 31, 2004	**March 31, 2005**	**March 31, 2006**
Capital Account	4.00	4.00	7.00
Total Income	-	-	3.00
Profit/(Loss) after Tax (PAT)	-	-	2.90

None of the Promoter Group companies have been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995.

For details on litigations and disputes pending against the Promoter Group companies and defaults made, please see the section titled "Outstanding Litigations and Material Developments" on page 140.

Other confirmations

The Company confirms that the details of the permanent account numbers, bank account numbers and passport numbers (for individuals), company registration number and the addresses of the registrar of companies where SEPL is registered will be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus with the Stock Exchanges.

Further, the Promoters have confirmed that they have not been declared as wilful defaulters by the Reserve Bank of India or any other Governmental authority and there are no violations of securities laws committed by them in the past or are pending against them, and that none of them have been restricted from accessing the capital markets.

The Company confirms that the permanent account number, bank account number, the company registration numbers and the addresses of the Registrars of Companies where the Company is registered will be submitted to the MSE and BSE where the Equity Shares are proposed to be listed, at the time of filing the Draft Red Herring Prospectus with them.

Past ventures of the Promoters

There are no companies with which the Promoters have disassociated themselves in the last three years.

Interest in the promotion of the Company

Except as specified in "The Management - Interest of Promoters and Directors" on page 80, none of the Promoters have any interest in the promotion or property of the Company.

Payment of benefits to the Promoters during the last two years

Except as stated in the section "Financial Statements - Related Party Transactions" on page 120, there has been no payment of benefits to the Promoters during the last two years from the date of filing of this Red Herring Prospectus.

Common pursuits and conflict of interest

The Promoter Group companies, SEPL, LAWL and SAPL are in similar line of business. However, the nature of business of SEPL, LAWL and SAPL is supplementary in nature. All these Promoter Group companies undertake conversion work for the Comapny and do not produce the same products and/or product range as that of the Company. As such there is no conflict of interest detrimental to the business as far as the Company is concerned.

Related party transactions

For details of the related party transactions, see section titled "Financial Statements- Related Party Transactions" beginning on page 120.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board of Directors and approved by the shareholders of the Company, at their discretion, and will depend on a number of factors, including but not limited to the profits, capital requirements and overall financial condition of the Company. However, the declaration of dividend may require prior approval of some of the Company's lenders as per the terms of the loan agreements executed with them.

The Company has consistently paid dividends to its shareholders. The table below provides information of dividend declared by the Company during the last three fiscal years.

(Rs. lakhs, except share data)

	Financial year ended March 31, 2004	**Financial year ended March 31, 2005**	**Financial year ended March 31, 2006**
Paid-up equity share capital	458.46	458.46	458.46
Face value (Rs.)	100	100	10
Rate of dividend (%)	12%	10%	20%
Amount of dividend	55.01	45.85	91.69
Tax on dividend	7.05	6.57	12.86

The table below provides information of dividend declared by the Company during the last 20 fiscal years.

Financial year	**Rate of dividend (%)**	**Paid-up equity capital (Rs. Lakhs)**
1986 (12 months)*	20	32.00
1987 (12 months)*	20	32.00
1988-89 (15 months)	30	48.00
1989-90	35	48.00
1990-91	35	48.00
1991-92	35	96.00
1992-93	35	96.00
1993-94	35	96.00
1994-95	35	96.00
1995-96	35	96.00
1996-97	25	96.00
1997-98	40	96.00
1998-99	35	96.00
1999-00	30	96.00
2000-01	35	96.00
2001-02	35	96.00
2002-03	30	96.00
2003-04	12	458.46
2004-05	10	458.46
2005-06	*20*	*458.46*

* Financial Year ended December 31

FINANCIAL STATEMENTS

Auditors' Report as required by Part II of Schedule II of the Companies Act, 1956

The Board of Directors
Vijayeswari Textiles Limited

Subject: Your Proposed Public Issue

Dear Sirs,

We have examined the financial information of the Vijayeswari Textiles Limited annexed to this report, which has been prepared in accordance with the requirements of:

i) Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 (the Act), and the amendments thereof;

ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the Guidelines) issued by the Securities and Exchange Board of India (SEBI) and amendments made thereto from time to time in pursuance of section 11 of the Securities and Exchange Board of India Act, 1992; and

iii) The instruction received from the company requesting to examine the financial information referred to above and proposed to be included in the letter of Offer of the company in connection with its proposed Follow on Public Offer (FPO).

Financial Information of the Company

1. We have examined the attached statement of restated Assets & Liabilities of the company as at 31st March 2002, 2003, 2004, 2005, 2006 and 30th September 2006 (Annexure - I) and accompanying statement of restated Profit & Loss of the company for the financial year(s) / period ended 31st March 2002, 2003, 2004, 2005, 2006 and 30th September 2006 (Annexure – II) as prepared by the company and approved by the Board of Directors. These statements reflects the assets and liabilities and Profit and Losses for each of the relevant years as extracted from the balance sheet and profit and loss account for those years audited by us. These statements have been made after making such adjustment regroupings as in our opinion are appropriate and more fully described in the Notes appearing in Annexure III to this report.

2. We have examined the attached restated consolidated statements of assets and liabilities of the Company and its Subsidiaries as at 31st March 2003, 2004, 2005, 2006 and 30th September 2006 (Annexure XVIII) and accompanying Consolidated statements of restated Profit and loss of 'the Company' and 'its Subsidiaries' for the year(s) / period ended 31st March 2003, 2004, 2005, 2006 and 30th September 2006 (Annexure XIX) as prepared by Company. These statements have been made on 31st March and 30th September after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Notes appearing in Annexure XX to this report.

3. Based on our examination of these summary statements we confirm that:

   - The impact of qualifications in auditors report wherever applicable has been explained in the Annexure III.
   - The impact of extra-ordinary items has been separately disclosed in the attached summary statement.
   - The impact arising on account of changes in accounting policies (as disclosed in Annexure IV to this report) adopted by the company has been adjusted with retrospective effect in the attached summary statements.

4. We have examined the Statement of Dividend paid by the Company on equity shares in respect of the financial years / period ended March 31, 2002, 2003, 2004, 2005, 2006 and 30th September 2006 as disclosed in Annexure V. We confirm that the Company has no other class of issued and paid-up shares during those years.

5. We have examined the following financial information relating to the company prepared by the management and approved by the Board of Directors for the purpose of inclusion in the Offer document:

   i. Details of Other Income as appearing in Annexure VI to this report.

   ii. Accounting Ratios as appearing in Annexure VII to this report.

iii. Capitalisation Statement as appearing in Annexure VIII to this report.

iv. Statement of Tax Shelters as appearing in Annexure IX to this report.

v. Statement of Secured Loans as appearing in Annexure X to this report.

vi. Statement of Unsecured Loans as appearing in Annexure XI to this report.

vii. Details of Investments as appearing in Annexure XII to this report.

viii. Details of Debtors as appearing in Annexure XIII to this report.

ix. Details of Loans & Advances as appearing in Annexure XIV to this report.

x. Details of Contingent Liabilities and Capital Commitments as appearing in Annexure XV to this report.

xi. Details of Related Party, Relationship & Transactions and Significant Transaction with related parties as appearing in Annexure XVI to this report.

xii. Cash Flow Statement as restated as appearing in Annexure XVII to this report.

In our opinion the above financial information of the company read with Significant Accounting Policies and notes on accounts attached in Annexure IV to this report, after making adjustments and regrouping as considered appropriate has been prepared in accordance with Part II of the Schedule II of the Act and the SEBI Guidelines.

This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred therein.

This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of Equity shares of the Company and is not be used, referred to or distributed for any other purpose without our written consent.

PLace: Coimbatore
Date: 15th January 2007

For **Subbachar & Srinivasan**
Chartered Accountants

T.S.V.Rajagopal
Partner
Membership No. 200380

ANNEXURE – I

SUMMARY OF UNCONSOLIDATED ASSETS AND LIABILITIES - RESTATED

(Rupees in Lakhs)

Details	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Fixed Assets						
Gross Block	3831.31	4720.86	5312.36	5561.32	5841.02	6010.30
Less: Depreciation	2107.82	2333.51	2539.48	2845.34	2938.07	3066.93
Net Block	**1723.49**	**2387.35**	**2772.88**	**2715.98**	**2902.95**	**2943.37**
Capital Work in progress	273.95	183.80	51.21	65.00	-	-
(A)	**1997.44**	**2571.15**	**2824.09**	**2780.98**	**2902.95**	**2943.37**
B. Investments	**145.37**	**159.24**	**160.04**	**59.17**	**54.14**	**54.14**
Current Assets, Loans and Advances						
Inventories	2056.39	2628.18	2911.46	3687.90	4797.59	5506.72
Sundry Debtors	694.30	1961.26	2685.99	2759.63	3864.00	3540.71
Cash and Bank balances	140.02	140.08	350.89	213.61	122.37	316.62
Loan and Advances	1410.74	2595.58	2488.11	3304.13	2578.23	2953.32
Sub Total (C)	**4301.45**	**7325.10**	**8436.45**	**9965.27**	**11362.19**	**12317.37**
Less: Loans and Liabilities						
Secured Loans	2813.31	3577.37	3900.75	4484.97	4971.61	5827.11
Unsecured Loans	85.37	1318.65	291.72	256.88	92.80	38.89
Current Liabilities and Provisions	993.05	2451.59	3177.71	4020.82	4873.22	4274.82
Sub Total (D)	**3891.73**	**7347.61**	**7370.18**	**8762.67**	**9937.63**	**10140.82**
Deferred Tax Liability (E)	**-**	**-**	**-**	**-**	**-**	**-**
Net Worth (A+B+C-D-E)	**2552.53**	**2707.88**	**4050.40**	**4042.75**	**4381.65**	**5174.06**
Represented by						
Share Capital	96.00	96.00	458.46	458.46	458.46	916.92
Reserves & Surplus	2456.53	2611.88	3591.93	3584.26	4323.64	4668.20
Less: Miscellaneous Expenditure not written off	-	-	-	-	400.48	411.06
Net Worth	**2552.53**	**2707.88**	**4050.39**	**4042.72**	**4381.62**	**5174.06**

ANNEXURE - II

STATEMENT OF UNCONSOLIDATED PROFIT & LOSS (RESTATED)

(Rupees in Lakhs)

Details	For the year ending 31st					30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Income						
Net sales of products manufactured by the company	6004.50	7069.77	8363.38	8143.14	9365.49	6628.53
Other Income	371.23	503.34	836.80	650.79	387.94	326.97
Increase / (Decrease) in Stock	139.75	653.32	242.96	739.88	563.64	202.90
Total	**6515.48**	**8226.43**	**9443.14**	**9533.81**	**10317.07**	**7158.40**
Expenditure						
Raw Material consumed	2106.05	2714.62	2519.51	2690.53	3305.00	2701.58
Staff Costs	427.67	452.00	461.06	475.05	429.87	242.37
Other Manufacturing Expenses	2307.45	3318.44	4017.05	3916.22	3352.27	2183.08
Administration Expenses	449.12	466.21	543.82	589.76	462.41	357.48
Selling and Distribution Expenses	428.73	439.77	761.96	878.86	614.65	257.30
Interest	379.78	372.49	452.16	513.92	650.89	328.00
Depreciation	240.02	240.06	235.39	311.80	262.53	128.86
Total	**6338.82**	**8003.59**	**8990.95**	**9376.14**	**9077.62**	**6198.67**
Net Profit before Extra Ordinary Items & Tax	176.66	222.84	452.19	157.67	1239.45	959.73
Current tax	24.00	35.00	35.00	12.00	50.00	90.00
Reversal of earlier year excess provision of tax	-	-	-	-	(45.13)	-
Deferred tax	-	-	-	-	-	-
Net Profit before Extra Ordinary Items	**152.66**	**187.84**	**417.19**	**145.67**	**1234.58**	**869.73**
Less: Extra Ordinary Items – Product Development Expenditure – w.off	-	-	-	-	-	66.75
Less: Extra Ordinary Items - Unrealizable receivables w.off	-	-	-	-	390.65	-
Less: Provision for Doubt full receivables	-	-	100.00	-	-	-
Net Profit After Extra Ordinary Items	**152.66**	**187.84**	**317.19**	**145.67**	**843.93**	**802.98**
Less: Prior year adjustments	6.70	-	-	-	-	-
Add: Transfer from Investment Fluctuation Reserve	-	-	-	100.90	-	-
Add: Transfer from Investment Allowance (Utilized) Reserve	-	55.60	-	-	-	-

STATEMENT OF UNCONSOLIDATED PROFIT & LOSS (RESTATED) (Contd..)

(Rupees in Lakhs)

Details	For the year ending 31st					30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Add: Transfer from Debenture Redemption Reserve	-	100.00	-	-	-	-
Less: Provision for Diminution in Value of Investments	-	-	-	100.90	-	-
Surplus from Previous Year	784.45	778.41	1072.36	1312.49	1399.92	354.28
Amount Available for Appropriation	**930.41**	**1121.85**	**1389.55**	**1458.16**	**2243.85**	**1157.26**
Appropriations						
Transfer to General Reserve	50.00	17.00	15.00	5.82	1785.02	-
Transfer to Investment Fluctuation Reserve	68.40	-	-	-	-	-
Final Dividend	33.60	28.80	55.01	45.85	91.69	-
Tax on Dividend	-	3.69	7.05	6.57	12.86	-
Balance carried to Balance Sheet	778.41	1072.36	1312.49	1399.92	354.28	1157.26
Total	**930.41**	**1121.85**	**1389.55**	**1458.16**	**2243.85**	**1157.26**

ANNEXURE - III

NOTES TO ADJUSTMENTS CARRIED OUT IN RESTATED FINANCIAL STATEMENTS

1. Restated financial statements have been prepared in respect of five years commencing from the financial years ended 31.03.2002 to 31.03.2006 and six months period ended 30th September 2006. As a result of restatement of income and expenses amounts, the necessary adjustments have been made against the reserves and corresponding effect have been given to the respective heads in related year balance sheet.

2. Following adjustments have been given effect in restated financial statements:

   a) From the financial year ended 31.03.2006, the company changed the rate of Depreciation on Plant and Machinery of Spinning and processing divisions, acquired on or after 1st April 1993, as they are continuous process plant (SLM). In respect of Buildings and Windmills depreciation is changed from WDV method to SLM method. Due to adoption of this change, during the financial year 2005-06, excess depreciation of Rs.672.48 lakhs of earlier years is withdrawn and credited to Profit and loss account. Accordingly, the depreciation effect on audited financial statements has been adjusted in the restated summary statement of Profit & Loss account for the year ended 31.03.2002, 31.03.2003, 31.03.2004, 31.03.2005 and restated summary statement of Assets & Liabilities as at 31.03.2002, 31.03.2003, 31.03.2004, 31.03.2005.

   b) Upto the financial year 2004-05, the customs duty and clearing and forwarding charges on shipments through the 100% wholly owned subsidiaries in UK & USA were incurred by Vijayeswari Textiles Limited. The sale value also was inclusive of the duty & clearing charges. But from the financial year 2005-06, the incidence of such expenses has been shifted to the subsidiaries. Accordingly, in line with the accounting treatment adopted in the financial year ended 31st March 2006, the customs duty and clearing and forwarding charges for the financial year ended 31st March 2003, 2004 and 2005 have been eliminated in the restated profit and loss accounts for the financial year ended 31st March 2003, 2004 and 2005.

   c) Upto the financial year 2004-2005 the company has provided deferred tax in the books of accounts and in view of the stay obtained from the High Court of Madras against the application of Accounting Standard 22 issued by the ICAI, the company has not provided for deferred tax liability of Rs.507.81 Lakhs for the year ended 31.03.2006 and not considered reversal of deferred tax liability of Rs.39.46 Lakhs for the period ended 30.09.2006 and these are subject matter of Auditors' qualification.

      In the financial year / period ending 31st March 2006 and 30th September 2006, in view of the writ petition pending before the Honorable High Court of Madras, the company has not provided for the fringe benefit tax for Rs.15 Lakhs and Rs. 5 Lakhs respectively which were subject matter of Auditors' qualification.

      Based on the non provision of deferred tax and fringe benefit tax in the financial year / period ending 31.03.2006 and 30.09.2006, the deferred tax has not been provided in the restated accounts for the financial years 31.03.2002, 31.03.2003, 31.03.2004, 31.03.2005 and fringe benefit tax has not been provided in the restated accounts for the year / period ending 31.03.2006 and 30.09.2006.

The financial impacts of inclusion of deferred tax / fringe benefit tax and giving effect to the deferred tax for restatement of depreciation in the restated financials have been explained below:

(Rupees in Lakhs)

Details	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Net Profit before Extra Ordinary Items (As Restated)	**152.66**	**187.84**	**417.19**	**145.67**	**1234.58**	**802.98**
Adjustments made for Deferred Tax Provision (after giving effect for earlier year depreciation reversed)	4.97	(2.00)	(113.30)	(130.66)	(204.64)	39.46
Fringe Benefit Tax	-	-	-	-	(15.00)	(5.00)
Net Profit after Deferred Tax and Fringe Benefit Tax before Extra Ordinary Items	**157.63**	**185.84**	**303.89**	**15.01**	**1014.94**	**837.44**
Net worth as restated	**2552.53**	**2707.88**	**4050.39**	**4042.72**	**4381.62**	**5174.06**
Net worth (after giving effect for opening and current Deferred Tax Liability)	**2154.78**	**2308.13**	**3537.34**	**3399.01**	**3518.27**	**4345.17**
Return on Net worth	7.32%	8.05%	8.59%	0.44%	28.85%	19.27%
EPS	16.42	19.36	12.30	0.33	22.14	12.57
Net Asset Value per share	224.46	240.43	77.16	74.14	76.74	47.39

i) Return on Net Worth is arrived at by dividing PAT (before Extraordinary Items and Prior year adjustments) by total shareholders' fund (Net Worth) at the end of the fiscal year/period.

ii) 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 minus miscellaneous expenditure not written off divided by the number equity shares at the end of the fiscal year.

iii) All the above ratios have been calculated after taking into consideration of split up of the face value of the shares into Rs.10 each on 19th September 2005.

ANNEXURE – IV

ACCOUNTING POLICIES

I. GENERAL

The financial statements are prepared under historical cost convention and on accrual basis and in accordance with the requirements of the Companies Act, 1956 and applicable mandatory Accounting Standards, except the Accounting Standard 22 – Deferred Tax which is a subject matter of Auditors' qualification.

II. FIXED ASSETS

Fixed assets are stated at cost of acquisition/Construction including appropriate direct and indirect allocated expenses.

Depreciation on Plant and Machinery of Spinning and processing divisions, acquired on or after 1st April 1993, is charged on SLM basis as a continuous process plant and on all other Plant and machinery acquired on or after 1st April 1993 at general SLM rates.

For all other assets including all Plant & Machinery acquired before 01.04.1993 depreciation is being charged on Written Down Value basis, at appropriate rates as per Schedule XIV of Companies Act, 1956.

Depreciation on additions and deletions of the fixed assets are charged pro – rata from the date of commissioning and up to the date of sale respectively.

III. INVESTMENTS

Investments are stated at cost inclusive of stamp duty and brokerage where applicable. Diminution in value of Long-term investments, where considered temporary in the opinion of the management, is not provided for.

IV. INVENTORIES

Inventories are valued as under:

Finished Goods – Yarn, Cloth and Waste at cost or net realizable value whichever is lower.

Raw Materials, Stock in process, stores and spares and canteen stock at weighed average cost.

V. REVENUE RECOGNITION

All expenses and income are normally recognized as and when they are incurred or earned. Revenue in respect of sale of goods is recognized when significant risks and rewards of ownership are transferred to the buyer. Export entitlements under Duty Entitlement Pass Book ["DEPB"] Scheme are recognized in the Profit and loss account when right to receive credit as per the terms of the Scheme is established in respect of exports made.

VI. RETIREMENT BENEFITS

Gratuity liability towards employees payable in future is provided for on the basis of actuarial Valuation. Encashment of earned leave is settled annually and is accounted for on accrual basis.

VII. BORROWING COST

Interest and other costs in connection with the borrowing of the funds to the extent related/attributed to the acquisition / construction of qualifying fixed assets are capitalized up to the date when such assets are ready for its intended use and other borrowing costs are charged to Profit and Loss Account.

VIII. TAXES ON INCOME

Tax on current income is determined on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961, and based on expected outcome of assessment / appeals.

IX. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the rates prevailing at the date of transaction. Exchange difference arising on settlement are recognized as income or expenses in the year in which they arise, except for loans denominated in foreign currencies utilized for acquisition of fixed assets where the exchange gains/ losses are adjusted to the cost of such assets.

Outstanding balances are converted at the exchange rates on the last date of the financial year and difference adjusted in revenue account where material.

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

X. IMPAIRMENT OF ASSETS

Existences of conditions resulting in any modifications or impairment of the carrying amounts of the Fixed Assets are reviewed at each Balance Sheet date. If such condition exists, an asset's recoverable value is estimated and an impairment loss equal to the excess of the carrying amount over its recoverable value is recognized as an impairment loss.

XI. DEFERRED REVENUE EXPENDITURE

New product development expenditure for overseas markets is amortized over a period of 3 years.

NOTES ON ACCOUNTS

		As on 31.3.2006 (Rs. In Lakhs)	As on 31.3.2005 (Rs. In Lakhs)
1	Income – Tax Assessments have been completed up to the Assessment Year 2003-2004		
2	Break-up of expenditure incurred during the period on Employees in respect of remuneration aggregating to Rs.24,00,000 (or) More per year (or) Rs.2,00,000 (or) more per month, when employed for part of the year.	NIL	NIL
3	CIF Value of Import of Raw materials, Spare Parts and Capital Goods:		
	Raw Materials	328.02	600.21
	Components and Spares	95.34	68.78
	Capital Goods - Machinery	191.71	19.79
4	Earnings in Foreign Exchange:		
	Yarn	434.23	1055.12
	Cloth	7679.00	6813.26
	Total	**8113.23**	**7868.38**
5	Expenditure in Foreign Currency on account of Travel & Commission, etc.,	94.46	63.85
6	Managerial Remuneration		
	Salaries and Allowances	32.76	40.27
	Contributions to P.F	2.31	2.84
	Reimbursement of Medical Expenses & Others	5.19	1.77
	Commission	28.15	-
	Total	**68.42**	**44.88**
7	Auditors Remuneration		
	For Statutory Audit	1.15	1.00
	For Tax Audit	0.22	0.10
	For Income tax and other matters	0.55	0.63
	Total	**2.26**	**1.73**

8. The Company, the amounts due to the Small Scale Undertaking outstanding for more than 30 days as at 31st March 2006 are:

   (a) Arvee Packaging (b) Christida Enterprises (c) Dynopack Industries (d) Indo Packs (e) Lakshmi Packages (f) Lakshmi Paper Cones (g) Ramesh Plastic Industries (h) Shree Balaji Industries (i) Sri Ramakrishna Yarns (j) Sri Sarathi Enterprises (k) Tex-Tech Industries (l) Sri Venkatalakshmi Packagings (m) Godwell Engineering (n) Thirumalai Cartons (o) Vivin Packs (p) Bullet Paper Cones (q) Decorpac (r)Nathan Industries (s)Super Tex Industries

   The above list is complied to the extent parties could be identified by the company on the basis of information available with the company.

9. Balances in certain debtors, creditors, Advances and Deposit accounts are subject to confirmation/ reconciliation.

   In the opinion of the Board of Directors all Current Assets, Loans & Advances have a Value on realization in the ordinary course of business of a sum of at least equal to the amount at which they are stated.

10. For the year ended 31st March 2006, Power and Fuel Consumption in net of credit given by the Electricity Department for power generated through Wind Energy Equipment amounting to Rs. 29.23 lakhs.

ANNEXURE V

STATEMENT OF DIVIDEND PAID

(Rupees in Lakhs)

Class of Shares	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Equity Shares Face Value Rs./Share	100	100	100	100	10	10
Paid-up Equity Share Capital (Rs. in Lakhs)	96.00	96.00	458.46	458.46	458.46	916.92
Final Dividend						
Per share Rs.	35.00	30.00	12.00	10.00	2.00	-
Amount (Rs in lakhs)	33.60	28.80	55.01	45.85	91.69	-
Tax on Dividend	-	3.69	7.05	6.57	12.86	-

ANNEXURE VI

STATEMENT OF OTHER INCOME

(Rupees in Lakhs)

Details	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Income from Dividend	0.03	0.04	0.13	4.45	0.05	-
DEPB Income	323.81	420.54	730.71	419.70	319.94	235.19
Duty drawback claim	0.00	0.00	0.00	0.00	0.00	57.72
Interest Receipts	5.67	5.54	4.37	13.64	5.47	0.12
Insurance Claim Receipt	12.40	0.86	3.59	-	-	-
Profit on Sales of Assets	6.42	33.81	40.30	17.61	8.86	-
Premium on Export Quota	12.15	40.60	18.30	11.50	-	-
Exchange Fluctuation	3.65	0.96	-	93.11	42.61	25.26
Miscellaneous Income (Incl. Exchange Fluctuation)	7.10	0.99	33.68	90.78	11.01	8.68
Total	**371.23**	**503.34**	**831.08**	**650.79**	**387.94**	**326.97**

ANNEXURE VII

ACCOUNTING RATIOS RESTATED

Details	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
(i) Basic EPS (Before restated)	14.60	17.05	11.32	1.57	26.93	8.76
Basic EPS (After restated)	15.90	19.57	168.89	3.18	26.93	8.76
(On Net Profit after taxes and before Extraordinary Items and prior year adjustments)						
(ii) Basic EPS (Before restated)	14.60	17.05	7.28	1.57	33.08	8.76
Basic EPS (After restated)	15.90	19.57	12.84	3.18	18.41	8.76
(On Net Profit after taxes and Extraordinary Items and before prior year adjustments)						
(iii) Face Value per share	100.00	100.00	100.00	100.00	10.00	10.00
(iv) Net Asset Value per share	265.89	282.07	88.35	88.18	95.57	56.43
(v) Return on Net worth	5.98%	6.94%	10.30%	3.60%	28.18%	15.52%

Formulae

i) 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 minus miscellaneous expenditure not written off divided by the number equity shares at the end of the fiscal year.

ii) Return on Net Worth is arrived at by dividing PAT (before Extraordinary Items and Prior year adjustments) by total shareholders' fund (Net Worth) at the end of the fiscal year/period.

iii) All the above ratios have been calculated after taking into consideration of split up of the face value of the shares into Rs.10 each on 19th September 2005.

ACCOUNTING RATIOS RESTATED - Considering the Bonus Issue made in FY 2007

Details	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
(i) Basic EPS (Before restated)	7.30	8.53	5.66	0.79	13.46	8.76
Basic EPS (After restated)	7.95	9.78	84.44	1.59	13.46	8.76
(On Net Profit after taxes and before Extraordinary Items and prior year adjustments)						
(ii) Basic EPS (Before restated)	7.30	8.53	3.64	0.79	16.54	8.76
Basic EPS (After restated)	7.95	9.78	6.42	1.59	9.20	8.76
(On Net Profit after taxes and Extraordinary Items and before prior year adjustments)						
(iii) Net Asset Value per share	132.94	141.04	44.17	44.09	47.79	56.43

Formulae

All the above ratios have been calculated after taking into consideration Bonus Issue made in the FY 2007.

ANNEXURE - VIII

CAPITALISATION STATEMENT

(Rupees in Lakhs)

Details	Pre-issue as at		As adjusted
	31.03.2006	31.09.2006	for issue *
Borrowings:			
Short-Term Debt	4402.40	5437.35	
(Refer Note 1 below)			
Long-Term Debt (A)	**662.01**	**460.62**	
Total Debt	**5064.41**	**5897.97**	
Shareholders' Funds: (without considering the Auditors Qualifications)			
Share Capital	458.46	916.92	
Reserves	4323.64	4668.20	
Less: Miscellaneous Expenses not written off	400.48	411.06	
Total Shareholders' Funds (B)	**4381.62**	**5174.06**	
Total Capitalization	**9446.03**	**11072.03**	
Long Term Debt/Equity Ratio (A) / (B)	**0.15**	**0.09**	
(Without giving effect to Auditors Qualifications)			
Shareholders' Funds: (after considering the Auditors Qualifications)			
Share Capital	458.46	916.92	
Reserves	3460.29	3839.31	
Less: Miscellaneous Expenses not written off	400.48	411.06	
Total Shareholders' Funds (B)	**3518.27**	**4345.17**	
Total Capitalization	**3518.27**	**4345.17**	
Long Term Debt/Equity Ratio (A) / (B)	**0.19**	**0.11**	
(After giving effect to Auditors Qualifications)			

* Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process.

Notes:

1. Short Term Debt represents debts, which are due within next 12 months.
2. Long Term Debt represents other than short-term debts as defined above.
3. The figures disclosed above are based on the restated financial statements of the company.

ANNEXURE - IX

TAX SHELTER STATEMENT

(Rupees in Lakhs)

Details	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Net Profit / (Loss) Before Tax and Exceptional Items (A)	176.66	222.84	452.19	157.67	1,239.45	892.98
Tax Rate	35.00%	35.00%	35.00%	35.00%	30.00%	30.00%
Surcharge	2.00%	5.00%	2.50%	2.50%	10.00%	10.00%
Education Cess	-	-	-	2%	2.00%	2.00%
Income Tax Rates Applicable (%)	35.70%	36.75%	35.88%	36.59%	33.66%	33.66%
Tax at Normal Income Tax Rates	**63.07**	**81.89**	**162.22**	**57.70**	**417.20**	**300.58**
Adjustments:						
Permanent Differences						
Donation net of deduction u/s 80G	8.80	3.58	4.48	0.95	0.76	-
Expenses Disallowed / Exemptions	(12.47)	1.42	(126.46)	(125.60)	636.50)	(2.05)
Exempted Income	-	-	(0.13)	(4.45)	-	-
Export benefit u/s 80HHC	(148.86)	(32.81)	(28.33)	-	-	-
Benefit u/s 80 M	-	(0.04)	-	-	-	-
Benefit u/s 80IA	-	-	-	(16.55)	16.00	-
Total Permanent Differences (C)	**(152.53)**	**(27.85)**	**(150.44)**	**(145.65)**	**(619.74)**	**(2.05)**
Timing Differences						
Difference between Book and Tax Depreciation	66.79	(130.83)	(218.71)	(30.94)	26.22	52.47
Expenses disallowed in one Asst year and allowed in subsequent Asst Year.	(45.46)	5.44	18.70	39.98	(462.08)	(10.57)
Brought forward losses / MAT Adjusted	-	-	(87.62)	-	-	(17.00)
Adjustments u/s 145 A	-	(1.88)	(3.06)	-	1.77	-
Total Timing Differences (D)	**21.33**	**(127.27)**	**(290.69)**	**9.04**	**(434.09)**	**24.90**
Net Adjustments (C+D)	**(131.20)**	**(155.12)**	**(441.13)**	**(136.61)**	**1,053.83)**	**22.85**
Tax Saving thereon	**(46.84)**	**(57.01)**	**(158.26)**	**(49.99)**	**(354.72)**	**7.69**
Total tax provision at normal income tax rates for the year (E)	**16.23**	**24.89**	**3.97**	**7.71**	**62.48**	**308.27**
Taxable Income for MAT (Refer Note 1)	-	153.49	286.42	87.22	876.80	892.98
Tax as per Income Tax Return (Refer Note 2)	**16.23**	**24.89**	**22.02**	**7.71**	**73.78**	**75.14**
			Under MAT		Under MAT	Under MAT

Note:

1. For Calculating the Book Profit for the purpose of MAT, the Deferred Tax has been taken into consideration.
2. Tax payable has been calculated under the MAT provisions based on the advance tax calculation/payment.

ANNEXURE - X

STATEMENT OF SECURED LOANS

(Rupees in Lakhs)

Details	As at		Securities Offered	Interest Rate %	Terms of Repayment
	31.3.06	30.9.06			
Term Loans from Banks					
From Andhra Bank (Under TUFS - I)	280.80	218.04	Refer Note 1	14.75%	20 Quarterly Installments from 30.6.2003
From Andhra Bank (Under TUFS - II)	288.00	240.00	Refer Note 2	12.75%	20 Quarterly Installments from 30.9.2005
Interest on the above loans	6.32	5.39			
HDFC Term Loan for Building	48.37	35.97	Refer Note 3	12.50%	60 Equated Monthly Installments from Oct. 2002
From Oriental Bank of Commerce	205.42	182.46	Refer Note 4	12.75%	16 Quarterly Installments from April 2006
From IREDA	**61.99**	**51.66**	**Refer Note 5**	**9.00%**	**36 Quarterly Installments from 31.3.2000**

Working Capital Facilities

Details	As on 31.3.06	As on 30.9.06	SecuritiesOffered	Interest Rate%
Open Cash Credit				
From Oriental Bank of Commerce	89.22	123.28	Refer Note 6	1.5% over PLR (i.e.12.5%)
Packing Credit				
From Andhra Bank	2,584.45	3,947.55		3.5% below Bank's PLR (i.e.6.75%)
From Oriental Bank of Commerce	1,080.85	1,022.76	Refer Note 7	6.75%
From ICICI Bank Ltd.	324.63	-		4% below ICICI benchmark advance rate (i.e.7%)
Interest Accrued and due on Secured Loans	1.56	-	-	-
Total	**4,971.61**	**5,827.11**		

Note 1 - Specific Charge of fixed assets purchased under the loan.

Note 2 - Equitable Mortgage of 5.35 acres of factory land with building constructed at SIPCOT, Perundurai, Erode District, Tamil Nadu.

Note 3 - Equitable Mortgage of the Office Building at Kuniamuthur, Coimbatore, Tamil Nadu.

Note 4 - First charge on the fixed assets of the Company on pari-passu basis with other term lenders (except those exclusively charged to other banks or term lenders)

Note 5 - Exclusive charge of Windmills situated at Karunkulam.

Note 6 - On hypothecation of Stock-in-trade.

Note 7 - On hypothecation of Stock-in-trade.

ANNEXURE - XI

STATEMENT OF UNSECURED LOANS

(Rupees in Lakhs)

Details	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Fixed Deposits - From Directors	15.45	16.80	15.80	12.20	14.60	0.00
- From Others	64.11	247.16	273.12	243.43	100.56	66.83
Less: Unclaimed matured deposits	0.00	0.60	6.62	3.01	26.59	31.97
Trade Deposits	4.69	3.98	3.40	3.40	3.37	3.17
Interest accrued and due on unsecured loans	1.12	6.31	6.02	0.86	0.86	0.86
Others	0.00	1045.00	0.00	0.00	0.00	0.00
Total Unsecured Loan	**85.37**	**1318.65**	**291.72**	**256.88**	**92.80**	**38.89**
Fixed deposits repayable within a year	27.93	23.57	30.42	211.54	34.98	57.25

Details of Interest and terms of repayment of Unsecured Loans

Details	As at		Rate of Interest	Terms of Repayment
	31.03.2006	30.09.2006		
Fixed Deposits - From Directors	14.60	-	6% - 8%	-
- From Others	100.56	66.83	6% - 8%	On Maturity / Demand
Less: Unclaimed matured deposits	26.59	31.97	On Demand	
Trade Deposits	3.37	3.17	-	On Demand
Interest accrued and due on unsecured loans	0.86	0.86	-	-
Total	**92.80**	**38.89**		
Matured within one year		**16.37**		
Matured within three years		**18.49**		

ANNEXURE XII

STATEMENT OF INVESTMENTS

Details	As at the year ending 31st					As at
	March 2002	March 2003	March 2004	March 2005	March 2006	30th Sept. 2006
A. Long Term Trade Investments - Quoted 5,70,795 Equity Shares in Coimbatore Lakshmi Investments & Finance Co. Ltd.	100.90	100.90	100.90	100.90	100.90	100.90
B. Long Term Trade Investments – Unquoted 4,40,000 Equity Shares in Lakshmi Apparels & Wovens Ltd.	44.00	44.00	44.00	44.00	44.00	44.00
C. Non-Trade Investments – Quoted 3,400 Equity Shares in Andhra Bank	0.34	0.34	0.34	0.34	0.34	0.34
D. 100 Equity Shares in Vijayeswari Textiles Employees Co-op. Stores Ltd.	0.01	0.01	0.01	0.01	0.01	0.01
E. Investment in Subsidiaries						
480 Equity Shares in Vijayeswari Exports Ltd.	0.05	5.00	5.00	5.00	-	-
Shares in Vijayeswari USA LLC	-	8.93	8.93	8.93	8.93	8.93
100 Shares in Vijayeswari UK Ltd.	-	-	0.80	0.80	0.80	0.80
100 Shares in Vijayeswari Australia Pty. Ltd.	-	-	-	0.03	-	-
F. Government Securities						
a) National Savings Certificates	0.05	0.05	0.05	0.05	0.05	0.05
b) Indira Vikas Patra	0.02	0.01	0.01	0.01	0.01	0.01
Less: Provision for Diminution in value of Investments	-	-	-	100.90	100.90	100.90
Total	**145.37**	**159.24**	**160.04**	**59.17**	**54.14**	**54.14**

ANNEXURE XIII

STATEMENT OF SUNDRY DEBTORS
(Unsecured and Considered good)

(Rupees in Lakhs)

Details	**As at the year ending 31st**					**As at 30th**
	March 2002	**March 2003**	**March 2004**	**March 2005**	**March 2006**	**Sept. 2006**
Debts outstanding for more than 6 months	7.33	122.52	93.81	408.01	69.04	85.70
Others including Bills discounted with Banks	686.97	1838.74	2592.18	2351.62	3794.96	3455.01
Total	**694.30**	**1961.26**	**2685.99**	**2759.63**	**3864.00**	**3540.71**
Out of the above Outstanding from Subsidiary Companies						
Vijayeswari USA LLC	-	585.93	1330.62	681.15	2145.91	1965.84
Vijayeswari UK Ltd.	-	512.31	343.24	897.69	605.27	415.41

ANNEXURE XIV

STATEMENT OF LOANS AND ADVANCES
(Unsecured and considered good - Recoverable in cash or in kind or value to be received)

(Rupees in Lakhs)

Details	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Deposit with Central Excise & Customs Authorities	98.90	7.39	5.02	4.19	3.04	3.04
Prepaid Expenses	29.20	24.23	29.54	28.63	40.93	31.97
Deposits & Advances	73.21	66.47	99.76	115.59	176.48	143.89
Advance to Staff & Operatives	21.94	23.98	25.90	21.93	4.28	12.41
Other Advances	25.80	1.94	1.54	1.28	1.11	1.11
Accrued Interest	6.54	-	-	-	-	-
Advance for Purchases & Expenses	1000.16	1655.85	1716.44	2173.50	1847.96	2065.89
Income-Tax Advance	61.90	38.36	61.05	68.61	78.80	111.25
Advance for Capital Goods	2.00	0.00	62.45	8.10	9.25	6.46
Income Receivable	87.92	359.09	193.14	278.01	370.29	531.21
Interest Suspense Account	3.17	-	-	-	-	-
Finance Receivables due	-	418.27	393.27	704.29	146.09	146.09
Less: Provision for Doubtful Receivables	-	-	100.00	100.00	100.00	100.00
Total	**1410.74**	**2595.58**	**2488.11**	**3304.13**	**2578.23**	**2953.32**
Out of the above Outstanding from Subsidiary Companies						
Vijayeswari Exports Ltd.	0.57	0.02	0.02	0.02	-	-
Vijayeswari - Australia Pty. Ltd.	-	-	-	1.35	-	-

ANNEXURE XV

COMMITMENTS AND CONTINGENT LIABILITIES

(Rupees in Lakhs)

Sr. No.	Details	As at the year ending 31st					As at 30th
		March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
COMMITMENTS							
	Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	3.77	0.17	19.00	-	30.04	11.14
CONTINGENT LIABILITIES							
1	Letter of Credit	382.06	47.37	539.37	823.46	577.95	1007.60
2	Bank Guarantees	70.09	78.51	112.52	267.75	180.70	140.93
3	Disputed Income Tax Demands	26.77	26.77	26.77	26.77	26.77	26.77
4	Fringe Benefit Tax not provided in view of the stay obtained	-	-	-	-	15.00	20.00
	Total	**482.69**	**152.82**	**697.66**	**1117.98**	**830.46**	**1206.44**

ANNEXURE XVI

RELATED PARTY TRANSACTIONS

PART I - NAME OF THE RELATED PARTIES WITH WHOM THE TRANSACTIONS HAVE BEEN ENTERED INTO:

Relationship	Name of the Party
Subsidiary Companies	Vijayeswari USA LLC Vijayeswari UK Ltd. Vijayeswari Exports Limited (till FY 2004-2005) Vijayeswari Australia Pty. Ltd. (till FY 2004-2005)
Key Managerial Personnel	K. Rajagopal A. L. Ramachandra Jayanthi Ramachandra
Relatives of Key Managerial Personnel	Mani Rajagopal R. Gopinath
Other Related Parties	Lakshmi Apparels & Wovens Limited Seshraj Apparels Private Limited Seshraj Enterprises Private Limited Vijayeswari Australia Pty. Ltd. (from FY 2005-2006) Coimbatore Lakshmi Investment and Finance Company Ltd.

PART II - DISCLOSURES OF TRANSACTIONS WITH RELATED PARTIES:

(Rs. in Lakhs)

Details	Details	Subsidiary	Key Management Personal & Relatives	Other Related Parties	Total
Transactionsfor the periodended September 2006	Purchase of Goods	-	-	0.25	0.25
	Sale of Goods	1,617.83	-	-	1,617.83
	Receiving of Services	-	-	525.84	525.84
	Fixed Deposit Interest	-	1.30	-	1.30
	Dividends paid	-	0.19	75.79	75.98
	Fixed Deposit taken over	-	-	-	-
	Other transactions	106.73	-	-	106.73
	Managerial Remuneration	-	-	-	-
Outstanding Balance as on 30.09.2006		2,228.95		1,823.23	4,052.18
Transactionsfor the yearended March2006	Purchase of Goods	-	-	327.34	327.34
	Sale of Goods	4379.19	-	-	4379.19
	Receiving of Services	-	-	1263.95	1263.95
	Fixed Deposit Interest	-	4.30	-	4.30
	Dividends paid	-	5.82	-	5.82
	Fixed Deposit taken over	-	-	4.50	4.50
	Other transactions	418.56	-	-	418.56
	Managerial Remuneration	-	68.41	-	68.41
Outstanding Balance as on 31.03.2006		2751.18	-	1435.97	4188.5
Transactionsfor the yearended March2005	Purchase of Goods	-	-	59.12	59.12
	Sale of Goods	3272.05	-	-	3272.05
	Receiving of Services	-	-	1262.71	1262.71
	Fixed Deposit Interest	-	3.49	-	3.49
	Dividends paid	-	6.98	-	6.98
	Finance Receivables taken over	-	-	371.50	371.50
	Other transactions	179.43	-	-	179.43
	Managerial Remuneration	-	44.88	-	44.88
Outstanding Balance as on 31.03.2005		1580.21	-	1268.61	2848.82
Transactionsfor the year Ended March2004	Purchase of Goods	-	-	0.99	0.99
	Sale of Goods	4390.80	-	-	4390.80
	Receiving of Services	-	-	1491.8	1491.8
	Fixed Deposit Interest	-	2.43	-	2.43
	Dividends paid	-	8.72	-	8.72
	Issue of rights shares	-	-	1045	1045
	Managerial Remuneration	-	45.05	-	45.05
	Other transactions	44.90	-	-	44.90
Outstanding Balance as on 31.03.2004		1673.87	-	1159.5	2833.37

Details	Details	Subsidiary	Key Management Personal & Relatives	Other Related Parties	Total
Transactionsfor the year Ended March2003	Sale of Goods	1822.64	-	-	1822.64
	Receiving of Services	-	-	1241.43	1241.43
	Fixed Deposit Interest	-	3.94	-	3.94
	Fixed Deposit taken over	-	-	175.82	175.82
	HP / Lease Receivables taken over	-	-	424.87	424.87
	Loan Received	-	-	1045.00	1045.00
	Dividends paid	-	14.37	-	14.37
	Managerial Remuneration	-	47.85	-	47.85
Outstanding Balance as on 31.03.2003		1004.48	-	119.17	1163.65
Transactionsfor the year Ended March2002	Purchase of Goods	-	-	1.29	1.29
	Sale of Goods	-	-	0.79	0.79
	Receiving of Services	-	-	924.99	924.99
	Managerial Remuneration	-	26.00	-	26.00
Outstanding Balance as on 31.03.2002		0.57	-	326.93	327.5

PART III - DETAILS OF SALES OR PURCHASE WITH THE PROMOTER GROUP COMPANIES ALONGWITH PERCENTAGE

(Rupees in Lakhs)

Details	As at the year ending 31st				As at 30th
	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Sale of Finished Products made to					
Vijayeswari USA LLC	549.84	3158.45	1745.05	3170.09	1216.88
Percentage on total sales	8%	38%	21%	34%	18%
Vijayeswari UK Ltd.	1272.80	1232.35	1527.00	1209.10	400.96
Percentage on total sales	18%	15%	19%	13%	6%
Total Amount of Sales made	**1822.64**	**4390.80**	**3272.05**	**4379.19**	**1617.84**
Total Percentage on total sales	**26%**	**53%**	**40%**	**47%**	**24%**
Receiving of Conversion Services from					
Lakshmi Apparels & Wovens Limited	791.21	467.39	843.52	820.73	263.61
Percentage on total other manufacturing expenses	24%	12%	22%	24%	12%
Seshraj Apparels Private Limited	438.18	1024.41	419.18	443.23	262.23
Percentage on total other manufacturing expenses	13%	26%	11%	13%	12%
Seshraj Enterprises Private Limited	12.04	-	-	-	-
Percentage on total other manufacturing expenses	0%	0%	0%	0%	0%
Total Amount of Service Received	**1241.43**	**1491.80**	**1262.70**	**1263.96**	**525.84**
Total Percentage on Total Other Manufacturing Expenses	**37%**	**37%**	**32%**	**38%**	**24%**

ANNEXURE XVII

CASH FLOW STATEMENT PREPARED FROM THE RESTATED UNCOSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lakhs)

Details	As at the year ending 31st					As at 30th
	March 2002	March 2003	March 2004	March 2005	March 2006	Sept. 2006
A. Cash from Operating Activities						
Net Profit before Tax and Extraordinary items	176.66	222.84	452.19	157.67	1239.45	892.97
Adjustments for:						
Depreciation	240.02	240.06	235.39	311.80	262.53	128.86
Profit on sale of Asset	(6.42)	(33.81)	(40.30)	(17.61)	-8.86	-
Dividend Income	(0.03)	(0.04)	(0.13)	(4.45)	0.05	-
Loss on sale of Investments/Assets	1.08	36.66	-	-	-	-
Interest Income	(5.67)	(5.54)	(4.37)	(13.64)	(5.47)	(0.12)
Interest Expense	379.78	372.49	452.16	513.92	650.79	328.00
Prior year adjustments (Net)	(6.70)	-	-	-	-	-
Operating profit before working capital changes	**778.72**	**832.66**	**1094.94**	**947.69**	**2138.49**	**1349.71**
Adjustments for changes in Working Capital						
Trade and Other Receivables	532.22	(1505.85)	(358.96)	(530.82)	260.82	(1447.22)
Inventories	(227.15)	(571.79)	(283.28)	(776.44)	(1109.69)	(709.12)
Trade Payables	(95.92)	475.42	432.88	494.85	165.52	825.93
Cash generated from operations	**987.87**	**(769.56)**	**885.58**	**135.28**	**1455.14**	**19.30**
Interest paid	(386.06)	(366.79)	(453.54)	(544.79)	(647.47)	(332.33)
Direct Taxes paid / Provisions adjusted	(10.18)	(7.32)	(22.69)	(30.25)	(10.19)	(25.33)
Cash flow before Extraordinary items	**591.63**	**(1143.67)**	**409.35**	**(439.76)**	**797.48**	**(338.36)**
Extraordinary items	-	-	(100.00)	-	(791.13)	(10.58)
Net cash from Operating Activities (A)	**591.63**	**(1143.67)**	**309.35**	**(439.76)**	**6.35**	**(348.94)**
B. Cash from Investing Activities						
Purchase of fixed assets	(444.49)	(924.13)	(494.59)	(264.64)	(431.24)	(169.28)
Purchase of Investments	-	(13.88)	(0.80)	-	5.03	-
Provision for diminution in value of investments	-	-	-	-	-	-
Sale of Investments	-	0.01	-	-	-	-
Sale of Fixed Assets	10.65	109.52	43.07	21.52	55.33	-
Interest received	3.28	12.08	4.37	13.64	5.47	0.12
Dividend received	0.03	0.04	0.13	4.45	0.05	-
Net cash from Investing activities (B)	**(430.53)**	**(816.36)**	**(447.82)**	**(225.03)**	**(365.36)**	**(169.16)**
C. Cash from Financing Activities						
Proceeds from Rights issue	-	-	1087.38	-	-	-
Term loan from Banks	215.12	697.08	386.35	(194.95)	(264.80)	(147.06)
Other loans from Banks	(22.36)	143.99	(83.72)	820.57	770.53	1014.24
Loans from others	-	1045.00	(1045.00)	-	-	-
Fixed Deposits	28.06	184.40	18.94	(29.68)	(164.05)	(53.71)
Proceeds / Repayment of other loans	(231.05)	(11.06)	18.24	(14.75)	(20.67)	(10.33)
Redemption of Debentures	(66.67)	(66.66)	-	-	-	-
Dividend paid	(36.49)	(32.66)	(32.91)	(53.68)	(53.24)	(90.79)
Net Cash from Financing activities (C)	**(113.39)**	**1960.09**	**349.28**	**527.51**	**267.77**	**712.35**
D. Net increase/(decrease) in cash & cash equivalents (A+B+C)	**47.71**	**0.06**	**210.81**	**(137.28)**	**(91.24)**	**194.25**
Cash and cash equivalents at the beginning of the year	92.30	140.02	140.08	350.89	213.61	122.37
Cash and cash equivalents at the end of the year	140.02	140.08	350.89	213.61	122.37	316.62
Net increase/(decrease) in cash & cash equivalents (D)	**47.72**	**0.06**	**210.81**	**-137.28**	**-91.24**	**194.25**

ANNEXURE - XVIII

SUMMARY OF CONSOLIDATED ASSETS AND LIABILITIES - RESTATED

(Rupees in Lakhs)

Details	As at the year ending 31st				As at 30th
	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Fixed Assets					
Gross Block	4747.57	5339.92	5589.99	5931.32	6107.41
Less: Depreciation	2342.63	2555.57	2870.13	2964.26	3093.89
Net Block	2404.94	2784.35	2719.86	2967.06	3013.52
Capital Work in progress	183.80	51.21	65.00	-	-
(A)	**2588.74**	**2835.56**	**2784.86**	**2967.06**	**3013.52**
B. Investments	**145.31**	**145.31**	**44.41**	**44.41**	**44.41**
Current Assets, Loans and Advances					
Inventories	2628.18	2926.64	3960.94	5096.16	5769.56
Sundry Debtors	1687.94	2365.89	2255.21	3042.48	3398.11
Cash and Bank balances	518.18	682.23	361.87	527.60	419.80
Loan and Advances	2596.31	2488.76	3309.24	2578.23	2953.31
Sub Total (C)	**7430.61**	**8463.52**	**9887.26**	**11244.47**	**12540.78**
Less: Loans and Liabilities					
Secured Loans	3577.37	3900.75	4484.97	4971.62	5827.11
Unsecured Loans	1318.65	291.72	272.65	129.15	77.68
Current Liabilities and Provisions	2568.88	3217.00	3979.57	4826.09	4559.59
Sub Total (D)	**7464.90**	**7409.47**	**8737.19**	**9926.86**	**10464.38**
Deferred Tax Liability (E)	**-**	**-**	**-**	**-**	**-**
Net Worth (A+B+C-D-E)	**2699.76**	**4034.92**	**3979.34**	**4329.08**	**5134.33**
Represented by					
Share Capital	96.00	458.46	458.46	458.46	916.92
Reserves & Surplus	2605.40	3577.94	3522.49	4272.34	4629.81
Less: Miscellaneous Expenditure not written off	1.63	1.49	2.62	401.78	412.40
Net Worth	**2699.77**	**4034.91**	**3978.33**	**4329.02**	**5134.33**
Details for Reserves and Surplus					
Capital Reserve	42.89	42.89	42.89	42.89	42.89
Share Premium	-	724.92	724.92	724.92	724.92
General Reserve	1395.73	1410.73	1416.69	3201.55	2743.13
Investment Allowance Utilisation Reserve	-	-	-	-	-
Debenture Redemption Reserve	-	-	-	-	-
Investment Flectuation Reserve	100.90	100.90	-	-	-
Surplus in Profit and Loss Account	1065.88	1298.50	1337.99	302.98	1118.90
Total	**2605.40**	**3577.94**	**3522.49**	**4272.34**	**4629.84**

ANNEXURE - XIX

STATEMENT OF CONSOLIDATED PROFIT & LOSS – RESTATED

(Rupees in Lakhs)

Details	For the year ending 31st				6 months
	March 2003	March 2004	March 2005	March 2006	Ending 30.09.06
Income					
Net sales of products manufactured by the company	7767.30	9225.98	9013.72	9693.77	6883.36
Other Income	503.34	831.09	652.05	390.46	329.92
Increase / (Decrease) in Stock	653.32	242.96	1,012.92	582.14	123.61
Total	**8923.96**	**10300.03**	**10678.69**	**10666.37**	**7336.89**
Expenditure					
Raw Material consumed	3031.87	2730.91	3212.40	3305.00	2700.96
Staff Costs	452.01	461.06	475.05	429.87	242.37
Other Manufacturing Expenses	3318.44	4017.05	3916.43	3352.27	2183.08
Administration Expenses	498.81	644.37	673.27	568.00	457.70
Selling and Distribution Expenses	784.80	1308.35	1457.36	838.34	321.38
Interest	372.49	452.16	513.96	656.50	328.10
Depreciation	249.18	241.45	320.49	266.31	130.63
Total	**8707.60**	**9855.35**	**10568.96**	**9416.29**	**6364.22**
Net Profit before Extra Ordinary Items & Tax	**216.36**	**444.68**	**109.73**	**1250.08**	**972.67**
Current tax	(35.00)	(35.00)	(12.00)	(50.00)	90.00
Reversal of earlier year excess provision of tax	-	-	-	45.13	-
Deferred tax	-	-	-	-	-
Net Profit before Extra Ordinary Items	**181.36**	**409.68**	**97.73**	**1245.21**	**882.67**
Less: Extra Ordinary Items –Product Development Expenditure w.off	-	-	-	-	(66.75)
Less: Extra Ordinary Items -Unrealizable receivables w.off	-	-	-	(390.65)	-
Less: Provision for Doubt full receivables	-	(100.00)	-	-	-
Add: Depreciation of earlier years reversed	-	-	-	-	-
Net Profit After Extra Ordinary Items	**181.36**	**309.68**	**97.73**	**854.56**	**815.92**
Less: Prior year adjustments	-	-	-	-	-
Add: Transfer from Investment Fluctuation Reserve	-	-	100.90	-	-
Add: Transfer from Investment Allowance (Utilized) Reserve	55.60	-	-	-	-
Add: Transfer from Debenture Redemption Reserve	100.00	-	-	-	-
Less: Provision for Diminution in Value of Investments	-	-	(100.90)	-	-
Surplus from Previous Year	778.41	1065.88	1298.50	1337.99	302.98
Amount Available for Appropriation	**1115.37**	**1375.56**	**1396.23**	**2192.55**	**1118.90**
Appropriations					
Transfer to General Reserve	17.00	15.00	5.82	1785.02	-
Transfer to Investment Fluctuation Reserve	-	-	-	-	-
Final Dividend	28.80	55.01	45.85	91.69	-
Tax on Dividend	3.69	7.05	6.57	12.86	-
Balance carried to Balance Sheet	1065.88	1298.50	1337.99	302.98	1118.90
Total	**1115.37**	**1375.56**	**1396.23**	**2192.55**	**1118.90**

ANNEXURE XX

ACCOUNTING POLICIES

Basis of Consolidation

The Consolidation of financial statements of Vijayeswari Textiles Limited and its subsidiaries are prepared under historical cost convention and in accordance with the generally accepted accounting principles in India and Accounting Standard 21 on Consolidated Financial Statement issued by the Institute of Chartered Accountants of India.

The financial statements of the Company and its subsidiary Companies have been combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra – group transactions.

The translation of foreign currencies into Indian Rupees (reporting Currency) is performed for assets and liabilities at the current exchange rate in effect at the balance sheet date, and for revenues, cost and expenses using the average rate prevailing during the reporting period.

NOTES TO ADJUSTMENTS CARRIED OUT IN THE RESTATED FINANCIAL STATEMENTS

1. Restated financial statements have been prepared in respect of five years commencing from the financial years ended 31.03.2002 to 31.03.2006 and for the 6 months period ended 30.09.2006. As a result of restatement of income and expenses amounts, the necessary adjustments have been made against the reserves and corresponding effect have been given to the respective heads in related year / period balance sheet.

2. Following adjustments have been given effect in restated financial statements:

   a) In the Parent Company, from the financial year ended 31.03.2006, the company changed the rate of Depreciation on Plant and Machinery of Spinning and processing divisions, acquired on or after 1st April 1993, as they are continuous process plant (SLM). In respect of Buildings and Windmills depreciation is changed from WDV method to SLM method. Due to adoption of this change, during the financial year 2005-06, excess depreciation of Rs.672.48 lakhs of earlier years is withdrawn and credited to Profit and loss account. Accordingly, the depreciation effect on audited financial statements has been adjusted in the restated summary statement of Profit & Loss account for the year ended 31.03.2002, 31.03.2003, 31.03.2004, 31.03.2005 and restated summary statement of Assets & Liabilities as at 31.03.2002, 31.03.2003, 31.03.2004, 31.03.2005.

   b) In the Parent Company, up to the financial year 2004-2005 the company has provided deferred tax in the books of accounts and in view of the stay obtained from the High Court of Madras against the application of Accounting Standard 22 issued by the ICAI, the company has not provided for deferred tax liability of Rs.507.81 Lakhs for the year ended 31.03.2006 and not considered reversal of deferred tax liability of Rs.39.46 Lakhs for the period ended 30.09.2006 and these are subject matter of Auditors' qualification.

      In the financial year / period ending 31st March 2006 and 30th September 2006, in view of the writ petition pending before the Honorable High Court of Madras, the company has not provided for the fringe benefit tax for Rs.15 Lakhs and Rs. 5 Lakhs respectively which were subject matter of Auditors' qualification.

      Based on the non provision of deferred tax and fringe benefit tax in the financial year / period ending 31.03.2006 and 30.09.2006, the deferred tax has not been provided in the restated accounts for the financial years 31.03.2002, 31.03.2003, 31.03.2004, 31.03.2005 and fringe benefit tax has not been provided in the restated accounts for the year / period ending 31.03.2006 and 30.09.2006.

The financial impacts of inclusion of deferred tax / fringe benefit tax and giving effect to the deferred tax for restatement of depreciation in the restated financials have been explained below:

(Rupees in Lakhs)

Details	As at the year ending 31st				As at 30th
	March 2003	March 2004	March 2005	March 2006	Sept. 2006
Net Profit before Extra Ordinary Items (As Restated)	**181.36**	**409.68**	**97.73**	**1245.21**	**815.92**
Adjustments made for					
Deferred Tax Provision (after giving effect for earlier year depreciation reversed)	(2.00)	(113.30)	(130.66)	(204.64)	39.46
Fringe Benefit Tax	-	-	-	(15.00)	(5.00)
Net Profit after Deferred Tax and Fringe Benefit Tax before Extra Ordinary Items	**179.36**	**296.38**	**(32.93)**	**1,025.57**	**850.38**
Net worth as restated	2699.77	4034.91	3978.33	4329.02	5134.36
Net worth (after giving effect for opening and current Deferred Tax Liability)	2300.02	3521.86	3334.62	3465.67	4305.47

NOTES ON ACCOUNTS

1. The subsidiary companies considered in the consolidated financial statements and their reporting dates are as under:

Financial Year ending as at 31st March 2006:

Name of the Company	Country of Incorporation	% of voting	Reporting Date as at	Outstanding balance due to Parent Company
Vijayeswari USA LLC	United States of America	100	31.03.2006	2,145.91 Lakhs
Vijayeswari UK Ltd.	United Kingdom	100	31.03.2006	605.28 Lakhs

M/s. Vijayeswari Australia Pty Limited and Vijayeswari Exports Ltd. Ceased to be the company's subsidiaries during the year. The disposal of these subsidiaries has no material effect on the financial position as at and the consolidated results for the period ended as on 31.3.2006.

Financial Year ending as at 31st March 2005

Name of the Company	Country of Incorporation	% of voting	Reporting Date as at	Outstanding balance due to Parent Company
Vijayeswari USA LLC	United States of America	100	31.03.2005	681.15 Lakhs
Vijayeswari UK Ltd.	United Kingdom	100	31.03.2005	897.69 Lakhs
Vijayeswari Exports Ltd.	India	100	31.03.2005	0.02 Lakhs
Vijayeswari Australia Pty. Ltd.	Australia	100	31.03.2005	1.35 Lakhs

Financial Year ending as at 31st March 2004

Name of the Company	Country of Incorporation	% of voting	Reporting Date as at	Outstanding balance due to Parent Company
Vijayeswari USA LLC	United States of America	100	31.10.2003	1,330.62 Lakhs
Vijayeswari UK Ltd.	United Kingdom	100	31.03.2004	343.25 Lakhs
Vijayeswari Exports Ltd.	India	100	31.03.2004	0.02 Lakhs

Financial Year ending as at 31st March 2003

Name of the Company	Country of Incorporation	% of voting	Reporting Date as at	Outstanding balance due to Parent Company
Vijayeswari USA LLC	United States of America	100	31.10.2002	585.93 Lakhs
Vijayeswari UK Ltd.	United Kingdom	100	31.03.2003	512.31 Lakhs
Vijayeswari Exports Ltd.	India	100	31.03.2003	0.02 Lakhs

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations is based on our restated consolidated financial statements, the schedules and notes thereto and the reports thereon, which appear elsewhere in this Red Herring Prospectus. These financial statements are based on Indian GAAP, which differs in certain significant respects from US GAAP and IFRS. Further, there are significant differences between Indian GAAP and US GAAP, and IFRS. The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, and urges you to consult your own advisors regarding such differences and their impact on our financial data.

One should read the following discussion of our financial condition and results of operations together with the restated unconsolidated financial statements for each of the fiscal years ended March 31, 2002, 2003, 2004, 2005 and 2006 including the notes thereto and the reports thereon in the section titled 'Financial Statements' commencng on page 99. The financial information for fiscal 2002, 2003, 2004, 2005 and 2006 has been audited by the Statutory Auditors. These financial statements have been prepared in accordance with Indian GAAP, SEBI Guidelines and the Companies Act.

One should also read the section titled "Risk Factors" beginning on page 1. The fiscal ends on March 31 of each year, so all references to a particular fiscal are to the twelve-month period ended March 31 of that fiscal. For a description of the business of the Company, please refer to the section titled "Business" on page 59.

Company overview

The Company is a profit earning, dividend paying entity engaged in the production and sales of super fine cotton yarns and textile made-ups. The Company was incorporated in 1953 and commenced its activity with an initial installed capacity of 5,000 spindles and, over a period of five decades, has grown into a 'two star' category exporter of made-ups with in-house integrated facilities covering spinning, weaving, processing, sewing and design and product development.

The existing spinning unit of the Company, situated at Puliampatti, Pollachi Taluk has an installed capacity of 46,004 spindles. The weaving facility at Arakulam, Palladam Taluk, has an installed capacity of 84 looms, out of which 18 looms are owned by the Company. The balance weaving facilities have been leased from LAWL, a Promoter Group company. The processing division of the Company has a capacity of 15,000 metres per day and is located at SIPCOT Industrial Growth Centre, Perundurai. The sewing activities located at Kuniamuthur, Coimbatore are outsourced from SAPL, a Promoter Group company. SAPL has an installed capacity of 24,00,000 pieces of made-ups per annum. The Company proposes to acquire the sewing facilities as a part of the proposed project.

The Company has installed 2 WEGs of 250 KW each at Sanganapuram, Tirunelveli District, for generating power for the purpose of captive consumption.

The entire production of made-ups is exported. The Company is now a player in the home textiles segment with a firm foothold in the niche segment of high-end 'bedroom products' and its customers include some of the world's leading retailers such as *Macy's, Kohl's, Laura Ashley* and *T.J. Maxx* and *H. Goods*. The Company has also entered the branded arena with ingredient brands, *GossamerCotton™* and *GenuisaCotton™*.

Products and application

Cotton yarn

The expertise of the Company in manufacturing super fine counts of 80s to 160s stems from the tradition of having worked with farmers and agricultural research agencies to develop new varieties of cotton with special characteristics which make them superior to other varieties of extra long staple cotton. The super fine cotton yarn is being exported to markets such as Spain, Italy and Japan and is also utilised for captive consumption.

Made-ups

The Company is now a player in the home textiles segment with a firm foothold in the niche segment of high-end 'bedroom products'. The Company has retained its focus on the luxury segment over the years with the made-ups sales contributing 85% of the revenues in fiscal 2006.

GossamerCotton™ and GenuisaCotton™

The company has developed ingredient brands in the name of GossamerCotton™ and GenuisaCotton™*. The* GossamerCotton™ and GenuisaCotton™ *are spun into fine yarn out of superior quality long staple cotton such as* Suvin*. The superior quality long staple cotton buds are processed at a slow speed to yield fibres that are 25% longer than standard extra long staple cotton and 30% finer than the best Egyptian cotton. The* GenuisaCotton™ *is an ecologically sustainable product. This ingredient brands are being well received in the international retail markets.* Macy's*, the Company's largest customer, has included the ingredient brand as part of its private label for retailing. The company has applied for registration of trademark in the name of* GossamerCotton™ *in USA, UK, India, Singapore, Australia and New Zealand and registration of trademark in the name of* GenuisaCotton™ *in USA.*

Industry

The textile industry is emerging as a big opportunity for India in the post quota regime. India is emerging as a preferred supplier second only to China with its inherent advantage in apparel and home textiles. In 2004, India accounted for 3% of global USD 395bn textile trade.

In 2004 almost 60% of India's exports of textile and apparel were to highly quota-restricted markets of USA and EU. However, in the last couple of years a number of large US companies have filed for bankruptcy releasing a large chunk of capacity available for the Asian players. This coupled with the fact that USA is the single largest market for home textiles provides an estimation of the opportunity at hand.

Now, with the opening up of quotas it is expected that India's textile exports will cross USD 50bn by 2010 (As set in National Textile Policy 2000) against USD 14bn currently. India has already established itself as one of the top 5 exporters in the segment.

The home textiles space is seeing a lot of new entrants. However, to establish which players will be able sustain the competitive pressure in the export and domestic segments the following would be the key deciding parameters:

- scale;
- client relationship; and
- retail presence.

Business Performance

The Company has entered in overseas business in 1987, when the turnover was at Rs.1040 lakhs. The turnover has grown gradually over the years. The company has recorded a turnover of Rs.9365 lakhs during the fiscal 2006. The Company has entered into exports of made-ups in the year 1995. The Company has now made firm foothold in made-ups, with its contribution of around 85% to the top line. The Company's made-ups sale has grown with a CAGR of 29% over last 5 years. The break up of turnover and realizations of last 5 years is given below:

Product Wise break up of Sales:

Rs. in Lakhs

Product	2001-02	2002-03	2003-04	2004-05	2005-06
Cotton Yarn	3,152	2,359	1,706	1,680	1,411
Made-ups	2,846	4,711	6,658	6,463	7,955
Total	**5,998**	**7,070**	**8,363**	**8,143**	**9,365**

Geographical Break-up of Sales:

Rs. in Lakhs

Product	2001-02	2002-03	2003-04	2004-05	2005-06
Domestic	1,502	1,988	437	275	1,252
Exports	4,496	5,082	7,926	7,868	8,113
Total	**5,998**	**7,070**	**8,363**	**8,143**	**9,365**

Analysis of Profit and Loss Statement

The following table sets forth, for the fiscal years indicated, certain items derived from the restated financial statements of the Comany:

(Rs. In Lakhs)

Details	For the year ending 31st				
	March 2002	March 2003	March 2004	March 2005	March 2006
Income					
Net sales of products manufactured by the company	6004.50	7069.77	8363.38	8143.14	9365.49
Other Income	371.23	503.34	836.80	650.79	387.94
Increase / (Decrease) in Stock	139.75	653.32	242.96	739.88	563.64
Total	**6515.48**	**8226.43**	**9443.14**	**9533.81**	**10317.07**
Expenditure					
Raw Material consumed	2106.05	2714.62	2519.51	2690.53	3305.00
Staff Costs	427.67	452.00	461.06	475.05	429.87
Other Manufacturing Expenses	2307.45	3318.44	4017.05	3916.22	3352.27
Administration Expenses	449.12	466.21	543.82	589.76	462.41
Selling and Distribution Expenses	428.73	439.77	761.96	878.86	614.65
Interest	379.78	372.49	452.16	513.92	650.89
Depreciation	240.02	240.06	235.39	311.80	262.53
Total	**6338.82**	**8003.59**	**8990.95**	**9376.14**	**9077.62**
Net Profit before Extra Ordinary Items & Tax	**176.66**	**222.84**	**452.19**	**157.67**	**1239.45**
Current tax	(24.00)	(35.00)	(35.00)	(12.00)	(50.00)
Reversal of earlier year excess provision of tax	-	-	-	-	45.13
Net Profit before Extra Ordinary Items	**152.66**	**187.84**	**417.19**	**145.67**	**1234.58**
Less: Extra Ordinary Items - Unrealisable receivables written off	-	-	-	-	(390.65)
Less: Provision for Doubt full receivables	-	-	(100.00)	-	-
Add: Depreciation of earlier years reversed	-	-	-	-	-
Net Profit After Extra Ordinary Items	**152.66**	**187.84**	**317.19**	**145.67**	**843.93**
Less: Prior year adjustments	(6.70)	-	-	-	-
Add: Transfer from Investment Fluctuation Reserve	-	-	-	100.90	-
Add: Transfer from Investment Allowance (Utilised) Reserve	-	55.60	-	-	-
Add: Transfer from Debenture Redemption Reserve	-	100.00	-	-	-
Less: Provision for Diminution in Value of Investments	-	-	-	(100.90)	-
Surplus from Previous Year	784.45	778.41	1072.36	1312.49	1399.92
Amount Available for Appropriation	**930.41**	**1121.85**	**1389.55**	**1458.16**	**2243.85**

(Rs. In Lakhs)

Details	For the year ending 31st				
	March 2002	March 2003	March 2004	March 2005	March 2006
Appropriations					
Transfer to General Reserve	50.00	17.00	15.00	5.82	1785.02
Transfer to Investment Fluctuation Reserve	68.40	-	-	-	-
Final Dividend	33.60	28.80	55.01	45.85	91.69
Tax on Dividend	-	3.69	7.05	6.57	12.86
Balance carried to Balance Sheet	778.41	1072.36	1312.49	1399.92	354.28
Total	**930.41**	**1121.85**	**1389.55**	**1458.16**	**2243.85**

FY 2006 over FY 2005

Income:

Yarn sales during the financial year ended March 31, 2006 was Rs.1,411 lakhs as against Rs.1,680 lakhs during FY 2005, registering a decline of 16% over last year. The decline was due to increased captive consumption and an incident of lock out at the spinning division. Made-ups sales registered a growth of 23% over the last year. During the financial year ended March 31, 2006 the total sales of made-up was Rs.7,955 lakhs as against Rs.6,463 lakhs during financial year ended March 31, 2005. During the year total sales has registered a growth of 15% due to higher realisations on account of made-ups, which has increased by about 23%.

Other Income has declined from Rs.651 lakhs in FY 2005 to Rs.388 lakhs in FY 2006 mainly due to reduction in exhange fluctuation gains and DEPB income.

Expenditure:

Raw Material Consumed

Cotton consumed during FY 2006 was 11.60 lakhs kg as against 13.89 lakhs kg during FY 2005. The reduction in consumption of cotton was due to an incident of lock out at the spinning division. Average cost of cotton during FY 2006 was Rs.86 per kg as against Rs.101 per kg during FY 2005.

Outsourced yarns consumed during FY 2006 was 5.98 lakhs kg at an average cost of Rs.203 per kg as against 5.38 lakhs kg at an average cost of Rs.143 per kg during FY 2005. The higher cost per kg of yarn is mainly due to change in the product mix from pure cotton to linen cotton and silk.

Salaries and Wages

Salaries and Wages have gone down from Rs.475 lakhs in FY 2005 to Rs.430 lakhs in FY 2006, due to an incident of lock out at the spinning division.

Administrative and Other Expenses

Administrative and Other Expenses have gone down from Rs.590 lakhs in FY 2005 to Rs.462 lakhs in FY 2006 mainly on account of reduction in bank guarantee commission paid to the banks due to recognition of the Company as a 'two star' export house.

Selling Expenses

Selling Expenses have gone down from Rs.879 lakhs during FY 2005 to Rs.615 lakhs during FY 2006. The main reasons for decline are:

The company had to buy quota to the tune of Rs.154 lakhs during FY 2005 as December 2004 was the last phase of quota regime and the company's shipment were based on certain ship window dates specified by the customers. During FY 2005, the total airfreight charges were Rs.385 lakhs as against Rs.266 lakhs during FY 2006.

Profit Before Interest Depreciation Tax and Extra Ordinary Items (PBIDT)

PBIDT of the company has shown tremendous increase of 119% from Rs.983 lakhs in FY 2005 to Rs.2,153 lakhs during FY 2006 mainly due to increase in realizations, savings in processing costs on account of in-house processing activities and decrease in selling expenditures.

Interest

Interest on the bank loans have been gone up from Rs.514 lakhs in FY 2005 to Rs.651 lakhs in FY 2006 on account of availment of additional working capital facility due to the increased volumes.

Depreciation

Depreciation during the FY 2006 has gone down to Rs.263 lakhs from Rs.312 lakhs in FY 2005. The increased depreciation in FY 2005 was due to the additional depreciation on the capitalisation of the plant and machinery of the processing division.

Taxation

During the FY 2006 the Company has made a provision of Rs.50 lakhs on account of MAT on the book profit after adjusting the excess depreciation written back and considering the benefits of 80(IA) of the Income Tax on account of WEGs.

Profit after Tax but before Extra Ordinary Items

The Company has reported a net profit before extra ordinary items of Rs.1,235 lakhs in FY 2006 as against Rs.146 lakhs in FY 2005, registering a significant growth of 846% yoy.

Extraordinary Items

Unrealisable Receivables Written off

The Company has written off receivables to the tune of Rs.391 lakhs, which was taken over by the Company from CLIF during the FY 2003 and 2004.

FY 2005 over FY 2004

Income:

Yarn sales during the financial year ended March 31, 2005 was Rs.1,680 lakhs as against Rs.1,706 lakhs during FY 2004, registering a marginal growth over the previous year. During the financial year ended March 31, 2005 the total sales of made-up was Rs.6,463 lakhs as against Rs.6,658 lakhs during financial year ended March 31, 2004 registered a decline of 3% mainly due to non-availability of quota, embargo imposed on imports by the US government.

Other Income has declined from Rs. 837 lakhs in FY 2004 to Rs. 651 lakhs in FY 2005 mainly due to reduction in DEPB rates from 11% to 4.4%.

Expenditure:

Raw Material Consumed

Cotton consumed during FY 2005 was 13.89 lakhs kg as against 16.74 lakhs kg during FY 2004. The same is on account of the decrease captive consumption of yarn due to reduction in sales of made up. Total cost of raw material consumed during FY 2005 was Rs.2,691 lakhs as against Rs.2,520 lakhs during FY 2004. Raw material cost includes the cost of cotton, yarns and fabric purchased from outside.

Salaries and Wages

Salaries and Wages were Rs.475 lakhs in FY 2005 as against Rs.461 lakhs in FY 2004, registering an increase of 3%, considered nominal in view of the inflation and increased business activity.

Administrative and Other Expenses

Administrative and Other Expenses were Rs.590 lakhs in FY 2005 as against Rs.544 lakhs in FY 2004, which is an increase of 9%, considered nominal in view of the inflation and increased business activity.

Selling Expenses

Selling expenses have gone up from Rs.762 lakhs during FY 2004 to Rs.879 lakhs during FY 2005, an increase of 15% mainly due cost of air freight of cargo and purchase of quotas for export.

Profit Before Interest Depreciation Tax and Extra Ordinary Items (PBIDT)

PBIDT of the company has decreased by 14% from Rs.1,140 lakhs in FY 2004 to Rs.983 lakhs during FY 2005 mainly due to increase in raw material cost and selling expenses coupled with lower other incomes due to reduction in DEPB rate.

Interest

Interest on the bank loans have been gone up from Rs.452 lakhs in FY 2004 to Rs.514 lakhs in FY 2005 on account of additional packing credit facility utilisation from the banks.

Depreciation

Depreciation during the FY 2005 was Rs.312 lakhs as against Rs.235 lakhs in FY 2004. Additional depreciation is mainly due to addition of plant and machinery in processing division.

Taxation

During the FY 2005 the company has made a provision of Rs.12 lakhs as against Rs.35 lakhs during FY 2004.

Profit after Tax but before Extra Ordinary Items

The company has reported a net profit before extra ordinary items of Rs.146 lakhs in FY 2005 as against Rs.417 lakhs in FY 2004, a decline of 65%, mainly due to increase in raw material cost and selling expenses coupled with lower other incomes due to reduction in DEPB rate.

FY 2004 over FY 2003

Income:

Yarn sales during the financial year ended March 31, 2004 was Rs.1,706 lakhs as against Rs.2,359 lakhs during FY 2003, showing a reduction of Rs.653 lakhs, which is about 28%. This is mainly due to enormous increase in captive consumption of yarns for fabric production for made-ups. During the same period, the total sales of made-up was Rs.6,658 lakhs as against Rs. 4,711 lakhs during financial year ended March 31, 2003 registering a growth of 41%. The increase in sales of made-ups was due to increased demands and concentration of the company on moving towards value added finished products.

Other Income has increased from Rs.503 lakhs in FY 2003 to Rs.837 lakhs in FY 2004, an increase of 66%, resulted from the higher DEPB income due to increased made-ups sales.

Expenditure:

Raw Material Consumed

Cotton consumed during FY 2004 was 16.74 lakhs kg as against 21.02 lakhs kg during FY 2003. The decrease in consumption of cotton was due to reduced sales of yarns. Total cost of raw material consumed during FY 2004 was Rs.2,520 lakhs as against Rs.2,715 lakhs during FY 2003. Raw material cost includes the cost cotton, yarns and fabric purchased from outside.

Salaries and Wages

Salaries and Wages were Rs.461 lakhs in FY 2004 as against Rs.452 lakhs in FY 2003, registering an increase of 2%, considered nominal in view of the inflation and increased business activity.

Administrative and Other Expenses

Administrative and Other Expenses were Rs.544 lakhs in FY 2004 as against Rs.466 lakhs in FY 2003, registering an increase of 17%, which was due to the increased business activity.

Selling Expenses

Selling expenses have gone up from Rs. 440 lakhs during FY 2003 to Rs. 762 lakhs during FY 2004, an increase of 73% over the previous year. This is mainly due to higher percentage of made-ups sales as compared to FY 2003.

Profit Before Interest Depreciation Tax and Extra Ordinary Items (PBIDT)

PBIDT of the company has increased by 36% from Rs.835 lakhs in FY 2003 to Rs.1140 lakhs during FY 2004 in spite of increase in selling expenses mainly due to higher share of made-ups sales to total sales as compared to previous year.

Interest

Interest on the bank loans have gone up from Rs.372 lakhs in FY 2003 to Rs. 452 lakhs in FY 2004 on account of availment of additional packing credit facility from the banks.

Depreciation

Depreciation during the FY 2004 was Rs. 235 lakhs as against Rs. 240 lakhs in FY 2003, on account of WDV method of depreciation adopted.

Taxation

During the FY 2004 the company has made a provision of Rs.35 lakhs, which is same for the previous year 2003.

Profit after Tax but before Extra Ordinary Items

The company has reported a net profit before extra ordinary items of Rs.417 lakhs in FY 2004 as against Rs.188 lakhs in FY 2003, registering a growth of 122%, mainly due to higher share of made-ups sales to total sales as compared to previous year.

Summary of Assets and Liabilities

Summary of Assets and Liabilities – Restated

(Rs. In Lakhs)

Details	For the year ending 31st				
	March 2002	March 2003	March 2004	March 2005	March 2006
Fixed Assets					
Gross Block	3831.31	4720.86	5312.36	5561.32	5841.02
Less: Depreciation	2107.82	2333.51	2539.48	2845.34	2938.07
Net Block	**1723.49**	**2387.35**	**2772.88**	**2715.98**	**2902.95**
Capital Work in progress	273.95	183.80	51.21	65.00	-
(A)	**1997.44**	**2571.15**	**2824.09**	**2780.98**	**2902.95**
B. Investments	**145.37**	**159.24**	**160.04**	**59.17**	**54.14**
Current Assets, Loans and Advances					
Inventories	2056.39	2628.18	2911.46	3687.90	4797.59
Sundry Debtors	694.30	1961.26	2685.99	2759.63	3864.00
Cash and Bank balances	140.02	140.08	350.89	213.61	122.37
Loans and Advances	1410.74	2595.58	2488.11	3304.13	2578.23
Sub Total (C)	**4301.45**	**7325.10**	**8436.45**	**9965.27**	**11362.19**
Less: Loans and Liabilities					
Secured Loans	2813.31	3577.37	3900.75	4484.97	4971.61
Unsecured Loans	85.37	1318.65	291.72	256.88	92.80
Current Liabilities and Provisions	993.05	2451.59	3177.71	4020.82	4873.22
Sub Total (D)	**3891.73**	**7347.61**	**7370.18**	**8762.67**	**9937.63**
Net Worth (A+B+C-D)	**2552.53**	**2707.88**	**4050.40**	**4042.75**	**4381.65**
Represented by					
Share Capital	96.00	96.00	458.46	458.46	458.46
Reserves & Surplus	2456.53	2611.88	3591.93	3584.26	4323.64
Less: Miscellaneous Expenditure not written off	-	-	-	-	400.48
Net Worth	**2552.53**	**2707.88**	**4050.39**	**4042.72**	**4381.62**
Details for Reserves and Surplus					
Capital Reserve	42.89	42.89	42.89	42.89	42.89
Share Premium	-	-	724.92	24.92	724.92
General Reserve	1378.73	1395.73	1410.73	1416.53	3201.55
Investment Allowance Utilisation Reserve	55.60	-	-	-	-
Debenture Redemption Reserve	100.00	-	-	-	-
Investment Fluctuation Reserve	100.90	100.90	100.90	-	-
Surplus in Profit and Loss Account	778.41	1072.36	1312.49	1399.92	354.28
Total	**2456.53**	**2611.88**	**3591.93**	**3584.26**	**4323.64**

Analysis of Statement of Assets and Liabilities

Fixed Assets

The gross block of the company has increased gradually to the present level of Rs.5,841 lakhs as at March 31, 2006 mainly on account of the additions of facilities for the growing business. The net block of fixed assets after depreciation as at March 31, 2006 was Rs.2,903 lakhs.

Investments

The investments are valued at acquisition cost less providing for investments whose market value is lower than the acquisition value. The investments as at March 31, 2006 was Rs.54.14 lakhs.

Current Assets

Inventories

Inventories of the company has been increasing gradually mainly due to the increased level of operations and integrated production activity of the company. The inventories as at March 31, 2006 of Rs.4,798 lakhs consisting of Rs.2,645 lakhs of work in process.

Sundry Debtors

Sundry debtors of the company has increased from Rs.2,760 lakhs as at March 31, 2005 to Rs.3,864 lakhs as at March 31, 2006.

Cash and Bank balance

Cash and bank balances mainly include deposits in current accounts. The cash and bank balance has gone down from Rs.214 lakhs as at March 31, 2005 to Rs.122 lakhs as at March 31, 2006.

Loans and Advances

Loan and Advances of Rs.2,578 lakhs as at March 31, 2006 mainly includes advances given to the suppliers for purchase of raw materialsof Rs.1,845 lakhs.

Current Liabilities and Provisions

Sundry Creditors

Sundry Creditors have gone up from Rs.1,621 Lakhs in FY 2005 to Rs.1,989 Lakhs during FY 2006. Sundry Creditors include Rs.46 Lakhs due to SSI units during FY 2006.

Others Liabilities

Other liabilities include Rs.330 lakhs towards outstanding expenses, Rs.27 lakhs for the unclaimed matured deposits and Rs.4.58 Lakhs of unclaimed dividends, as at March 31, 2006. There is no amount outstanding by the Company to be credited to the Investors Education and Protection Fund.

Bills Discounted with Banks

The bills discounted with banks and outstanding as at March 31, 2006 is Rs.2,297 lakhs as against Rs.1,668 lakhs as at March 31, 2005.

Provisions

Provisions for the financial year 2006 include provision for taxation of Rs.50 Lakhs and provision for dividend and dividend tax of Rs.104.55 Lakhs.

Secured Loans

Secured loans of Rs.4,971 Lakhs as at FY 2006, for details refer page 114 of this Red Herring Prospectus.

Unsecured Loans

Unsecured loans of Rs.93 Lakhs as on FY 2006, constitutes mainly fixed deposits from the public and directors.

Net Worth

Net Worth of the company is represented by share capital and accumulated reserves reduced by miscellaneous expenditure. The net worth of the company has gone up from Rs.4,042 lakhs to Rs.4,382 lakhs on account of surge in profits. Miscellaneous expenditure amounting to Rs. 400 lakhs as on March 31, 2006 includes the expenditure incurred on developing a new product range GossamerCotton™. The Company has adopted a policy to write off the misc. expenditure over a period of 3 years starting from FY 2007.

Factors that may affect the operations/profitability of the company:

The company's operations and the profitability may get adversely affected due to

(a) Non-availability of desired quality cotton or increase in price of premium quality cotton.

(b) Recession in developed economies.

(c) Major changes in regulatory provisions of India and importing countries.

(d) Currency devaluation by other ASEAN exporting countries.

Related Party Transactions

For details of related party transactions, please refer to the section entitled "Related Party Transactions" on page 120.

Financial Market Risks Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to financial market risks from changes in interest rates and inflation.

Interest rate risk

The interest rate risk results from changes in interest rates, which may affect the financial expenses of the Company. The Company may bear interest rate risk with respect to temporary bank overdraft limits and other unsecured loans as the interest rate could vary in the near future.

Effect of Inflation

The Company is indirectly affected by inflation. The inflation also affects the investor sentiment about equity investing and business confidence, thereby affecting the Company's furtue growth and volumes.

Significant Developments after March 31, 2006 that may affect the future of the Company's Operations

Except as stated elsewhere in this Red Herring Prospectus and in compliance with AS4, to the Company's knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to affect, the trading and profitability of the Company, or the value of the assets or their ability to pay their material liabilities within the next 12 months. Except as stated elsewhere, there are no subsequent developments after the date of the Auditor's report, which the Company believes would have material impact on the reserves, profits, earnings per share or book value of the Company.

Unusual or infrequent events or transactions

Except as stated elsewhere or in the Auditor's report in this Red Herring Prospectus, the Company is not aware of any unusual or infrequent events or transactions.

Significant Economic/ Regulatory Changes

Except as described in section "Regulations and Policies" in this Red Herring Prospectus, there have been no significant economic/regulatory changes.

Known trends or Uncertainties

Other than as described elsewhere in this Red Herring Prospectus, to the best of the Company's knowledge, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or profit of the Company from continuing operations.

Future relationship between costs and income

The Company is continuously working to create efficient processes resulting in cost reduction and to have better control over the supply chain. The Company expects to continue its effort at improving its technology initiatives and try to realize better margins in the future.

Other than as described elsewhere in this Red Herring Prospectus, to the best of the Company's knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

New Products or business segments

For details of new products or business segments, please refer to the section titled "Business" on page 59.

Seasonality of business

The Company's business is not seasonal.

Over dependence on single or few suppliers/customers

The revenues of the Company are highly dependent upon a limited number of customers. Revenue from the 4 largest customers as a percentage of the made-ups revenue of the Company for the financial year 2006 is as below:

Name of the Customers	% of the Made-up Revenues
Macy's	32%
Kohl's	19%
T.J Maxx and H. Goods	16%
Laura Ashley	11%

These customers are expected to continue to provide a significant percentage of the Company's revenues in the future. Typically, the Company does do not have long-term sales contracts with its customers.

Competitive conditions

The Company faces competition from both domestic and international players. In India, the main competitors of the company are Bombay Dyeing and Manufacturing Company Limited, Alok Industries Limited and Welspun India Limited. Internationally, the Company faces competition from Pakistan, China, Italy, Portugal and Turkey, among other countries.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against the Company or the Directors, 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 issued 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 (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company or Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, Promoters or Directors.

Litigation by the Company

Writ proceedings

The Company has in June 2006 instituted a writ petition (W.P. No. 16088 of 2006) before the Madras High Court impugning the validity of accounting standard AS-22 issued by the Institute of Chartered Accountants of India on the grounds of repugnance with the Companies Act 1956, and on the grounds that it is discriminatory and arbitrary in its application. The High Court has granted an interim order staying the operation of accounting standard AS-22 until further orders.

Representative litigation involving the Company

Writ proceedings

The Indian Chamber of Commerce and Industry, Coimbatore has on behalf of its members instituted a writ petition before the Madras High Court (W.P. No 33543 of 2005) impugning the constitutional validity of Sections 115WA to 115WL of the Income Tax Act, 1961 pertaining to fringe benefit tax. The Company, SAPL and LAWL are members of the Indian Chamber of Commerce and Industry, Coimbatore. The Madras High Court had granted an interim order staying the payment of fringe benefit tax. However, based on the Supreme Court decision, the High Court has vacated the stay on the payment of fringe benefit tax. The petition is pending before the High Court.

Labour proceedings

The Government of Tamil Nadu has in terms of an order 9G.O. [D] No 688 dated September 13, 2001, referred certain claims for standardization of wages, benefits and conditions of work raised by the Workmen of Textile Mills in Tamil Nadu against the Management of Textile Mills in Tamil Nadu to a Special Industrial Tribunal at Chennai (I.D. No 1 of 2002 and I. D. No 3 of 2003). The Company is contesting the proceedings on the grounds of the validity of the reference made by the Government as well as the merits of the claims raised by the workmen. The matter is pending. In the event that the claims of the workmen are allowed, the Company could be faced with certain monetary liabilities, which cannot be quantified at this stage.

Litigation against the Company

Civil proceedings

R.M. Bedi has instituted a Civil Miscellaneous Appeal before the Madras High Court (C.M.A. No. 3047 of 2005) against the order of the Additional District Judge (Fast Track Court) Coimbatore, dismissing a suit (O.S. No. 105 of 2003) instituted by Mr. Bedi for recovery for a sum of Rs. 19,25,000 allegedly payable to him as agency commission by the Company, and for a direction to the Company to render accounts in respect of certain transactions. The Fast Track Court had dismissed the suit for default of the plaintiff and had also rejected an application for its restoration. The appeal is pending before the High Court.

Proceedings by group companies

Coimbatore Lakshmi Investment and Finance Company Limited

Tax proceedings

- CLIF has on September 01, 2003 filed a petition seeking a waiver of interest on tax amounting to Rs. 3,98,847 in respect of the assessment year 1997-1998 from the Commissioner of Income Tax (II) Coimbatore under

Section 220(2A) of the Income Tax Act. The waiver is sought on the grounds of the poor financial health of CLIF and the pendency of appellate proceedings. The petition is pending consideration.

- CLIF has on April 10, 2001, filed an appeal before the Commissioner of Income Tax (Appeals), Coimbatore, in respect of a demand of Rs. 8,23,179 for the assessing year 1998-1999 made by the Additional Commissioner of interest tax, Special Range I, Coimbatore. The principal ground of appeal is that the assessing officer has erred in treating certain hire purchase transactions as finance transactions, thereby bringing certain income from them under the purview of the Interest Tax Act. The appeal is pending disposal.

Criminal proceedings

- CLIF has on August 22, 2000, instituted a complaint under Sections 138 and 141 of the Negotiable Instruments Act, 1881 (C.C. No. 230 of 2001) before the Judicial Magistrate Coimbatore against T.T.G. Industries Limited and its managing director arising out of the dishonour of a cheque for Rs. 1,63,40,000. The accused has filed an application seeking to be discharged of the offence. The matter is pending.
- CLIF had on November 08, 2005, lodged a complaint before the city crime branch police station at Coimbatore against T.T.G. Industries Limited and its directors alleging offences of cheating and conspiracy. The police have registered an F.I.R. (No 40 of 2005) against the accused and commenced investigation. The accused has approached the Madras High Court seeking to quash the proceedings. The matter is presently pending.
- CLIF has on July 13, 2006 instituted a complaint before the Deputy Commissioner of Police (Crime) Coimbatore against Dhamson Telesystem Private Limited and its directors alleging that the accused had obtained money from CLIF under false pretences, thus committing fraud. The complaint has been forwarded to the Ramnathpuram Police Station, Coimbatore.
- CLIF has on July 21, 2006 instituted a complaint before the Commissioner of Police Chennai against RSL Golden Shelters Limited and its directors alleging that the accused had borrowed Rs. 30,00,000 obtained by the accused from CLIF under false pretences and had defaulted on repayment, thus committing fraud.
- CLIF has on February 12, 2001 instituted a complaint under Section 138 of the Negotiable Instruments Act, 1881 (C.C. No. 452 of 2001) before the Judicial Magistrate Coimbatore against G.D. Ramachandran arising out of the dishonour of a cheque for Rs. 14,00,000. The accused has filed a petition before the Madras High Court (Crl.O.P. 17024 of 2004) asking for the proceedings before the magistrate to be quashed. The Madras High Court has on May 18, 2004 stayed further proceedings before the magistrate's court. CLIF is contesting the matter before the High Court.
- CLIF has instituted a complaint before the City Crime Branch, Coimbatore (No 34 of 2004) against United Bleachers Limited and its directors alleging that a sum of about Rs. 39,00,000 was obtained by the accused from CLIF with the intention of cheating CLIF. The matter is presently being investigated.
- CLIF has instituted a complaint before the City Crime Branch, Coimbatore (No 32 of 2004) against Kwality Spinning Mills Limited and its directors alleging that a sum of about Rs. 91,00,000 was obtained by the accused from CLIF with the intention of cheating CLIF. The matter is presently being investigated.
- CLIF has on March 13, 2006 instituted a complaint before the City Crime Branch, Coimbatore (No 5 of 2006) against NEPC India Limited and its directors alleging that a sum of Rs 1,40,00,000 was obtained by the accused from CLIF with the intention of cheating CLIF. The matter is presently being investigated.
- CLIF had on May 29, 2005 instituted a complaint before the City Crime Branch, Coimbatore (No 35 of 2004) against Parkins Textiles Private Limited and its directors alleging that a sum of Rs 26,00,000 was obtained by the accused from CLIF with the intention of cheating CLIF. For failure of the City Crime Branch to prosecute the complaint, CLIF has instituted a protest application before the Judicial Magistrate at Coimbatore (C.M.P. No 1532 of 2004). The matter is presently pending.

Litigation against group companies

Seshraj Apparels Private Limited

Labour proceedings

- Mr. K. Krishnamoorthy, who was formerly employed by SAPL as a driver has instituted an industrial dispute (I.D. No 366 of 2004) against SAPL before the Labour Court at Coimbatore challenging his dismissal from service and seeking reinstatement with back wages. SAPL had dismissed Mr. Krishnamoorthy on July 31, 2004 after he was found in an internal inquiry to be guilty of rash driving and violating applicable standing orders. SAPL has filed its pleadings before the Labour Court and is contesting the proceedings. The matter is presently pending.
- Mr. L. Unnikrishnan a former employee of SAPL has initiated conciliation proceedings (No. 532 of 2006) before the Labour Officer, Coimbatore in respect of his dismissal from employment. Mr. Unnikrishnan was dismissed on March 01, 2006 following an internal inquiry, in which he was found guilty of illegally blocking other employees and SAPL's vehicles from entering the factory premises and violating applicable standing orders. SAPL has filed its pleadings before the Labour Officer. The matter is presently pending.
- Mr. G. Ramalingam a former employee of SAPL has initiated conciliation proceedings (No. 533 of 2006) before the Labour Officer, Coimbatore in respect of his dismissal from employment. Mr, Ramalingam was dismissed on March 01, 2006 following an internal inquiry, in which he was found guilty of illegally blocking other employees and SAPL's vehicles from entering the factory premises and violating applicable standing orders. SAPL has filed its pleadings before the Labour Officer. The matter is presently pending.
- Ms. Dhanalakshmi, a former employee of SAPL has instituted an industrial dispute (I.D. No 216 of 2006) against SAPL before the Labour Court at Coimbatore challenging her dismissal from service and seeking reinstatement with back wages. SAPL had dismissed Ms. Dhanalakshmi on July 14, 2005 after she was found in an internal inquiry to have intentionally underperformed in her duties. SAPL have instructed counsel to appear and file pleadings on its behalf in the matter. The matter is presently pending.

Coimbatore Lakshmi Investment and Finance Company Limited

Securities laws

- BSE has with effect from October 26, 1998 suspended trading in the securities of CLIF on the grounds of non-compliance with the provisions of the Listing Agreement. CLIF has thereafter been non compliant with the Listing Agreement and has been from time to time been required to show cause as to why BSE should not proceed to de-list the shares of CLIF for violations of the Listing Agreement. Three substantively similar notices were received by CLIF on February 11, 2004 (DCS/DL/SM/5111435/122), May 02, 2006 (No CRD/SUSP/2006/511435/210) and July 06, 2006 (No CRD/DEL/2006/511435/179). The notice dated July 06, 2006 alleges the following violations of the Listing Agreement:

  (i) failure to submit book closure for the years 2004 and 2005 in accordance with clause 15&16 of the Listing Agreement;

  (ii) failure to pay listing fees amounting to Rs. 30,000 in accordance with Clause 38 of the Listing Agreement;

  (iii) failure to submit disclosures in accordance with Clause 40B of the Listing Agreement and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997, as on February 20, 2007;

  (iv) failure to submit quarterly results since June 2004 in terms of Clause 41 of the Listing Agreement; and

  (v) failure to appoint a registrar and transfer agent and to submit a compliance certificate in accordance with Clause 47 of the Listing Agreement;

  CLIF has on July 21, 2006 provided the following responses to the show cause notice:

  (i) book closure for the years 2004 and 2005 had been intimated to the BSE;

  (ii) listing fees for the year 2006-2007 has been remitted on May 15, 2006;

(iii) requisite disclosures under Regulations 6 (2) and 6 (4) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 had been made;

(iv) the lapse in the submission of quarterly results was on account of the financial ill health of the company;

(v) compliance certificates have been regularly submitted through a practicing company secretary; and

(vi) Intime Spectrum Registry Limited had been appointed as Registrar and Share Transfer Agent and the appointment had been intimated to the BSE on December 27, 2004.

Refusal of registration as a Non Banking Financial Institution and prohibitions imposed by the RBI

The Department of Non Banking Supervision of the Reserve Bank of India had in terms of an order dated August 23, 2002 passed in exercise of powers under Section 45 –IA of the Reserve Bank of India Act, 1934 rejected an application made by CLIF for a certificate of registration as a Non Banking Financial Institution on the ground that CLIF did not meet the requirements stipulated under Section 45-IA(4) of the Reserve Bank of India Act, 1934. Pursuant to this order the Department of Non Banking Supervision of the Reserve Bank of India had in terms of an order dated August 27, 2002 passed under Sections 45-MB (1) and 45-MB (2) of the Reserve Bank of India Act, 1934 prohibited CLIF from accepting or renewing any deposits and from selling, transferring, creating charges on, or dealing with its properties and assets. CLIF has in September 2002 instituted an appeal against the orders passed by the Reserve Bank of India before the appellate authority designated under Section 45-IA (7) of the Reserve Bank of India Act, 1934. The appeal is pending adjudication.

Notice from preference shareholders

Mr. J. Ramesh who had subscribed to 50 redeemable preference shares of the face value of Rs. 100 each in CLIF had addressed a notice on January 25, 2006 alleging a delay in payment of dividend due to him and demanding repayment of the subscription amount and interest thereon. Coimbatore Lakshmi Investment and Finance Company Limited has on April 21, 2006 replied to the notice. A copy of Mr. Ramesh's notice was marked to the Economic Offences Wing and the Central Bureau of Investigation at Chennai. There have however been no further developments in the matter.

Other defaults in payment to depositors

CLIF has defaulted in the repayment of recurring deposits accepted from 115 depositors aggregating to Rs.8,11,800.

Proceedings before the Debt Recovery Tribunal

- Indian Bank has instituted proceedings (O.A. No 163 of 2003) before the Debt Recovery Tribunal at Coimbatore against CLIF and Mr. K. Rajagopal for the recovery of Rs. 69,55,903 with interest thereon at the rate of 17.75 percent per annum. The proceedings relate to an open cash credit facility availed by CLIF from the bank, for which Mr. K. Rajagopal had issued a personal guarantee. The matter is presently pending.

- The Lakshmi Vilas Bank Limited has instituted proceedings (O.A. No. 960 of 2000) before the Debt Recovery Tribunal at Chennai against CLIF and Mr. K. Rajagopal for the recovery of Rs. 1,23,30,851.08 with interest thereon at the rate of 20.25 percent per annum. The proceedings relate to a cash credit facility availed by CLIF from the bank, for which Mr. K. Rajagopal had issued a personal guarantee. The matter is presently pending.

- The Karur Vysya Bank Limited has instituted proceedings (O.A. No. 5 of 2003) before the Debt Recovery Tribunal at Coimbatore against CLIF and Mr. K. Rajagopal for the recovery of Rs. 1,48,82,109 with interest thereon at the rate of 18.5% per annum. The proceedings relate to a cash credit facility and working capital loan availed by CLIF from the bank, for which Mr. K. Rajagopal had issued a personal guarantee. The matter is presently pending. The bank has declared CLIF as a defaulter.

- The Federal Bank Limited has instituted (O.A. No. 960 of 2000) before the Debt Recovery Tribunal at Coimbatore against CLIF and Mr. K. Rajagopal for the recovery of Rs. 1,23,30,851.08 with interest thereon at the rate of 20.25 percent per annum. The proceedings relate to a cash credit facility availed by CLIF from the bank, for which Mr. K. Rajagopal had issued a personal guarantee. The matter is presently pending.

- Canara Bank had in June, 2001 instituted proceedings (T.A. No. 1086 of 2002) before the Debt Recovery Tribunal at Coimbatore against CLIF and Mr. K. Rajagopal for the recovery of Rs. 1,00,71,402.06 with interest thereon at the rate of 17.75 percent per annum. The proceedings related to an overdraft facility availed by CLIF from the bank, for which Mr. K. Rajagopal had issued a personal guarantee. Pursuant to a compromise entered into with Canara Bank at Rs. 75,00,000, CLIF has as on March 31, 2006 made repayment of its dues.

Proceedings before the Company Law Board in respect of default in repayment of fixed deposits

Pursuant to complaints received from depositors alleging non repayment of deposits, the Southern Regional Bench of the Company Law Board had on March 31, 1999, in exercise of its powers under Section 45QA(2) of the Reserve Bank of India Act, 1934 directed CLIF to repay the depositors in accordance with a scheme to be implemented under the supervision of the Company Law Board and the Reserve Bank of India. Pursuant to the order of the Company Law Board, CLIF had, from time to time approached the Company Law Board, seeking modifications of the terms of repayment provided under the scheme. As on August 07, 2006, CLIF had reported repayment deposits in accordance with the scheme to the Company Law Board and sought directions in respect of 161 unclaimed deposits aggregating to of Rs. 13,84,394. The Company Law Board has by its order dated August 29, 2006 directed CLIF to transfer amounts under unclaimed deposits to the Investor Education and Protection Fund in terms of Section 205C of the Companies Act, 1956.

Tax proceedings

The Deputy Commissioner of Income Tax Company Circle IV (1), Coimbatore has in April 2004 has filed an appeal before the Income Tax Appellate Tribunal (I.T.A. No. 905 of 2004) challenging the order of the Commissioner of Income Tax (Appeals)-1 Coimbatore dated January 30, 2004 in an appeal filed by CLIF against orders of the assessing officer which added accrued interest on non performing assets to the taxable income of CLIF. These proceedings pertain to the assessment years 1995-96, 1997-98, 1998-99, 1999-2000 and 2000-2001. CLIF is contesting these proceedings, which are presently pending. However, if the appeal is upheld against CLIF, the same would result in financial liability on CLIF, the exact amount of which cannot be quantified.

Default in payment to financial institutions

Canara Bank had in June, 2001 instituted proceedings (T.A. No. 1086 of 2002) before the Debt Recovery Tribunal at Coimbatore against CLIF and Mr. K. Rajagopal for the recovery of Rs. 1,00,71,402.06 with interest thereon at the rate of 17.75 percent per annum. The proceedings related to an overdraft facility availed by CLIF from the bank, in respect of which K. Rajagopal had issued a personal guarantee. Pursuant to a compromise entered into with Canara Bank, CLIF has as on March 31, 2006 made complete repayment of its dues.

Consumer disputes

Mr. R.K. Trehan, has in May 2003 instituted an appeal (No. 415 of 2003) before the Delhi State Consumer Disputes Redressal Commission challenging the order dated March 07, 2003 of the Delhi District Consumer Disputes Redressal Forum in a complaint (No. 1766 of 2000) instituted by Mr. Trehan against CLIF. Mr. Trehan had in October 1997 subscribed to 500 redeemable preference shares of the face value of Rs. 100 each at par. The complaint before the District Forum was filed alleging a deficiency in service on part of CLIF arising out of its failure to redeem preference shares, and claiming an amount of Rs. 50,000 together with interest, liquidated damages and costs. The District Forum had held that there had been no deficiency in service on part of CLIF and had dismissed the complaint. CLIF is contesting the appeal before the State Consumer Disputes Redressal Commission.

Kay Arr Enterprises

Tax proceedings

The Gift Tax Officer, Ward III (2) Coimbatore has instituted an appeal under the provisions of the Gift Tax Act, 1953 before the Income Tax Appellate Tribunal at Chennai impugning the order of the Commissioner of Income Tax (Appeals) – I, Coimbatore in respect of proceedings initiated against the partnership firm of Kay Arr Enterprises under the Gift Tax Act, 1953 arising out of the transfer of certain shares in Lakshmi Mills Company Limited and Lakshmi Card Clothing Manufacturing Company Limited to Mr. G.K. Sundaram and family and Mr. V. Narayanswamy' family. The Gift Tax Officer has passed an assessment order on the premise that the shares had been transferred for inadequate consideration and the difference between the market value of the shares and the actual consideration paid was liable to be taxed under the Gift Tax Act, 1953. The liability of Kay Arr Enterprises was assessed at Rs. 34,39,548. The Commissioner of Income Tax (Appeals) – I had cancelled the assessment order on the strength of the contention that the transfer was made as a part of a comprehensive family arrangement and therefore did not attract the provisions of the Gift Tax Act, 1953. The matter is presently pending.

Seshraj Textiles

Tax proceedings

The Assistant Commissioner of Income Tax, Circle III – Coimbatore has on December 17, 2004 instituted an appeal under the Income Tax Act, 1961 before the Income Tax Appellate Tribunal at Chennai, impugning the order of the Commissioner of Income Tax, Appeals (1) Coimbatore, dated September 04, 2004 allowing the appeal filed by Seshraj Textiles. A sum of Rs. 14,03,568 had been added to the taxable income of Seshraj Textiles for the assessment year 1992–1993, creating a tax liability on Seshraj Textiles of Rs. 5,06,071 for the said year. Seshraj Textiles had contended in its appeal before the Commissioner of Income Tax, Appeals that the sum of Rs. 14,03,568 had already been assessed to tax for the assessment year 1993-1994 and its addition to the income for the assessment year 1992-1993 would result in double taxation.

Lakshmi Apparels and Wovens Limited

Default on payment of statutory dues

- The Assistant Director of the Employees' State Insurance Corporation, Sub Regional Office, Coimbatore has in terms of an order dated September 29, 2006 issued under Section 45A of the Employees' State Insurance Act, 1948 determined a sum of Rs. 1,89,580 as payable by LAWL, towards omitted employer's contributions on wages under the Employees' State Insurance Act from April 2004 to March 2005. LAWL has complied with the order within the time frame stipulated.
- The Deputy Director of the Employees' State Insurance Corporation, Sub Regional Office, Coimbatore had in terms of an order dated May 13, 2005 issued under Section 45A of the Employees' State Insurance Act, 1948 determined a sum of Rs. 7,495 as payable by LAWL, towards omitted employer's contributions on wages under the Employees' State Insurance Act from April 2002 to March 2003. The amount is payable within a period of 15 days from the date of the order. LAWL has complied with the order within the time frame stipulated.
- The Deputy Director of the Employees' State Insurance Corporation, Sub Regional Office, Coimbatore had on December 02, 2005 made an application to the Recovery Officer Employees' State Insurance Corporation, Sub Regional Office, Coimbatore under Sections 45-C to 45 I of the Employees' State Insurance Act, 1948 for the recovery from Mr. A.L.Ramachandra, of a demand of Rs. 62 towards employer's contributions on wages payable by LAWL between May 1997 and November 2000. LAWL has paid the demand.

Proceedings against the Promoters

Mr. K. Rajagopal has been named as a co-defendant in five proceedings initiated by Karur Vysya Bank, Lakshmi Vilas Bank, Federal Bank, Indian Bank and Canara Bank before the Debt Recovery Tribunal in respect of transactions with CLIF that were secured by personal guarantees of Mr. K. Rajagopal. For details, see 'Litigations against group companies' above.

Mr. K. Rajagopal has also been named as a co-defendant in proceedings initiated by Central Bank of India before the Debt Recovery Tribunal in respect of transactions with The Rajalaxmi Mills Limited, in which he was a director.

Dues to small-scale undertakings

Sundry creditors as on March 31, 2006 include Rs. 45,85,000 due to small-scale industrial undertakings. The small-scale undertakings to whom an amount was outstanding for more than 30 days, to the extent such parties have been identified from the available information, are as follows:

Arvee Packaging, Chritida Enterprises, Dynopack Industries, Indo Packs, Lakshmi Packages, Lakshmi Paper Cones, Ramesh Plasctic Industries, Shree Balaji Industries, Sri Ramakrishna Yarns, Sri Sarathi Enterprises, Tex-Tech Industries, Sri Venkatalakshmi Packagings, Godwell Engineering, Thirumalai Cartons, Vivin Packs, Bullet Paper Cones, Decorpac, Nathan Industries and Super Tex Industries.

The litigations have been updated to indicate the current outstanding litigations and their current status, wherever necessary.

MATERIAL DEVELOPMENTS

In the opinion of the Board, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities within the next 12 months.

GOVERNMENT APPROVALS

Except as stated below, we have received the necessary approvals from the GoI and various governmental and regulatory authorities in relation to our present business. No further approvals are required for conducting our present business other than as described below.

Approvals for the Issue

1. Approval from the BSE dated December 21, 2006; and
2. Approval from the MSE dated October 23, 2006.

Approvals to conduct business

- Permanent Account Number AAACV6388F allotted by the Commissioner of Income Tax, Coimbatore.
- Tax Deduction Account Number CMBV03050F issued by the Office of the Income Tax Officer.
- Certificate of registration number 2280156, dated November 09, 1972, issued by the Assistant Commercial Tax Officer, Pollachi, under the Tamil Nadu General Sales Tax Act, 1959 issued. The consent is valid until March 31, 2007.
- Certificate of registration number 302081, dated November 09, 1972, issued by the Deputy Commercial Tax Officer, Pollachi, under the Central Sales Tax (Registration and Turnover) Rules.
- Certificate of Importer Exporter Code No. 0488001463 dated April 09, 1988, issued by the Office of the Joint Director General of Foreign Trade, amended and reissued on May 09, 2005.
- Agreement dated December 23, 1999 executed with the Tamil Nadu Electricity Board for the establishment and operation of two windmills of the capacity of 250 Kilo Watt each for the captive generation of power and sale of surplus power to the Tamil Nadu Electricity Board.
- Registration under the Employees Provident Fund and Miscellaneous Act, 1952 (Establishment Code No. TN/CBE/ Accounts Group/15/1097)
- Registration under the Employees State Insurance Corporation Act, 1948 (code number 56–7074–11).
- Certificate of registration and membership issued by the Cotton Textiles Export Promotion Council dated April 23, 2004 (registration numbers MP/1053-V for cotton mill made place goods, MM/1053-V for cotton made ups and MY/1053-V for cotton yarn). The certificate is valid until March 31, 2009.
- Certificate of registration and membership number AEPC/REG–SR/MER/ 202093/2002, dated August 28, 2002, issued by the Apparel Export Promotion Council. The certificate is valid until March 31, 2007.
- Certificate of recognition as a 'Two Star Export House' dated August 03, 2005, issued by the Joint Director General of Foreign Trade. The certificate is valid until March 31, 2009.

Approvals for the spinning unit located at Puliampatti Village, Pollachi Taluk

- Acknowledgement number 2472/SIA/IMO/93 dated August 23, 1993, issued by the Entrepreneur Assistance Unit, Department of Industrial Development, Ministry of Industry, GoI, in relation to the Industrial Entrepreneur Memorandum filed by the Company for manufacture of cotton yarn.
- Certificate of registration number AAACV6388FXM003, dated December 05, 2001, issued by the Superintendent of Central Excise, Pollachi, under the Central Excise (No. 2) Rules, 2001.
- Consent for operation of the Company's plant dated June 15, 2006, issued by the Tamil Nadu Pollution Control Board under the Air (Prevention and Control of Pollution) Act, 1981. The consent is valid until March 31, 2007.
- Consent for discharge of sewage dated June 15, 2006 issued by the Tamil Nadu Pollution Control Board under the Water (Prevention and Control of Pollution) Act, 1974. The consent is valid until March 31, 2007.
- Factory Licence No. 1303, dated January 10, 2006, issued by the Deputy Chief Inspector of Factories, Second Division, Coimbatore, under the Factories Act, 1948. The licence is valid until December 31, 2007.

- Licence No. P/HQ/TN/15/767(PL 3922 dated January 30, 2006, issued by the Petroleum and Explosives Safety Organisation, Ministry of Commerce & Industry, GoI, to import and store petroleum, renewing the licence dated January 01, 1977 under the Petroleum Act, 1934. The licence is valid until December 31, 2008.

Approvals for the processing unit located at SIPCOT Industrial Growth Centre, Perundurai, Erode

- Acknowledgement number 6129/SIA/IMO/2005, dated December 28, 2005, issued by the Public Relation & Complaints Section, Secretariat of Industrial Assistance, Ministry of Commence & Industry, GoI, in relation to the Industrial Entrepreneur Memorandum filed by the Company for fabric processing with a capacity of 33,88,000 meters per annum.
- Acknowledgement number 5500/SIA/IMO/2006, dated October 16, 2006, issued by the Public Relation & Complaints Section, Secretariat of Industrial Assistance, Ministry of Commence & Industry, GoI, in relation to the Industrial Entrepreneur Memorandum filed by the Company for enhancement of the fabric processing capacity from 33,88,000 meters per annum to 77,00,000 meters per annum.
- Certificate of registration number AAACV6388FXM006, dated March 03, 2004, issued by the Commissioner of Central Excise, Erode, under the Central Excise Rules, 2002.
- Order dated January 03, 2003, issued by the State Industries Promotion Corporation of Tamil Nadu, allotting 5.35 acres of land on lease for 99 years at the SIPCOT Industrial Growth Centre, Perundurai.
- Permission for the use of a boiler dated May 03, 2006 issued by the Tamil Nadu Boiler Inspection Department under the Provisions of the Indian Boilers Act, 1923.
- Order dated January 03, 2003, issued by the State Industries Promotion Corporation of Tamil Nadu, permitting drawal of upto 3,00,000 litres of water per day for 99 years at the SIPCOT Industrial Growth Centre, Perundurai.

Approvals for the weaving division located at Arakulam, Palladam

- Acknowledgement number 326/SIA/IMO/2005, dated January 27, 2005 issued by the Public Relation & Complaints Section, Secretariat of Industrial Assistance, Ministry of Commence & Industry, GoI, in relation to the Industrial Entrepreneur Memorandum filed by Laksmhi Apparels and Wovens for fabric manufacturing with a capacity of 23,40,000 metres per annum.
- Certificate of registration number ECC No. 2501034565, dated July 23, 1998, issued by the Superindendent of Central Excise, Palladam, under the Central Excise Rules, 1944.
- Permission for the use of a boiler dated November 16, 2005 issued by the Tamil Nadu Boiler Inspection Department under the Provisions of the Indian Boilers Act, 1923.
- Memorandum of Aggrement with Tamil Nadu Water Supply and Drainage Board dated Jaunary 31, 2005 to draw up to 15,000 litres of water per day.
- Consent for operation of LAWL's plant dated October 12, 2006, issued by the Tamil Nadu Pollution Control Board under the Air (Prevention and Control of Pollution) Act, 1981. The consent is valid until March 31, 2007.
- Consent for discharge of sewage dated October 12, 2006, issued by the Tamil Nadu Pollution Control Board under the Water (Prevention and Control of Pollution) Act, 1974. The consent is valid until March 31, 2007.

Approvals for the sewing division located at Kuniamuthur, Coimbatore

- Registration number 18/04/20042/PMT/SSI, dated December 13, 1990 issued by the Department of Industries and Commerce, for registration of Sesharaj Apparels Private Limited as a Small Scale Industrial Unit for manufacturing of readymade garments.
- Factory licence number CB 5555, dated December 02, 2005, issued by the Deputy Chief Inspector of Factories, Coimbatore, under the Factories Act, 1948. The licence is valid until December 31, 2007.
- Consent for operation of SAPL's plant dated March 18, 2006, issued by the Tamil Nadu Pollution Control Board under the Air (Prevention and Control of Pollution) Act, 1981. The consent is valid until March 31, 2007.

- Consent for discharge of sewage dated March 18, 2006,issued by the Tamil Nadu Pollution Control Board under the Water (Prevention and Control of Pollution) Act, 1974. The consent is valid until March 31, 2007.

Approvals applied for and pending grant

- The consent issued by the Tamil Nadu Pollution Control Board under the Air (Prevention and Control of Pollution) Act, 1981, in relation to the operation of the Company's processing unit at SIPCOT Industrial Estate, Perundurai, Erode, expired on September 30, 2006. The Company has applied for a grant of renewal of this consent on September 26, 2006.
- The consent issued by the Tamil Nadu Pollution Control Board under the Water (Prevention and Control of Pollution) Act, 1974, in relation to the operation of the Company's processing unit at SIPCOT Industrial Estate, Perundurai, Erode, expired on September 30, 2006. The Company has applied for a grant of renewal of this consent on September 26, 2006.

  In relation to the above pending approvals for pollution control, the Company has issued a bank guarantee of Rs. 20,00,000 valid upto June 04, 2007 in favour of the Tamil Nadu Pollution Control Board.
- The factory licence number 2082, dated February 16, 2006, issued by the Deputy Chief Inspector of Factories, Erode, under the Factories Act, 1948 for the processing division expired on December 31, 2006. The Company has applied for a grant of renewal of this licence on October 25, 2006.
- The factory licence number CB 7218, dated February 06, 2006, issued by the Deputy Chief Inspector of Factories, Tirupur, under the Factories Act, 1948 for the weaving division expired on December 31, 2006. The Company has applied for a grant of renewal of this licence on October 31, 2006.
- The licence No. P/SC/TN/15/264(P37771) dated September 21, 2004, issued by the Joint Controller of Explosives, South Circle Office, Chennai, Ministry of Commerce & Industry, Department of Explosives, GoI, to import and store petroleum for the weaving division has expired on December 31, 2006. The Company has applied for a grant of renewal of this licence on November 07, 2006.
- The Company's application under Trade Marks Act (No. 2410747, dated January 11, 2006 under Classes 23, 24, and 25) with the The Patent Office, United Kingdom, for registration of the name and mark 'GossamerCotton' and the cotton ball device is currently pending registration.
- The Company's application under Trade Marks Act (No. 78791095, dated January 13, 2006 under Classes 23, 24, and 25) with the United States Patent and Trademark Office, for registration of the name and mark 'GossamerCotton' and the cotton ball device is currently pending registration.
- The Company's application (No. 745871, dated April 05, 2006, under Classes 23, 24, and 25) with the Intellectual Property Office of New Zealand, for registration of the name and mark 'GossamerCotton' and the cotton ball device is currently pending registration.
- The Company's application (No. 1107685 dated April 05, 2006, under Classes 23, 24, and 25) with The Registrar of Trademarks, Australia, for registration of the name and mark 'GossamerCotton' and the cotton ball device is currently pending registration.
- The Company's applications under Trade Marks Act (Nos. T06/06328I, T06/06331I and T06/06333E, dated April 05, 2006, under Classes 23, 24, and 25 respectively) with Trademark Registry, Singapore, for registration of the name and mark 'GossamerCotton' and the cotton ball device is currently pending registration.
- The Company's application (No. 1414472, dated January 17, 2006, under Classes 23, 24, and 25) with the Government of India, Trademarks Registry, Chennai, for registration of the name and mark 'GossamerCotton' and the cotton ball device is currently pending registration.
- The Company's application under Trade Marks Act (No. 77017864, dated October 10, 2006 under Classes 23, 24, and 25) with the United States Patent and Trademark Office, for registration of the name and mark 'GenuisaCotton' and the cotton ball device is currently pending registration.

Approvals to be applied for

- The Company will need to apply for necessary approvals in relation to the proposed expansion project.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the AGM of the shareholders of the Company held on June 21, 2006.

The Board of Directors has pursuant to a resolution dated April 13, 2006 authorised a committee of its Directors to take decisions on behalf of the Board in relation to the Issue. The committee is referred to as the Issue Management Committee.

Prohibition by SEBI

The Company, our Directors, our Promoter, our Promoter Group and companies with which the Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Neither of the Company, our Promoters and the Promoter Group has been declared as willful defaulters by RBI or any other governmental authority and there have been no violations of securities laws committed by them in the past or no such proceedings are pending against us or them.

Eligibility for the Issue

The Company is listed on the MSE and is eligible for the Issue in accordance with Clause 2.3.1 of the SEBI Guidelines as explained under:

(a) the aggregate of the Issue Size and all our previous issues in the present financial year in terms of size (i.e., offer through offer documents + firm allotments + promoters' contribution through the offer document, as derailed in the table below) does not exceed five times our pre-Issue net worth as per our audited balance sheet for the last financial year:

Rs. Lakhs

(i)	Issue Size	9,000.00
(ii)	All our previous issues in the present financial year in terms of size (offer through offer documents + firm allotments + promoters' contribution through the offer document)	-
(iii)	Aggregate of (i) and (ii)	9,000.00
(iv)	Pre-Issue net worth as per our audited balance sheet for the last financial year	4,041.39
(v)	Value of five times of (iv) above	20,206.95

(b) there has been no change in the name of the Company within the last one year for the date of filing this Red Herring Prospectus.

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 MANAGER, IDBI CAPITAL MARKET SERVICES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE

FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT OUR COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGER, IDBI CAPITAL MARKETS SERVICES LIMITED, HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED OCTOBER 18, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

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

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) WE CONFIRM THAT 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

(E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

THE BOOK RUNNING LEAD MANAGER AND US ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE DRAFT RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR AT OUR INSTANCE AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS OWN RISK.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, COIMBATORE, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

Caution

The Company, its Directors 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 our instance and anyone placing reliance on any other source of information, including our website, www.vtx.co.in, would be doing so at his or her own risk.

The BRLMs accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs and us and the Underwriting Agreement to be entered into between the Underwriters and us.

All information shall be made available by us, the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

The Company shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/ hardware system or otherwise.

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 not minors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to non-residents including NRIs and FIIs. 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, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of Bombay Stock Exchange Limited (BSE)

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. Bombay Stock Exchange Ltd. (“the Exchange”) has given vide its letter dated December 21, 2006, permission to the Company to use the Exchange’s name in this Offer Document as one of the stock exchanges on which the Company’s securities are proposed to be listed. The Exchange has scrutinised this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. The Exchange does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or

(ii) warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or

(iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Offer Document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer clause of the Madras Stock Exchange Limited (MSE)

As required, a copy of this Draft Red Herring Prospectus has been submitted to MSE. Madras Stock Exchange Ltd., Chennai (“the Exchange”) has given vide its letter dated October 23, 2006, permission to the Company to use the Exchange’s name in this Offer Document as one of the stock exchanges on which the Company’s securities are proposed to be listed. The Exchange does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or

(ii) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or

(iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Offer Document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus had been filed with SEBI, Mumbai.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

Listing

Applications have been made to the MSE and BSE for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange. The DRHP was also filed with NSE for permission to deal in and for an official quotation of our Equity Shares, however the Equity Shares of the Company are not eligible to be listed and hence the document has been withdrawn and the same communicated to SEBI and SEs.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after the Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalisation of the Basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscription, for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors 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.

Subbachar & Srinivasan, Chartered Accountants 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 this Red Herring Prospectus for registration with the RoC.

Subbachar & Srinivasan, Chartered Accountants, have given their written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Expert opinion

We have not obtained any expert opinions.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [●] lakhs. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be borne by the Company.

The estimated Issue expenses are as under:

(Rs. lakhs)

Activity	Expenses
Lead management, underwriting and selling commission	[●]
Advertising and marketing expenses	[●]
Printing and stationery	[●]
Others (Registrar's fee, legal fee, listing fee, etc.)	[●]
Total estimated Issue expenses	[●]

Fees payable to the BRLMs

The total fees payable to the BRLMs will be as per the letter of appointment with the BRLMs issued by the Company, a copy of which is available for inspection at our corporate office.

Fees payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the MoU dated January 15, 2007, issued by the Company, a copy of which is available for inspection at corporate office of the Company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Underwriting commission, brokerage and selling commission on previous issues

The Equity Shares were listed on the MSE in 1957. Details of commission or brokerage paid by the Company in course of its previous public issues are not available.

Previous rights and public issues

The Company has not made any previous rights and public issues except as stated in the section titled "Capital Structure" on page 29.

Previous issues of shares otherwise than for cash

The Company has not made any previous issues of shares otherwise than for cash except as stated in the section titled "Capital Structure" on page 29.

Companies under the same management

We do not have any companies under the same management within the meaning of section 370(1) (B) of the Companies Act, other than as disclosed in "Promoters and Promoter Group" on page 88.

Promise v/s performance

The Company has not made any promises and projections in the Rights Issue document so the performance of the company vis-à-vis the projection is not applicable.

Listed ventures of the Promoters

CLIF made a public issue of equity shares on January 19, 1994, which closed on January 24, 1994. The issue size was Rs. 3,00,00,000 comprising of 30,00,000 equity shares of Rs. 10 each for cash at par. The share certificates and refund orders were dispatched by April 18, 1994. The main objects for the issue were to finance the working capital requirements of CLIF. The profitability projections made in the offer document and the actuals achieved are given below:

Projections

Rs. in Lakhs

Particulars	1993-94	1994-95	1995-96	1996-97
Gross Income	293.77	573.92	851.99	1181.52
Interest	92.30	145.60	224.00	260.00
PBDT	117.29	300.64	421.97	672.69
Depreciation	28.97	56.61	86.20	127.03
Profit Before Tax	86.41	238.75	330.48	540.38
Profit After Tax	78.84	149.08	195.84	318.25
Equity	498.49	498.49	498.49	498.49
Reserves and Surplus	52.34	111.69	207.83	416.42
Earnings per Share (Rs.)	1.58	2.99	3.93	6.38
Book Value (Rs.)	10.03	11.32	13.36	17.65
Dividend Payout (%)	15	18	20	22

Actuals

Rs. in Lakhs

Particulars	1993-94	1994-95	1995-96	1996-97
Gross Income	274.14	515.39	785.69	867.94
Interest	76.30	233.19	398.78	444.60
PBDT	146.21	155.16	190.57	237.76
Depreciation	10.25	23.27	47.90	60.59
Profit Before Tax	135.96	131.89	142.67	123.17
Profit After Tax	115.96	124.34	122.37	88.92
Equity	498.49	498.49	498.49	498.49
Reserves and Surplus	85.98	110.62	133.29	139.96
Earnings per Share (Rs.)	2.33	2.49	2.45	1.78
Book Value (Rs.)	10.56	10.84	11.53	10.99
Dividend Payout (%)	20	20	20	15

The variations in the financial performance as against the projections set out in the Prospectus is due to changes in the money market, the liquidity crunch and increase in interest rates resulting in lower margins.

Mechanism for redressal of investor grievances

CLIF has appointed a registrar and share transfer agent. CLIF has also constituted an Investor/Shareholders' Grievance Committee. Investor grievances are redressed within a period of one week from the date of receipt of the complaint.

Outstanding debentures or bond issues or preference shares

The Company has no outstanding debentures or bond issues.

Stock market data for the Company's Equity Shares

The Equity Shares are listed on the MSE. There has been no trading in these equity shares during the last three years. Hence the data for the highs and lows during the last six months and last three years together with the volume data is not available.

Mechanism for redressal of investor grievances

The agreement between the Registrar to the Company and us will provide for retention of records with the Registrar to the Company for a period of at least one year from the last date of dispatch of letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Company for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

The Company estimate that the average time required by us or the Registrar to the Company for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The Company has constituted an Investor Grievance Committee and also appointed Ms. Radhika K. Kumar as the Compliance Officer for this Issue.

Change in Auditors

The auditors of the Company are appointed (and reappointed) in accordance with provisions of the Companies Act and their remuneration, rights and duties are regulated by Sections 224 to 233 of the Companies Act.

There have been no changes of the auditors in the last three years.

Capitalisation of reserves or profits

The Company has not capitalised our reserves or profits during the last five years, except as stated in the section titled "Capital Structure" on page 29.

Revaluation of assets

We have not revalued our assets in the last five years.

Payment or benefit to officers of the Company

Except for statutory benefits available upon termination of their employment in the Company or superannuation, no officer of the Company is titled to any benefit upon termination of his employment in the Company or superannuation.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Red Herring Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of the Company held on June 21, 2006. The Board of Directors has pursuant to a resolution dated May 15, 2006, authorised the Issue.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of the Company including rights in respect of dividend. The allottees in receipt of allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

Face value and Issue Price

Fresh Equity Shares with a face value of Rs. 10 each are being offered as part of the Issue at a total price of Rs. [●] per share. At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights equity shareholders

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 the Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, see the section titled "Main Provisions of the Articles of Association of the Company" on page 186.

Market lot and trading lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per existing SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum allotment of [●] Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Coimbatore, India.

Nomination facility to investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or to the Registrar and Transfer Agents of the Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

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 changing the nomination, they are requested to inform their respective depository participant.

Minimum subscription

If the Company does not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act.

Arrangements for disposal of odd lots

Since the market lot for our Equity Shares will be one, no arrangements for disposal of odd lots are required.

Subscription by eligible non-residents

There is no reservation for any NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such 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/allotment.

As per RBI regulations, OCBs cannot participate in the Issue.

Application in Issue

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialised form only.

Withdrawal of the Issue

The Company in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason.

ISSUE STRUCTURE

The present Issue of [●] Equity Shares Rs. [●] each for cash, aggregating Rs.9000 lakhs is being made through the 100% Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Allotment of at least [●] Equity Shares	Allocation of a minimum of [●] Equity Shares or Issue Size less allotment to QIB Bidders and allocation to Retail Individual Bidders.	Allocation of [●] Equity Shares or Issue Size less allotment to QIB Bidders and allocation to Non-Institutional Bidders.
Percentage of Issue Size available for allotment/allocation	Up to 50% of Issue Size being allotted. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Minimum 15% of the Issue Size or Issue Size less allotment of the QIB Portion and allocation to Retail Individual Bidders.	Minimum 35% of Issue Size or Issue Size less allotment of the QIB Portion and allocation to Non Institutional Bidders.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows:(a) Equity Shares constituting 5% of the QIB portion shall be allocated on a proportionate basis to Mutual Funds; (b) The balance Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of 50 Equity Shares so that the Bid Amount exceeds Rs. 100,000	Such number of Equity Shares in multiples of 50 Equity Shares so that the Bid Amount exceeds Rs. 100,000	50 Equity Shares.
Maximum Bid	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 in multiples of 50 Equity Shares such that the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	At least 10% of Bid Amount.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

* Subject to valid Bids being received at or above the Issue Price. The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Under-subscription, if any, in any of the categories would be met with the spill over from any other category at the sole discretion of the Company in consultation with the BRLMs

** 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.

ISSUE PROCEDURE

Book building procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. In case of QIB Bidders, the Company, in consultation with the BRLMs, may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of 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 CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised 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, NRIs applying on a non-repatriation basis	White
Non-residents, eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue

Who can bid?

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- 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;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;

- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FIIs registered with SEBI;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As permitted under applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
- Multilateral and Bilateral Development Financial Institutions.

As per existing regulations, OCBs cannot participate in the Issue.

Note : The BRLMs and/or Syndicate Member may subscribe to this Issue, subject to the provisions of the SEBI Guidelines and necessary authorisations (including from SEBI), in addition to any subscription required towards fulfilling their underwriting obligations. Further, associates and affiliates of the BRLMs and Syndicate Member may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Application by mutual funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than — Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

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 all its schemes should own more than 10% of any company's paid-up share 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.

Bids by NRIs

Bid cum application forms have been made available for NRIs at our registered/corporate office, members of the Syndicate and the Registrar to the Issue.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-Issue issued capital (i.e. 10% of — Equity

Shares). In respect of an FII investing in the Equity Shares 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 in case such sub-account is a foreign corporate or an individual.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A (1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub-account may issue, deal or hold, off-shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

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) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) 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. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and minimum Bid size

- **For Retail Individual Bidders:** The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

- **For Other Bidders (Non-Institutional Bidders and QIBs):** 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 Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.

  In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

(a) The Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Member or their authorised agent(s) to register their Bids.

(e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and process of bidding

(a) The 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 three widely circulated newspapers (one each in English, Hindi and Tamil). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI Guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate 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 for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in three national newspapers (one each in English and Hindi) and one in Tamil newspaper 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) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" on page 165) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(d) The Bidder cannot bid on another Bid cum Application Form after 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 entitled "Build up of the Book and Revision of Bids" on page 167.

(e) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, 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.

(f) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph entitled "Terms of Payment and Payment into the Escrow Accounts" on page 166.

Bids at different price levels

(a) The Price Band has been fixed at Rs. 115 to Rs. 130 per Equity Share of Rs. 10 each, Rs. 115 being the lower end of the Price Band and Rs. 130 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Rs. 1 (One).

(b) The Company, in consultation with the BRLMs, reserves the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Red Herring Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to MSE, BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Tamil newspaper, and also by indicating the change on the websites of the BRLMs, and at the terminals of the Syndicate Members.

(d) The Company, 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.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(f) Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional Portion 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 higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size will be revised in order to ensure that the Bid amount payable on such application is in the range of Rs. 5,000 to Rs. 7,000. The changes regarding the same shall be advertised in accordance with SEBI Guidelines.

Escrow mechanism

The Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Price 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 the Escrow Agreement. The Escrow Collection

Bank(s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the refund account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of payment and payment into the Escrow Accounts

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph entitled "Payment Instructions" on page 173) 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 such monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the refund account for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section ntitled "Issue Structure" on page 159. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated/allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation/allotment, 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 BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. 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) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE.

A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:

- name of the investor;
- investor category – Individual, Corporate, NRI, FII, or Mutual Fund etc.
- numbers of Equity Shares bid for;
- bid price;
- Bid cum Application Form number;
- whether Margin Amount has been paid upon submission of Bid cum Application Form; and
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotment 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) In case of QIB Bidders, members of the syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case on Non-Institutional Bidders and Retail Individual Bidders who Bid, Bids would not be rejected except on the technical grounds listed on page 176.

(h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company and/or the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, our Promoters, our management or any scheme or project of the Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build up of the book and revision of Bids

(a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) 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 draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid 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) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of a discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price discovery and allocation/allotment

(a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) The Company in consultation with the BRLMs shall finalise the “Issue Price”.

(c) The allotment to QIB Bidders of up to 50% of the Issue (including 5% specifically reserved for Mutual Funds) would be on a proportionate basis in consultation with Designated Stock Exchange subject to valid bids being received at or above the Issue Price, in the manner as described in “Basis of Allotment – Allotment to QIB Bidders” below. The allocation to Non-Institutional Bidders of not less than 15% and Retail Individual Bidders of not less than 35% of the Issue Size would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under-subscription, if any, in any of the categories would be met with the spill over from any other category at the sole discretion of the Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than — Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders.

(e) Allocation to Eligible NRIs, FIIs, foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the FIPB and RBI while granting permission for allotment of Equity Shares to them in this Issue.

(f) The BRLMs, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Price has not been collected from the Bidders.

(g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Notice to QIBs: allotment reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Signing of Underwriting Agreement and RoC filing

(a) The Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company 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 Issue price and Prospectus

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLMs or the Syndicate Members would dispatch a 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 the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is subject to "Allotment Reconciliation and Revised CANs" as set forth under the chapter "Terms of Issue" of this Red Herring Prospectus.

Designated Date and allotment of Equity Shares

(a) The 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 Public Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply;

(b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) as the case may be;

(c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialised form only;

(d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(e) Ensure that you have been given a TRS for all your Bid options;

(f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS; and

(g) Where Bid(s) is/ are for Rs. 50,000 or more, each of the Bidders should mention their Permanent Account Number (PAN) allotted under the I.T. Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;

(h) Ensure that the Demographic Details (as defined below) are updated, true and correct in all respects;

(i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not bid 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 Price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Do not submit the Bid accompanied with Stockinvest; and

(i) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white or blue).

(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) For Retail Individual Bidders, the Bid 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 Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 50 Equity Shares so that the Bid Price exceeds or equal to Rs. 100,000 and in multiples of 50 Equity Shares thereafter. 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 to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's bank details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository account details and bank account details

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither of the Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue and the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation **("Demographic Details")**. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/ Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, 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 Company, the Registrar, Escrow Collection Bank(s) and 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 account number, then such Bids are liable to be rejected.

The Company in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made:

- on the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in English in accordance with the instructions contained therein.
- in a single name or joint names (not more than three).

NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible non-resident Bidders for a minimum of such number of Equity Shares and in multiples of 50 thereafter such that the Bid Price exceeds Rs. 100,000.

For further details, please refer to the section entitled 'Maximum and Minimum Bid Size' on page 163. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

The Company does not require approvals from FIPB or RBI for the Issue of Equity Shares to eligible NRIs, FIIs, and foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

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 of Association 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 therefor. 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, 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 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, the Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) 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, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that the Company, and the BRLMs may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

PAYMENT INSTRUCTIONS

The Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/allotment in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/ allotment as per the following terms:

Payment into Escrow Account

(a) The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account 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/allotment 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 favour of:

- **in case of QIB Bidders: "Escrow Account – Vijayeswari Textiles Public Issue – QIB-R";**
- **in case of non-resident QIB Bidders: "Escrow Account – Vijayeswari Textiles Public Issue – QIB-NR";**
- **in case of Resident Bidders: "Escrow Account – Vijayeswari Textiles Public Issue"; and**
- **in case of Non-Resident Bidders: "Escrow Account – Vijayeswari Textiles 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 authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

(e) In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

(f) Where a Bidder has been allocated/allotment a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the refund account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

(g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(h) 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 Public Issue Account with the Bankers to the Issue.

(i) 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/allotment to the Bidders.

(j) 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/Stockinvest/Money Orders/Postal orders will not be accepted.

Payment by Stockinvest

In terms of RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. 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.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. 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.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.
5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications will be identified as multiple applications.

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.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving Licence (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 01, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes.** All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.

UNIQUE IDENTIFICATION NUMBER - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI (MAPIN Regulations/Circulars vide its circular bearing number MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

OUR RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company in consultation with the BRLMs may reject Bids, provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, the Company has 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 inter alia on the following technical grounds:

(a) Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;

(b) Age of First Bidder not given;

(c) In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;

(d) Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;

(e) PAN photocopy/PAN communication/Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;

(f) GIR number furnished instead of PAN;

(g) Bids for lower number of Equity Shares than specified for that category of investors;

(h) Bids at a price less than lower end of the Price Band;

(i) Bids at a price more than the higher end of the Price Band;

(j) Bids at Cut Off Price by Non-Institutional and QIB Bidders applying for greater than 100,000 Equity Shares;

(k) Bids for number of Equity Shares which are not in multiples of 50;

(l) Category not ticked;

(m) Multiple Bids as defined in this Red Herring Prospectus;

(n) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

(o) Bids accompanied by Stockinvest/money order/postal order/cash;

(p) Signature of sole and/or joint Bidders missing;

(q) Bid cum Application Forms does not have the stamp of the BRLMs, or Syndicate Members;

(r) Bid cum Application Forms does not have Bidder's depository account details;

(s) Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;

(t) In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's account number;

(u) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;

(v) Bids by QIBs not submitted through the Syndicate; and

(w) Bids by OCBs.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a dematerialised 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 the Company, the respective Depositories and the Registrar to the Company:

(a) Agreement dated July 22, 2003 with NSDL, the Company and the Registrar to the Company

(b) Agreement dated August 04, 2003 with CDSL, the Company and the Registrar to the Company.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

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, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY

The Company shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of allotment of Equity Shares. The Company 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.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 7 (seven) working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company further undertake that:

- allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- dispatch refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- the Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by GoI, Ministry of Finance pursuant to their letter no. F/8/S/79 dated July 31, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Basis of 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.
- If the aggregate demand in this category is less than or equal to — Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than — Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of — Equity Shares. 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.
- If the aggregate demand in this category is less than or equal to — 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 — Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of — Equity Shares. For the method of proportionate basis of allotment refer below.

C. for QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.
- the QIB Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance allotment to all QIBs shall be determined as follows:

    (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

    (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

    (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- the aggregate allotment to QIB Bidders shall not be less than [●] Equity Shares.
- allotment reconciliation and revised CANs: After the Bid/Issue Closing Date, based on the electronic book, QIBs will be sent a CAN on or prior to [●], 2006 indicating the number of Equity Shares that may be allotted to them. The CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the book prepared based on Bid cum Application Forms received by the Registrar. Subject to SEBI Guidelines, certain Bid cum Application Forms may be rejected due to technical reasons, non-receipt of funds, cancellation or bouncing of cheques, etc. and these rejected Bid cum Application Forms will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to the QIBs which may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares to them. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issuance of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares Allotted to such QIB. The revised CAN, if issued, will supersede in entirety to the earlier CAN.
- The method of proportionate basis of allocation is stated below:

  Illustration of allotment to QIBs and Mutual Funds ("MF")

A. Issue details

Sr. No.	Particulars	Issue details
1.	Issue size	200 million equity shares
2.	Allocation to QIB (up to 50%)	100 million equity shares
	Of which:	
	a. Reservation to MF (5%)	5 million equity shares
	b. Balance for all QIBs including MFs	95 million equity shares
3.	No. of QIB applicants	10
4.	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

Sr. No	Type of QIB bidders#	No. of shares bid for (in crores)
1.	A1	50
2.	A2	20
3.	A3	130
4.	A4	50
5.	A5	50
6.	MF1	40
7.	MF2	40
8.	MF3	80
9.	MF4	20
10.	MF5	20
Total		**500**

\# A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of allotment to QIB Bidders/Applicants

(No. of equity shares, million)

Type of QIB Bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 bleow)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	**5**	**95**	**42.42**

Please note:

1. the illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “Issue Structure” commencing on page 159;
2. out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category;
3. the balance 95 million Equity Shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares); and
4. the figures in the fourth column titled “Allocation of balance 95 million Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
   - for QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 95 / 495,
   - for Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495, and
   - the numerator and denominator for arriving at allocation of 95 million shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of proportionate basis of allotment in the QIB, Retail and Non-Institutional portions

In the event of the Issue being over-subscribed, the Company shall finalise the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

(a) Bidders will be categorised according to the number of Equity Shares applied for.

(b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

(d) In all Bids where the proportionate allotment is less than • Equity Shares per Bidder, the allotment shall be made as follows:

- each successful Bidder shall be allotted a minimum of • Equity Shares; and
- the successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

(e) If the proportionate allotment to a Bidder is a number that is more than • but is not a multiple of one (which is the marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of one. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

(f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Letters of allotment or refund orders

We shall give credit to the beneficiary account with Depositary Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalisation of the basis of allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit, NEFT or RTGS. In case of other applicants, we shall despatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will despatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for the purpose shall be made available to the Registrar by us. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through "Under Certificate of Posting" within 15 days of closure of Issue, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

The Company shall ensure despatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or Electronic Clearing Service or Direct Credit or NEFT or RTGS, as applicable, only at the sole of First Bidder's sole risk within 15 days of the Bid Closing Date / Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- allotment of Equity Shares will be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date; and
- we shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode, i.e., ECS, direct credit, NEFT or RTGS, refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

PAYMENT OF REFUND

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

- **ECS**: Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the above-mentioned fifteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
- **NEFT:** Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the IFSC, which can be linked to a MICR, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.
- **Direct Credit:**Applicants having bank accounts with the Refund Banker(s), in this case being, — shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
- **RTGS:** Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 10 lakhs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest in case of delay in dispatch of allotment letters/refund orders

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days from the Bid/ Issue Closing Date. The Company further agrees that they shall pay interest at 15% per annum if the allotment letters/ refunds orders have not been dispatched to the applicants within 15 days of the Bid/ Issue Closing Date or if in a case where refund or portion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid/Issue Closing Date, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

Issue program

Bid/Issue opens on : February 08, 2007

Bid/Issue closes on : February 13, 2007

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

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

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the MSE, BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

UNDERTAKING BY THE COMPANY

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to by the Company expeditiously;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- 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 the Company;
- that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription, etc.

Utilisation of Issue proceeds

The Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act; details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- the Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date, without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

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. No person shall make a Bid in pursuance of this Issue unless such person is eligible to acquire Equity Shares of our Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors making a bid in response to the Issue will be required to confirm and will be deemed to have represented to our Company, the BRLMs, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to subscribed to the Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the BRLMs, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor whether such investor is eligible to subscribe to Equity Shares of our Company.

Investment by FIIs

Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The allotment/ transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

Note: The SEBI Guidelines have been recently amended on January 20, 2006. Pursuant to these amendments, certain significant changes have been made to the guidelines with regard to the modes of making refunds. Certain change may be made to the description of the Issue Procedure based on discussions the BRLMs may have with SEBI, RBI and the Stock Exchanges.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

Capitalised terms used in this section have the meaning given to such terms in the Articles of Association of the Company. Pursuant to Schedule II of the Companies Act and the DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares/debentures and/or on their consolidation/splitting are detailed below.

Capital and shares

Authorised share capital

Article 3 provides that "The Authorized Share Capital of the Company is Rs.20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 equity shares of Rs.10 (Rupees Ten only) each."

Non-voting rights

Article 3(a) provides that "Issue of shares with non-voting rights, subject to the provisions of law, the company may issue shares, either equity or any other kind with non-voting rights and the resolutions authorizing such issue shall preserve the terms and conditions of the issues."

On what condition new shares may be issued

Article 6 provided that "Subject to the provisions of the Act and subject further to the provisions if any, in that behalf, in the Articles of Association of the company and without prejudice to any special rights previously conferred on the holders of existing shares in the company, any shares in the company may be issued with such preferred or other special rights or such restrictions, whether in regard to dividend or voting or repayment of capital or otherwise as the company may from time to time in General Meeting determine."

Redeemable preference shares

Article 7 provides that "Subject to the provisions of these Articles, the company shall have power to issue Preference Shares carrying a right to redemption out of profits which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or liable to be redeemed at the option of the company and the Board may, subject to the provisions of Section 80 of the Act, exercise such power in such manner as may be provided in these Articles."

Buyback of shares

Article 4 (1) provides that "The Company shall have power, subject to provisions of the Companies Act, and all other applicable provisions of law to acquire, purchase, hold or resell any of its own fully paid or partly paid shares whether or not they are redeemable on short terms and conditions and upto such limits as may be prescribed by law from time to time and to make a payment out of capital in respect of such purchase provided that such acquisition, purchase of such equity shares of company shall both be construed as reduction of equity share capital of the company."

Modification of rights

Article 8 provides that:

"1) If at any time, the share capital is divided into different classes of shares, the rights attached to any class, unless otherwise provided by the terms of issue of the shares of that class, may, subject to the provisions of Sections 106 and 107 of the Act, and whether or not the Company is being wound up, be varied with the consent in writing of the holders of three fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of that class.

2) To every such separate General Meeting, the provisions of these Articles relating to General Meetings shall mutatis mutandis apply but so that the necessary quorum shall be five persons present in person or by proxy and holding not less than three fourths of the issued shares of the class in question."

Increase of capital

Article 67 provides that "The company in General Meeting may from time to time by ordinary resolution increase the capital by the creation of new shares of such amount as may be deemed expedient and whether or not all the shares for the time being authorized shall have been issued or the capital upon such of the shares as have been issued shall have been fully paid up."

Reduction of capital

Article 71 provides "The Company may, from time to time by special resolution reduce its capital in accordance with Section 100 to 103 of the Act. The Company may deal with the capital Redemption Reserve account and/or share premium Account in accordance with the provisions of Section 78 and 80 of the Act and subject to special resolutions being passed for the said purpose".

Board of directors to make calls

Article 23 provides that:

"1) 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 the board thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively, whether on account of the nominal value of the shares or by way of premium, and not by the conditions of allotment thereof made payable at fixed times; provided that no call shall exceed one fourth of the nominal value of the share nor shall it be made payable within one month after the last preceding call was payable. A call may be made payable by instalments and shall be deemed. To have been made when resolution of the Board authorizing such call was passed.

2) Each Member shall, subject to receiving at least one month's notice specifying the time or times and place of payment, pay to the Company at the time or times and place so specified, the amount called on his shares.

A call may be revoked or postponed at the discretion of the Board."

Article 24 provides that "a call shall be deemed to have been made at the time when the resolution of the board authorizing the call was passed and may be required to be paid by instalments."

Article 25 provides that "The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof."

Calls to carry interest

Article 26 provides that:

"1) If the sum payable in respect of any call or instalments be not paid on or before the day appointed for payment thereof, the holder for the time being in respect of the share for which the call shall have been made or the installment shall be due shall pay interest for the same at the rate of twelve percent per annum from the day appointed for the payment thereof to the time of the actual payment or at such lower rate (if any) as the Board may determine.

2) The Board shall be at liberty to waive payment of any such interest either wholly or in part."

Interest payable on calls in advance

Article 29 (a) provides that "The Board may if it thinks fit, receive from any member willing to advance the same all or any part of the moneys uncalled or unpaid upon any shares held by him"

Article 29 (b) provides that "The Board upon the money so paid or satisfied in advance or so much thereof as from time to time exceeds the amount of calls then made upon the shares in respect of which such advance has been made, may pay interest at such rate not exceeding, unless the Company in General Meeting shall otherwise direct, ten percent per annum as the Member paying such sum in advance and the Board agree upon. Money so paid in excess of the amount of calls shall not rank for dividends or confer any voting rights or a right to participate in the profits."

Article 29 (c) provides that " The Board may, at any time, repay the amount so advanced upon giving to such Member not less than three months notice in writing."

Forfeiture of shares

Article 30 provides that "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."

Article 31 provides that "The notice aforesaid shall:

a) name a further day (not being less than one month from the date of notice) and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid; and

b) state that, in the event of non-payment, at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is payable will be liable to be forfeited."

Article 32 provides that "If the requirements of any such notice as aforesaid are not compiled with, any shares in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of the board to the effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture."

Company's lien on shares

Article 41 provides that "The Company shall have a first and paramount lien on every share not being a fully paid-up share, of all moneys, whether presently payable or not, called or payable at a fixed time in respect of that share, and on all shares, not being fully paid shares, standing registered in the name of each Member whether solely or jointly with others, and upon the proceeds of sale thereof and upon all dividends payable thereon, for all moneys from time to time due or payable by him or his estate to the company for money called or payable at a fixed time in respect of such shares, and no equitable interest in any shares shall be created upon the footing and condition that Article 19 hereon is to have full effect. Such lien shall extend in all dividends and bonuses from time to time declared in respect of such share and payable thereon, unless otherwise agreed, the registration of a transfer of a share, shall operate as a waiver of the Company's lien, if any, on such share, provided however, it shall not affect the rights of the transferee bona-fide and for valuable consideration. The directors may, at any time declare any shares wholly or partly to be exempt from the provisions of this Article."

Sale of shares on which Company has lien

Article 42 provides that "For the purpose of enforcing such lien, the Board may sell the share subject thereto in such manner as it thinks fit, but no sale shall be made until such time for payment as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such Member, his executor or administrator or his committee, curator bonis or other legal representative as the case may be and default shall have been made by him or them in the payment of the moneys called or payable at a fixed time in respect of such share for one month after the due date of notice, should the shareholder over whose shares the lien exists, be outside India, two months' notice shall be allowed to him."

Application of proceeds of sale

Article 44 provides that "The net proceeds of sale shall be received by the company and 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 (subject to a like lien for sums not presently payable as existed upon the share before the sale) be paid to the person entitled to the share at the date of the sale."

Transfer and transmission of shares

Form of transfer

Article 49 provides that "The instrument of transfer of any share shall be in writing and shall be in form prescribed by Section 108(IA) of the Act."

Directors may refuse to register transfer

Article 50 provides that "Subject to the provisions of Section 111 of the Act, the Board, without assigning any reason for such refusal, may refuse to register any transfer of, or the transmission by operation of the law of the right to, a share and also any transfer of a share on which the company has a lien, provided that the registration of a transfer shall not be refused on the ground that the transferor is either alone or jointly with any other person or persons indebted to the company on any account whatsoever."

Title to share of deceased holder

Article 56 provides that "The executor or administrator of a deceased member (not being one of several joint holders) shall be the only person recognized by the Company as having any title to the share registered in the name of such member, and in the case of the death of the any one or more of the joint holders of any registered share, the survivor or survivors shall be the only person or persons recognized by the company as having any title or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on the share held by him jointly with any other person."

Borrowing powers

Power of borrowing

Article 145 provides that "Subject to Sections 292, 293, and 370 of the Act the Board may from time to time at their discretion raise or borrow from any person or persons and secure the payment of any sum or sums of money for the purposes of the company, and may themselves lend to the company on any security or otherwise, any sums of money or arrange to obtain banking credits or banking facilities and may generally exercise all the power of borrowing and raising of money vested in the company by the Memorandum of Association."

Conditions on which money may be borrowed

Article 146 provides that "The Board may raise or secure the repayment of any sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the creation of any mortgage or charge on the undertaking of the whole or any part of the property, present or future, or uncalled capital of the company or by the issue of bonds, perpetual or redeemable, debentures or debenture stock of the company charged upon all or any part of the property of the company both present and future, including its uncalled capital for the time being."

Mortgage of uncalled capital

Article 148 provides that "If any uncalled capital of the company be included in or charged by any mortgage or other security, the Board may by instrument under the Company's Seal authorize the person in whose favor such mortgage or security is executed or any other persons in trust for him to make calls on the Members in respect of such uncalled capital, and the provisions herein before contained in regard to calls shall mutatis mutandis apply to calls made under such authority, and such authority may be made exercisable either conditionally or unconditionally and either presently or contingently and either to the exclusion of the Board's powers or otherwise and shall be assignable if expressed so to be."

General meetings

Quorum

Article 83 provides that "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 be a quorum."

How questions to be decided at meetings

Article 130 provides that "Subject to the provisions of Sections 316, 372(5) and 386 of the Act questions arising at any meeting shall be decided by a majority of votes and in case of equality of votes, the chairman shall have a second or casting vote."

Poll

Article 90 (1) provides that "If a poll is demanded as aforesaid it shall be taken forthwith on a question of adjournment or election of a chairman and in any other case in such manner and at such time, not being later than forty-eight hours from the time, when the demand was made, and at such place as the Chairman of the Meeting directs and subject as aforesaid either at once or after the interval or adjournment or otherwise; and the result of the poll shall be deemed to be the decision of the Meeting on the resolution on which the poll was demanded."

Article 90 (2) provides that "The demand of a poll may be withdrawn at any time."

Article 90 (3) provides that:

"(a) Where a poll is to be taken, Chairman of the meeting shall appoint two scrutinizers, one at least of whom shall be a member (not being an officer or employee of the Company) present at the meeting provided such a member is available and willing to be appointed, to scrutinize the votes given on the poll and to report to him thereon."

(b) he chairman shall have power at any time, before the result of the poll is declared, to remove a scrutinizer from office and to fill vacancies in the office of scrutinizer arising from such removal or any other cause."

Article 90 (4) provides that "On a poll a member entitled to more than one vote, or his proxy or other persons entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses."

Article 90 (5) provides that "The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded."

Votes of members

Motion how decided in case of equality of votes

Article 130 provides that "Subject to the provisions of Sections 316, 372(5) and 386 of the Act questions arising at any meeting shall be decided by a majority of votes and in case of equality of votes, the chairman shall have a second or casting vote."

Votes of joint holders

Article 193 provides that "Where there are joint registered holders of any share any one of such persons may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled thereto; and if more than one such joint holders be present at any meeting either personally or by proxy, that one of the said persons so present whose name stands first on the Register in respect of such shares alone shall be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name a share is registered shall for the purpose of this Article be deemed joint holders thereof."

No member entitled to vote, etc. while call due to the Company

Article 101 provides that "No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien."

Instrument appointing proxy to be in writing

Article 97 (1) provides that "The instrument appointing a proxy shall be in writing under the hand of the appointer or of his Attorney duly authorised in writing on if such appointer is a body corporate under its common seal or the hand of its officer or Attorney duly authorised."

Article 97 (2) provides that "A person may be appointed a proxy though he is not a member of the Company and every notice convening a meeting of the Company shall state this and shall also state that a member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him."

Instrument appointing proxy to be deposited in office

Article 98 provides that "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 the instrument purports to vote in respect thereof and in default the instrument of proxy shall not be treated as valid."

When vote by proxy valid though authority revoked

Article 100 provides that "A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or the insanity of the Principal, or the revocation of the instrument, or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received by the company at the office before the commencement of the meeting of adjourned meeting at which the proxy is used; provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of the instrument of proxy and that he same has not been revoked."

Appointment of chairman

Article 132 provides that "The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office and unless otherwise determined."

Dividend

Declaration of dividend

Article 163 provides that "Subject to provisions of Section 205 of the Act, no dividend shall be payable except out of the profits of the Company or out of moneys provided by the Central or a State Government for the payment of the dividend in pursuance of any guarantee given by such Government and no dividend shall carry interest against the Company."

Interim dividend

Article 165 provides that "The Board may, from time to time, pay to the Members such interim dividend as appear to the Board to be justified by the profits of the Company."

Debts may be deducted

Article 166 provides that "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."

Unclaimed dividends

Article 175 provides that "Any Dividend unclaimed or which has not been paid, shall be dealt with in accordance with Section 205-A of the Act. Any person claiming to be entitled to any money transferred under Sub-section 5 of Section 205-A of the Act to the General Revenue Account of the Central Government, may apply to the Central Government for an order for the payment of the money claimed, and the Central Government may-if satisfied- whether on a certificate of the Company or otherwise, that such a person is entitled to the whole or any part of the money claimed, make an order for payment to that person of the sum due to him, after taking such security from him, as it may think fit. "

Capitalisation

Power to capitalise

Article 158 provides that "Any General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserves, or any Capital Redemption Reserve Account, or in the hands of the Company and available for dividends or representing premiums received on the issue of shares and standing to the credit of the Share premium Account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such share holders in paying up in full any unissued shares of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares and that such distribution or payment shall accepted by such share holders in full satisfaction of their interest in the said capitalized sum."

Fractional certificate

Article 159 provides that "For the purpose of giving effect to any resolution under the two last preceding Articles, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any Members upon the footing of the Value so fixed in order to adjust the rights of all parties and may vest such cash or specific assets in trustees upon such trustees for the persons entitled to the dividend or capitalized sum as may seem expedient to the Board, where requisite, proper contract shall be filled in accordance with Section 75 of the Act and the Board may appoint any person to sign such contracts on behalf of the person entitled to the dividend or capitalized sum, and such appointment shall be effective."

Winding up

Article 189 provides that "Subject to the provisions of Section 497 and 509 of the act, in the event of a winding up of the company, every member of the company who is not for the time being in Coimbatore shall be bound within eight weeks after the passing of an effective resolution to wind up the company voluntarily or the making of an order for the winding up of the company, to serve notice in writing on the company appointing some householder residing in the neighbor - hood of the office, upon whom all summons, notices, processes, orders and judgments in relation to or under the winding up of the company may be served, and, in default of such nomination, the Liquidator of the company shall be at liberty on behalf of such member, to appoint some such person and service upon any such appointee, whether appointed by the member or the Liquidator, shall be deemed to be good personal service on such member for all purposes, and where the Liquidator makes any such appointment, shall, be withal convenient speed, give notice, thereof, to such member by advertisement in some daily newspaper circulating in the neighborhood of the office or by a registered letter sent by post and addressed to such member at his address as registered day on which the advertisement appears or the letter would be delivered in the ordinary course on the post. The provisions of this Article shall not prejudice the rights of the Liquidator of the company to serve any notice or other document in any other manner prescribed by these Articles."

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Coimbatore for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of the Company at 10/400 Palghat Main Road, Kuniamuthur, Coimbatore 641 008, Tamil Nadu, India from 10.00 a.m. to 4.00 p.m. on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material contracts

1. Memorandum of understanding dated October 16, 2006 and Supplementary Memorandum of understanding dated January 15, 2007 amongst the Company and the BRLMs.
2. Memorandum of understanding dated January 15, 2007 executed by the Company with the Registrar to the Issue.
3. Escrow agreement dated ●, 2006 between the Company, the BRLMs, Escrow Collection Banks, and the Registrar to the Issue.
4. Syndicate agreement dated ●, 2006 between the Company, the BRLMs and the Syndicate Members.
5. Underwriting agreement dated ● between the Company, the BRLMs and the Syndicate Members.

Material documents

1. The Memorandum and Articles of Association of the Company, as amended till date.
2. Shareholders' resolutions dated June 21, 2006 in relation to this Issue and other related matters.
3. Resolutions of the Board dated May 15, 2006 authorising the Issue.
4. Resolutions of the general body for appointment and remuneration of the whole-time Directors.
5. Letter of Offer dated August 11, 2003 in respect of the last rights issue of Equity Shares by the Company
6. Report of the Auditors, Subbachar & Srinivasan, Chartered Accountants, prepared as per Indian GAAP and mentioned in this Red Herring Prospectus and letters from the auditors dated January 15, 2007.
7. Copies of annual reports of the Company including the accounts of the Subsidiaries for the past financial years ended March 31, 2002, 2003, 2004, 2005 and 2006.
8. Copy of the letter dated September 30, 2006 from Subbachar & Srinivasan, Chartered Accountants confirming Tax Benefits as mentioned in this Red Herring Prospectus.
9. Consents of the Directors, Auditors, Bankers to the Company, Company Secretary and Compilance Officer, BRLMs, Registrar of the Issue, as referred to, in their respective capacities.
10. In-principle listing approvals dated October 23, 2006 and December 21, 2006 from the MSE and BSE, respectively.
11. Agreement between NSDL, the Company and the Registrar to the Company dated July 22, 2003.
12. Agreement between CDSL, the Company and the Registrar to the Company dated August 04, 2003
13. Due diligence certificate dated October 18, 2006 to SEBI from the BRLMs.
14. SEBI observation letter CFD/DIL/PB/AC/83524/2007, dated January 03, 2007 and the in-seriatim reply to the same dated January 18, 2007.
15. Letter of intent from Mrs. Mani Rajagopal, Mrs. Jayanthi Ramachandra and SAPL for sale of assets and Valuation Report of M/s ESSAAR Consultants, Chennai dated September 01, 2006.
16. Techno-Economic Viability Report of SITRA on the proposed expansion project.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this 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 or guidelines issued thereunder, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

Signed by all Directors:

Mr. K. Rajagopal : ____

Mr. A. L. Ramachandra : ____

Mrs. Jayanthi Ramachandra : ____

Mr. P. Vijay Raghunath : ____

Mr. V. Dharmaraj * : ____

Mr. N. Balakrishnan : ____

Mr. Durai Ramasamy * : ____

Mr. M. D. Selvaraj : ____

Capt. K. V. Narayanan * : ____

** Through his duly constituted attorney, Mrs. Jayanthi Ramachandra.*

Signed by the Chief Financial Officer

Ms. Padma N. : ____

Date: January 23, 2007
Place: Coimbatore, India