



RICHA KNITS LIMITED

[Originally incorporated as Richa Knits Private Limited on September 15, 1993 in Registrar of Companies, NCT of Delhi and Haryana at New Delhi under the Companies Act, 1956 vide Registration No.05-32108. The name of the Company was changed from Richa Knits Private Limited to Richa Knits Limited vide Fresh Certificate of Incorporation dated October 28, 2003 and allotment of CIN No.U17115HR1993PLC32108]

Registered Office: Plot no. 5, Sector 7, IMT Manesar, Gurgaon - 122050

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Public Issue of 90,00,000 equity shares of Rs.10/- each issued for cash at a premium of Rs. 20/- per equity share at a Price of Rs. 30/- per equity share aggregating to Rs. 2700 lacs (the Issue) by **Richa Knits Limited** ('the Company' or 'Issuer') including Promoters participation of 15,00,000 Equity shares of Rs.10/- each for cash at a price of Rs. 30/- per equity share ('Promoters participation'). 7,50,000 Equity shares being 10% of the Issue size shall be compulsorily allotted to QIBs. 7,50,000 equity shares of Rs.10/- each for cash at a price of Rs. 30/- per equity share will be reserved in the Issue for subscription by NRIs / FIIs and 3,75,000 equity shares of Rs.10/- each for cash at a price of Rs. 30/- per equity share will be reserved for Employees. The **Net Issue** to the Public is 56,25,000 equity shares of Rs.10/- each for cash at a price of Rs. 30/- per equity share (Net Issue). The Issue would constitute 43.86% of the fully diluted post issue paid up Equity Capital of the Company. The face value of the share is Rs.10/- each and the issue price is 3 times of the face value. The reservation is not available for employees who are promoters. The issue is being made in terms of clause 2.2.2 (a) (ii) & (b) (i) of SEBI (DIP) Guidelines, 2000 as amended from time to time, wherein the "Project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the Issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded. In case of delay, if any in refund, we shall pay interest on the application money at the rate of 15% per annum for the period of delay.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10/- per share and the Issue Price is 3 times of the face value. The Issue Price as determined and justified by the Lead Manager and the Company and as stated under the paragraph 'Basis for Issue Price' beginning on page no. 34 of this Prospectus should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and / or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on the Bombay Stock Exchange Limited (BSE) the Designated Stock Exchange. Our company has received an in principle approval for listing of the equity shares from BSE vide its letter No List/smg/sm/2006 dated April 24, 2006.

LEAD MANAGERS TO THE ISSUE



KJMC Global Market (India) Limited

168, Atlanta, 16th Floor, Nariman Point, Mumbai -400021, India

Tel No.: +91 022 2288 5201;

Fax No.: +91 022 2285 2892

Website: www.kjmc.com

Email: mbd@kjmc.com

Contact Person: Mr. K. V. Iyer

REGISTRAR TO THE ISSUE



**INTIME SPECTRUM
REGISTRY LIMITED**

INTIME SPECTRUM REGISTRY LIMITED

C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai - 400078

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Website: www.intimespectrum.com

E-mail: richaipo@intimespectrum.com

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ISSUE PROGRAMME

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SECTION I - DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
"Richa" or "the company" or "our company" or "Richa Knits" or "Richa Knits Ltd."	Richa Knits Limited a public limited company incorporated under the companies act,1956, with its registered office at plot no.5, sector 7, HSIDC, IMT, Manesar-122050, Gurgaon, Haryana.
"we" or "us" or "our"	Refers to Richa Knits Limited

Terms	Description
Articles/Articles of Association	Articles of Association of Richa Knits Limited
Auditors	The Statutory Auditors of the Company, viz. M/s TAYAL & Co. Chartered Accountants of the Company
Board of Directors / Board	The Board of Directors of Richa Knits Limited or a committee constituted thereof
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Equity Shares	Equity Shares of Richa Knits Ltd., of face value of Rs. 10/- each unless otherwise specified in the context thereof
Indian GAAP	Generally Accepted Accounting Principles in India
MOA/Memorandum/ Memorandum of Association	Memorandum of Association of Richa Knits Limited
Non Residents	Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial Insititutions, who are eligible to apply in the Issue.
NRIs/ Non-Resident Indians	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000.
Overseas Corporate Body / 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. OCBs are not allowed to participate in this Issue.
Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
Promoters	Mr. Subhash Gupta, Mr. Sushil Gupta, Mr. Sandeep Gupta, Mr. Manish Gupta, Mr. Chet Ram Gupta, M/s Richa Clothing Pvt. Ltd. & M/s CSB Capital Limited
Registered Office	Plot no.5, sector 7,HSIDC, IMT, Manesar-122050,Gurgaon, Haryana
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 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America

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Issue Related Terms	
Terms	Description
KJMC	KJMC Global Market (India) Limited
Applicant	Any prospective investor who makes an application for Equity Shares in terms of this Prospectus
Application Form	The Form in terms of which the applicant shall apply for the Equity Shares of the Company
Allotment	Issue of the Equity Shares pursuant to the Issue to the successful applicants
Allottee	The successful applicant to whom the Equity Shares are being / have been issued.
Banker to the company	Indian Overseas Bank
Bankers to the Issue	Indian Overseas Bank, ICICI Bank Ltd., HDFC Bank Ltd., UTI Bank Ltd.
BSE	Bombay Stock Exchange Limited
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Employees	Permanent Employees of Richa Knits Limited as on December 31, 2005 including both staff and workmen employees.
Issue Price	The final price at which the Equity Shares are being issued by our Company under this Prospectus, in this case being Rs.30/-.
LM/Lead Manager	Lead Manager to the Issue, in this case being KJMC Global Market (India) Limited
Prospectus	The Prospectus, filed with the ROC containing, inter alia, the issue price, the size of the issue and other information
Public Issue/ Issue	Public Issue of 90,00,000 equity shares of Rs.10/- each for cash at a premium of Rs. 20/- per equity share (Price of Rs. 30/- per equity share) aggregating to Rs. 2700 lacs (the Issue) by Richa Knits Limited ('the Company' or 'Issuer') including Promoters participation of 15,00,000 Equity shares of Rs.10/- each for cash at a price of Rs. 30/- ('Promoters participation'). 7,50,000 Equity shares being 10% of the Issue size shall be compulsorily allotted to QIBs. 7,50,000 equity shares of Rs.10/- each for cash at a price of Rs. 30/- will be reserved in the Issue for subscription by NRIs / FIIs and 3,75,000 equity shares of Rs.10/- each for cash at a price of Rs. 30/- will be reserved for Employees. The Net Issue to the Public is 56,25,000 equity shares of Rs.10/- each for cash at a price of Rs. 30/- (Net Issue). The Issue would constitute 43.86% of the fully diluted post issue paid up Equity Capital of the Company. The face value of the share is Rs.10/- each and the issue price is 3 times of the face value.
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital funds registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 25 crores and Pension funds with a minimum corpus of Rs. 25 crores
Registrar/Registrar to the Issue	Registrar to the Issue being Intime Spectrum Registry Limited
Retail Individual Investors	Individual investors (including HUFs, in the name of Karta and Eligible NRIs) who apply for the Equity Shares of a value of not more than Rs.1,00,000
Staff Employees	Employees who are in a supervisory position and include administrative staff, technical staff and office staff.



Glossary of Technical and Industry Terms

Terms	Description
Bleaching	Whitening of the fabric
CAD/CAM	Computer Aided Design / Computer Aided Machine
CSP	Count Strength Product
Crocking	Testing of Colour Fastness by rubbing
Count	Mass determination of the size of yarn
Dyeing	To give colour on the fabric
Desizing	To remove the sizing given at the time of weaving of the fabric
Hydro Extractor	To extract the water from the fabric
Gas singing	In this process, flame of gas is used to remove unwanted hairs from yarn/fabric
Gumming & Slitting	This involves cutting the fabric, by putting gum on the edge of the fabric from Tubular to open width form
GSM	Gram Per Square Meter.
Heat Setting	The process of giving heat to the fabric having some content of lycra, to set its shrinkage
Hot Air Stenter	To set the width and level of the fabric by providing hot air
Mercerizing	To make the fabric or yarn, soft and smooth
Nickel Screen	This is a screen used for making designs and taking print of the designs on the fabric
Open Width Form	The process of cutting of Tubular fabric straight
Polymerizing	In this process the fabric is passed through certain temperature, maintained through steam which fixes colour on the printed fabric
PBS	Progressive Bundle System
RFD	Radio Frequency Drier
Scouring	This involves boiling of the yarn or fabric
Squeezing	To extract water from the fabric
Stentering	The process involves setting the width and length of the fabric
T.F.O	Two for one i.e. Twisting of two yarns into one tubular
Tubular Form	Knitting of fabric in tube form on circular knitting machine
Ultra Modern Humidification Plant	This plant maintains certain level of humidity which strengthen the yarn while knitting of the fabric

Abbreviations of General Terms

Abbreviation	Full Form
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
A/c	Account
ATC	Agreement on Textiles and Clothing
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identification Number
EPS	Earning Per Share

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EGM	Extraordinary General Meeting
ESIC	Employees State Insurance Corporation
FCNR Account	Foreign Currency Non Resident Account
FIPB	Foreign Investment Promotion Board
FY / Fiscal/Financial Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FIIIs	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
Gol/Government	Government of India
GIR Number	General Index Registry Number
HSEB	Haryana State Electricity Board
HUF	Hindu Undivided Family
IOB	Indian Overseas Bank
I.T Act	Income Tax Act, 1961, as amended from time to time
MFA	Multi-Fibre Agreement
MOU	Memorandum of Understanding
MT	Metric Ton
NAV	Net Asset Value
NCR	National Capital Region
NCT	National Capital Territory
NIT	New Industrial Town
NRIs	Non Resident Indians
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
p.a	Per annum
PAN	Permanent Account Number
PAT	Profit After Tax
P/E Ratio	Price/Earnings Ratio
PF	Provident Fund
RBI	The Reserve Bank of India
RoC / Registrar of Companies	Registrar of Companies, NCT of Delhi & Haryana
RONW	Return on Net Worth
Rs.	Rupees
ST	Sales Tax
TAN	Tax Deduction and Collection Account Number
TIN	Tax Identification Number
TUFS	Technology Upgradation Fund Scheme
US	United States of America
USD/ US\$/ \$	United States Dollar
VAT	Value Added Tax



SECTION II : RISK FACTORS

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in the Prospectus is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines included on page no. 86 in the Prospectus. We have no subsidiaries. Accordingly, financial information relating to us is presented on a non-consolidated basis. Our fiscal year commences on April 1 and ends on March 31. In the Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

In this Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word "lacs" means "one hundred thousand" and the word "million" means "ten lac" and the word "Crore" means "ten million". Throughout this Prospectus, all figures have been expressed in lacs. Unless otherwise stated, all references to "India" contained in this Prospectus are to the Republic of India.

Unless stated otherwise, industry data used throughout this Prospectus has been obtained from industry publications, internal company reports, newspaper and magazine articles etc. including following publications:

1. Annual Report of Ministry of Textile, Government of India;
2. Statistical data available on the Website of DGCI, Kolkatta;
3. CII-Accenture report on Textile Industry: Road to Growth, November 2001.
4. Discussion Paper on "The Global Textile and Clothing Industry" by Staff of the WTO Secretariat

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

For additional definitions, please refer to the section titled "Definitions and Abbreviations" on page no. i of this Prospectus. In the section titled 'Main Provisions of the Articles of Association' on page no. 147 of this Prospectus, defined terms have the meaning given to such terms in the Articles of Association of our Company.

FORWARD-LOOKING STATEMENTS

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

All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others: -

- General economic and business conditions in India and other countries
- Regulatory changes relating to the textile sector in India and our ability to respond to them
- Our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks that have an impact on our business activities or investments.
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.
- Changes in the value of the Rupee and other currencies.
- The occurrence of natural disasters or calamities.
- Change in political condition in India.

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" beginning on page no. vii of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company 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 Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange for the Equity Shares allotted pursuant to this Issue.



RISK FACTORS

An investment in equity involves a high degree of risk. Investors should carefully consider all the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our equity shares. Any of the following risks as well as other risks and uncertainties discussed in this Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment.

Note:

The risk factors as envisaged by the management along with the proposals to address the risk if any. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial implication of any of the risks described in this section.

In this Prospectus, any discrepancies in any table between total and the sums of the amount listed are due to rounding off. Any percentage amounts, as set forth in "Risk Factors", "Management Discussion and Analysis of financial conditions and operations" and elsewhere in this Prospectus unless otherwise indicated, has been calculated on the basis of the amount disclosed in the "Financial Statements" prepared in accordance with the Indian Accounting Standards.

INTERNAL RISK FACTORS AND RISKS RELATING TO OUR BUSINESS

We are parties to certain legal proceedings; incidental to our business operations, which if not determined in our favour could have a material impact on our business.

Outstanding litigations of the Company are as follows:

Litigations / Defaults	Total No. of Cases	Financial implications (wherever quantifiable)
Litigations against the company		
Civil Cases	2	Rs.4.41 lacs
Labour Cases	1	Nil
Criminal Cases	1	Rs.2.00 lacs
Total	4	Rs. 6.41 lacs
Litigations filed by the Company		
Civil Cases	2	Rs.14.89 lacs
Criminal Cases	21	Rs.64.42 lacs
Total	23	Rs. 79.31 lacs

For further details of the cases mentioned above, please see section titled "Legal and Other Information" beginning on page no. 115 of this Prospectus.

Our Company has not complied with Section 383 A of Companies Act, 1956 in the past

There was a non-compliance of Section 383A of the Companies act, 1956 for the period from 1st June, 2000 to 11th June, 2002 and 10th December 2004 to 15th January 2006 aggregating to a total number of 937 days as we had not appointed any Company Secretary. We have filed an application for compounding of the said non-compliance on 10th February, 2006 with ROC, NCT of Delhi and Haryana. The maximum estimated penalty for the same was Rs.4.89 lacs.

The matter was heard before the Company Law Board (CLB), Northern Region and the same has been compounded subject to the payment of penalty of Rs. 11,000/- after which the final order shall be received. The Company has already made payment of penalty and obtained the final order

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

We have not yet placed orders for procurement of plant and machineries - both imported & indigenous which is 100% of total Plant & Machinery aggregating to Rs. 36 crores. However, we have obtained quotations for the machineries to be imported and domestically procured, and the same were submitted to Indian Overseas Bank (IOB) at the time of appraisal of our project. Negotiations in respect of technical specifications with the vendors have been commenced. A substantial portion of the plant and machinery we intend to deploy are expected to be imported and must be paid for in foreign currency. Any change in foreign exchange rates adversely affecting the value of the Rupee may adversely affect the cost of the project. However, we have made a provision of 5% towards contingencies in the cost of project; inter alia, to take care of any increase in cost of plant and machinery and any adverse fluctuations in the foreign exchange. For details of proposed capital expenditure on plant and machinery, please refer to section titled "Objects of the Issue" beginning on page no.21 of this Prospectus.

Conversion of agricultural land into non-agricultural land acquired for the expansion project has not been done.

The land admeasuring 34250 Sq.Mtrs (13.7 Bighas) at Village Tapukara, Distt.Alwar in Rajasthan, purchased by our Company for setting up the Dyeing and Processing Unit is currently agricultural land which requires to be converted into a non-agricultural land before undertaking any industrial activity. We have completed mutation of the said land in our name. We are yet to convert the said land into non-agricultural land.

We have applied for CLU permission vide letter dated April 7, 2006. We are yet to receive the approval. Any delay in obtaining the required approval will have an adverse effect on the implementation of the project.

We are yet to be allotted land in Gurgaon for our expansion project.

We propose to acquire a plot admeasuring 4050 Sq.Mtrs. from Haryana State Industrial Development Corporation (HSIDC) in Gurgaon, Haryana for setting up unit for manufacture of readymade garments.

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

We need to obtain licenses/permissions under the following statutes / authorities prior to commencement of commercial activities of our new project:

- a) License under Factories act, 1948
- b) Pollution Control Certificate from the Pollution Control Authorities
- c) Sanction of Power load from the Electricity Board Authorities

Expansion in the capacity is without any firm commitments.

We are expanding our capacity in all the segments in which we are operating viz. Knitting, Dyeing & Processing, and Garmenting, which will require larger customer base. In the absence of guaranteed customers for the increased production, there can be lower capacity utilization, which may adversely affect our operations and financial results.

Unsecured Loans

As on March 31, 2006 our company has an outstanding unsecured loans amounting to Rs.138.84 lacs including Rs.128.84 lacs from related parties, which are payable on demand.



Risk associated with Contingent Liabilities as on March 31, 2006 are as follows:

(Rs. In lacs)

Particulars		As on March 31, 2006
(a)	Bank Guarantee issued by the Banks	20.60
(b)	Bills Discounted	–
(c)	Outstanding Letter of Credit	15.41
(d)	Export Obligation (amount of duty saved)	–
(e)	Custom Duty which may arise if obligations for exports not fulfilled against import of raw materials & machinery	–
(f)	Disputed Liability towards Income Tax	–
(g)	Disputed Liability towards Sales Tax	–
(h)	Disputed Liability towards Local Area Development Tax	–
(i)	Corporate Guarantee given to banks	–
(j)	Value of assets taken on lease, future obligations	–
	TOTAL	36.01

In the event such contingent liability materializes it may have an adverse effect on our financial performance.

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

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

Identification of evolving fashion trends and creating new designs is the key element of success in the textile sector. Any lag on the part of the Company in this respect may affect its business operations.

With regard to our garment export business, we are provided with specific details of size, colour, design, packing and labeling etc. by our international buyers and we are required to manufacture garments as per the approved specifications. Therefore, the risk of creation of design is not very relevant to garment export business.

However, in the case of manufacture of garments under our brand 'AVO-CADO' for domestic sales, our company has on its pay roll, a team of well qualified Designers who have passed out of National Institute of Fashion Technology (NIFT) who designs and develops the products as per customers' needs. This team works on the development of designs by analyzing the needs of consumer, the Company is targeting and by parameters like designer collections presented in the fashion cities of the world, fashion reviews from earlier seasons, fashion magazines and most importantly the feedback gained from the sales of the similar products that were developed earlier. Our company also maintains a laboratory for developing the shades. Our company believes that the lead-time in changing fashion trends is sufficient for the Company to formulate its fashion strategy.

The Company has not entered into any long-term contracts with its buyers

Our company supplies knitted garments to the International Buyers through their Buying Houses in India. Our company does not have any long-term contracts for the supply of our output to them. Our company is in the approved list of some of the international Companies to supply knitted garments for their various brands. We have been receiving repeat orders for bulk quantity of knitted garments from the vendors who are the major suppliers to various international brands.

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We are an established Dyeing and Processing House for the last 15 years. We have been supplying quality products / services to the various exporters (manufacturers / merchant exporters). To meet the growing demand from our existing customers with repeat orders, we have planned the current expansion in our dyeing and processing capacities.

Our promoters and the promoter group of our company will continue to hold substantial stake in our Company viz. 56.14% of the post issue capital and will remain in the position to exercise control in the decisions of the Company.

Our Company's management comprises of professionals including independent directors. However, the promoter and the promoter group, being the major stakeholders, will continue to be in a position to influence the events wherein the approval of the shareholders is required. The promoters themselves are qualified professionals having experience in the field with commitment to manage the affairs of the company.

We have issued Equity Shares in last twelve months at a price, which could be lower than the current Issue price.

Date of allotment	Face Value	Issue Price	Mode of payment	Allottee	No.of Equity shares allotted
30.12.2005	10	Nil	Bonus shares	Allotment to existing shareholders	2188681
31.12.2005	10	10	Cash	Allotment to Promoters & Promoter group	3722000

We have availed loans under TUFS wherein 5% interest subsidy is available to the Company. If our Company fails to comply with the conditions stipulated under TUFS, the burden of cost of borrowings would increase.

As on March 31, 2006, our company has an outstanding loan of Rs.997.67 Lacs availed under TUFS. We have been regular in meeting the dues of bank/institution till date and there has been no default. Moreover, for the new/expansion projects as detailed in the "Objects of the Issue" we have estimated the cost of the projects based on the normal rates of interest being charged by the banks without taking into account the subsidy part available under TUFS.

The loan agreements entered into by our company with the bank contains restrictive clauses requiring the company to obtain their prior approval for undertaking various activities including payment of dividend to its shareholders before the payment of banks installments and interests, effecting any change in the capital structure etc.

The restrictive covenants to which our company is subject to are the usual and the customary covenants. However, in respect of proposed Public Issue, our Company has obtained the No objection certificate from our banker viz Indian Overseas Bank.

Some of our group entities are loss making as per latest audited financial statements

(Rs. in lacs)

Name of the company	Profit/(loss) incurred for the year ended March 31, 2003	Profit/(loss) incurred for the year ended March 31, 2004	Profit/(loss) incurred for the year ended March 31, 2005
Richa Capital Pvt.Ltd.	Not applicable	Not applicable	(0.12)
Richa Clothing Pvt.Ltd.	Nil	Nil	(0.17)
CSB Capital Ltd.	Nil	0.013	(0.037)

These Group entities are not carrying out any major commercial activities. For details please refer to section titled "Information of the Group Companies" beginning on page no. 79 of this Prospectus.



Two of our group companies are in the same line of business.

The main object clause of the Memorandum of Association of our two group companies viz. M/s. Richa Processing Mills (P) Limited and Richa Clothing Pvt. Ltd. permit them to undertake the business of processing and dyeing, and readymade garments. In future, if they get into the business of processing and dyeing, and readymade garments that may lead to conflict of interest between us and our group entities.

The Promoters of the company have initiated steps to change the object clause of the promoter company viz. Richa Clothing Pvt. Limited to avoid any conflict of interest.

Notice issued under section 142(1) of the Income Tax Act, 1961

The office of the Assistant Commissioner of Income Tax, Range - I, Faridabad has issued a notice under section 142 (1) of Income Tax Act, 1961 to the Company dated July 28, 2005 to furnish in writing and verify in the prescribed manner certain information which inter-alia includes details of Inventory, Stocks, Sales, Deferred tax Confirmation on transactions exceeding Rs. 2 Lacs, Debtors, Creditors, Loans and advances Security Deposit etc with copies of previous assessments and certain operational data of profitability etc.. We have filed replies on the same and have also submitted the documents as desired and required with the Assistant Commissioner of Income Tax. The company has received Notice of Demand for AY-2003-04, under Section 156 of the Income Tax Act 1961, for payment of Rs.1,84,058 and has made the requisite payment to the Income Tax Authorities on 12.4.2006.

Notice issued under section 143(2) of the Income Tax Act, 1961

The office of the Assistant Commissioner of Income Tax, Range - I, Faridabad has issued a notice under section 143 (2) of Income Tax Act, 1961 to the Company dated July 28, 2005 asking for certain clarifications and information. The company has submitted the necessary clarifications and information and the liability has been ascertained and paid as given in the above Risk factor.

The Appraiser Bank viz. IOB has identified following risk factors with regard to the company in their Appraisal Report.

- The quota free regime in the export market shall make the company vulnerable to a lot of tough competition.
- The company is labour intensive and needs to be careful about turnover and other labour related problems.
- The cost of infrastructure, power, fuel etc. is higher as compared to the expenses incurred by comparable units in other exporting countries.

THREATS

- Loading of local/ domestic taxes may increase cost of the products.
- Increasing Demands being made by the Industrial sector on the Infrastructure base.
- Excessive Competition with the opening of the market.

EXTERNAL RISK FACTORS

Exchange Rate Fluctuations may have impact on the performance of the Company.

Our Company is exposed to exchange rate fluctuations. Uncertainties in the global financial market may have an adverse impact on the exchange rate between Rupee vis-à-vis other currencies. The exchange rate between the Rupee and other currencies is variable and may continue to fluctuate in the future. Such fluctuations can have a serious impact on the revenues from the export business/and our export obligations.

Probable opposition to sourcing apparel from India.

Potential threats to the domestic textile industry in developed countries and geographies that are not as competitive as India and China has led to a growing political opposition to sourcing of apparel from countries such as India. Any increase in such opposition can lead to non-quantitative restrictions being imposed on export of apparel from countries such as India and China and impact the growth of textile industry players in such countries. Additionally, countries such as USA can impose anti surge restrictions if growth of exports from any geography exceeds certain acceptable limits. Such restrictions can adversely impact the growth of the Company.

Emergence of competition from other manufacturing countries having Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) with the major importing countries.

While quantitative restrictions stand eliminated with the removal of quotas, certain countries which enjoy FTAs / PTAs with major importing countries may have an advantage (by way of lower or zero import tariffs) over exporters from countries that do not have such agreements. India currently is not party to such agreements.

Political situation and changes in the Government of India may affect the performance of our Company.

The Government of India has pursued the economic liberalization policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced policies and taken initiatives that support continued economic liberalization. There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and deregulation. A significant change in India's economic liberalization and deregulation policies could disrupt the business and economic conditions in India.

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

The business of the Company is exposed to man-made and natural disasters such as, explosions, earthquakes, storms and floods as well as to terrorist attacks or other enemy actions. The occurrence of a man-made or natural disaster, terrorist attack, enemy action or other accidents could disrupt the operations of the business of the Company and result in loss of revenues and increased costs.

Force majeure events, terrorist attacks and other acts of violence or war involving India, or other countries could adversely affect the financial markets, result in loss of client confidence and adversely affect our business.

There have been instances of terrorist attacks in many parts of the world and also in India in the recent past. Any recurrence of such events or other acts of violence/war may negatively affect the Indian capital market and may also adversely affect performance of our scrip in the stock exchanges. These acts may also result in a loss of business confidence. Any recurrence of events of terrorist attacks or other acts of violence may adversely impact the desire of corporate executives to travel to India for business purposes and thereby adversely impacting business prospects. These uncertainties make it difficult for us and our customers to accurately plan future business activities.

Changes in the regulatory framework set up for the growth of textile sector may affect the operations of the Company adversely.

The Government of India has introduced various policies and measures to accelerate the growth in textile sector including interest rate subsidies under TUFS, duty / tax reimbursement schemes like duty drawback / DEPB. Withdrawal or modifications in these measures may adversely impact the revenues and profitability of textile companies in the country including us. Further, any change in regulatory environment in relation to manufacturing in India or for marketing our products within and outside India will significantly impact our business.

Growing competition may adversely affect our operations.

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

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

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



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

After this Issue, the prices of Richa Knits equity shares may be volatile, or an active trading market for Richa Knits equity shares may not develop.

The price of Richa Knits' equity shares in Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- Volatility in the Indian and Global securities market;
- The results of operations and performance;
- Perceptions about Richa Knits future performance or the performance of Indian Apparel Manufacturing companies;
- Performance of competitors in the Indian Apparel Manufacturing industry and market perception of investments in the Indian Apparel Manufacturing sector;
- Adverse media reports on Richa Knits or on the Indian Textile industry;
- Change in the estimates of Richa Knits' performance or recommendations by financial analysts;
- Significant development in India's economic liberalization and deregulation policies; and
- Significant development in India's fiscal and environmental regulations.

There has been no public market for Richa Knits' equity shares till now and the prices of Richa Knits' equity shares may fluctuate after this Issue. There can be no assurance that an active trading market for the equity shares will develop or be sustained after this Issue, or that prices at which Richa Knits' equity shares are initially offered will correspond to the prices at which Richa Knits' equity shares will trade in the market subsequent to this Issue. Richa Knits' share price could be volatile and may also decline.

Notes to Risk Factors:

- Public Issue of 90,00,000 equity shares of Rs.10/- each for cash at a premium of Rs. 20/- per equity share (Price of Rs. 30/- per equity share) aggregating to Rs. 2700 lacs (the Issue) by Richa Knits Limited ('the Company' or 'Issuer') including Promoters participation of 15,00,000 Equity shares of Rs.10/- each for cash at a price of Rs. 30/- ('Promoters participation'). 7,50,000 Equity shares being 10% of the Issue size shall be compulsorily allotted to QIBs. 7,50,000 equity shares of Rs.10/- each for cash at a price of Rs. 30/- will be reserved in the Issue for subscription by NRIs / FIIs and 3,75,000 equity shares of Rs.10/- each for cash at a price of Rs. 30/- will be reserved for Employees. The Net Issue to the Public is 56,25,000 equity shares of Rs.10/- each for cash at a price of Rs. 30/- (Net Issue). The Issue would constitute 43.86% of the fully diluted post issue paid up Equity Capital of the Company. The face value of the share is Rs.10/- each and the issue price is 3 times of the face value.
- The issue is being made in terms of clause 2.2.2 (a) (ii) & (b) (i) of SEBI (DIP) Guidelines, 2000
- The net worth of the Company as per the Financial Accounts of the Company as on March 31, 2005 is Rs. 862.27 lacs and as on March 31, 2006 is Rs. 1699.18Lacs.
- The average cost of acquisition of Equity shares of the Promoters is as under:

Name of the Promoters	No. of shares	Value	Cost per share (Rs.)
Sushil Gupta	501510	1747200	3.42
Chet Ram Gupta	476328	2212940	4.28
Subhash Gupta	315000	1503000	4.53
Sandeep Gupta	730968	2309840	3.06
Manish Gupta	89,000	445000	4.49
CSB Capital Ltd.	125000	1250000	10.00

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- The Book value per share as on March 31, 2005 is Rs. 39.39 and as on March 31, 2006 is Rs. 20.98 of Rs.10/- each.
- Other than as disclosed either in related party transaction or otherwise, the promoters / directors / key management personnel of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits arising out of the shareholding in the Company or out of any business relation with any of the ventures in which they are interested. For interests of promoters and directors, please refer page no. 69 and page no. 78 of the Prospectus.
- For detailed Related Party Transactions please refer to the section titled "Related Party Transactions" beginning on page no. 83 of this Prospectus.
- The Investors are advised to refer to the Para on "Basis for Issue Price" before making any investment in this Issue.
- In case of oversubscription in this issue, Allotment will be made on a proportionate basis. For details please see paragraph titled "Basis of Allotment" beginning on page no. 143
- The Investors may contact the Lead Manager or the Compliance Officer for any complaint / clarification / information pertaining to the Issue, who will be obliged to attend to the same.



SECTION III: INTRODUCTION

SUMMARY

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Prospectus, including the information on "Risk Factors" beginning on page no. v and our financial statements and related notes on page no. 86 in this Prospectus before deciding to invest in our Equity Shares.

Overview of the Textile Industry in India

The textile industry occupies a unique position in the Indian economy as it contributes significantly to the industrial production, employment generation and foreign exchange earnings. Currently, it adds about 14 per cent to the industrial production and about 4 per cent to the GDP. It has immense potential for employment generation, particularly in the rural and remote areas of the country on account of its close linkage with agriculture. It provides direct employment to about 35 million people including substantial segments of SC /ST and women. In fact, the textile industry is the second largest provider of employment after agriculture. The contribution of this industry to the gross export earnings of the country is about 21 per cent. It is the only industry, which is self-reliant and complete in value chain i.e. from raw material to the highest value added products - garments/made-ups. Therefore the growth and development of this industry has a significant bearing on the overall development of the Indian economy. The Indian textile industry is extremely complex and varied. This industry uses natural fibres - cotton, jute, silk and wool, as well as synthetic/ man-made fibres - polyester, viscose nylon, acrylic and their multiple blends.

The textile industry has grown considerably and the noticeable feature in this growth process has been the installation of large number of open end rotors in the 1990s, and the setting up of 100% Export Oriented Units (EOUs) in the spinning sector. The production of spun yarn is anticipated to touch 3221.37 million kg during 2004-05. It is worth noting that the production of 100% non-cotton yarn has shown an upward trend in recent years and it is anticipated to reach 377.31 million kg during 2004-05 from 341.76 million kg achieved during 2003-04, registering an annual growth rate of 10.40%. The total production of cloth during 2003-04 was 42,383 mn sq. mtrs and is anticipated to touch 44,322 mn. Sq. mtrs. in 2004-05.

Further, the textile exports on a year-to-year basis recorded a growth of 4.6% during April-November 2004 and in value terms amounted to US\$ 8,348.5 mn against US\$ 7,981.5 mn in the corresponding period of the previous year.

(Source: Website of Ministry of Textiles)

Summary of our Business

Overview

Richa Knits Ltd was established under the leadership of Mr. Sushil Gupta (M.Tech - IIT Delhi), in 1993 to cater to the needs of quality knitted fabric for Indian market. Beginning as a small establishment, with a small initial capital of Rupees Twenty Lacs, the company has grown as a quality supplier of Knitted fabric and a regular support to exporter as a Dyeing and Process house of proven quality.

Today, the company has successfully placed itself in the fields of Greige Fabric Knitting, Knitted fabric Dyeing & Finishing, Garment Dyeing and Garment Manufacturing. Our company has two facilities - one at Faridabad and another at IMT Manesar Gurgaon, in the outskirts of Delhi.

The present Knitting capacity of our company is around 978 Tons per annum wherein the present capacity utilization is around 89%. The Company has created additional new capacities in Dyeing & Processing and Garmenting segments at different point of time during the FY 2005-06. In Dyeing & Processing segment, the company has added 1000 tpa to the existing capacity of 3200 tpa during the month of November 2005 taking the total installed capacity to 4200 tpa therefore available Installed Capacity on weighted average basis for F.Y. 2005-06 works out to 3600 tpa. Similarly in the Garmenting Segment, the company has added a capacity to manufacture 500000 pcs p.a. in December 2005 to the existing capacity of 400000 pcs p.a. taking the total installed capacity to 900000 pcs p.a. therefore available Installed Capacity on weighted average basis for F.Y. 2005-06 works out to 537000 pcs p.a.

Richa Knits is known for its quality and service towards high-end products. Our company has shown a growth rate of (CAGR) of over 60% over the period of last 5 years. Over the years our company's turnover has grown from Rs. 3.70 crore in 2001 to Rs.26.28 crore in March 31, 2005 and further to Rs. 45.46 crore for the year ended March 31, 2006.

Export Business

Our export garments division is a regular supplier to its U.S.A and U.K. based buyers like K-mart (Dikkies & Joe Boxer), Redsand, E.W.M., Bay Trading U.K., Bella, Ethel Austin and Guess and for prestigious Van Heusan, Beneton Brands in India to name a few.

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Our export turnover has increased from Rs.141.71 lacs in 2002-03 (in which year we started earning our export income) to Rs.537.92 lacs in the year 2004-05 and to Rs. 683.93 lacs as on March 31, 2006. The Company had firm orders of over Rs.300 lacs on hand which were substantially completed before 31st March, 2006.

The Company has completed Export Orders for an aggregate value of approx. Rs. 271 lacs for the period January- March 2006. Export orders worth approx.Rs.30 lacs were pending for completion as on 31.3.2006

AVO-CADO

Our company has ventured into the domestic market with its own leisure-wear brand named AVO-CADO, a range of innovative fashion wear at a reasonable price best of quality.

Our company has 3 operational Exclusive Business Outlets (EBO's) at Faridabad, Gurgaon and Jaipur and have signed agreements for two additional EBO's at Delhi, which are expected to be operational by October 2006. In a short span of time we have established a network of 6 (Distributors & CHA) and over 100 dealers catering to 7 States of Northern India.

With the removal of quota regime, we have been provided with an opportunity for growth, as our company now does not have a limit on exports quantity. In order to take advantage of the growing market, we have planned to expand our business activity in all the segments in which we operate viz. knitting, dyeing & processing and garmenting.

Line of Activity	Existing capacity	Proposed Addition	Capacity after proposed expansion
Knitting	978 Tons p.a.	480 Tons p.a.	1458 Tons p.a.
Dyeing & Processing	4200 Tons p.a.	3960 Tons p.a.	8160 Tons p.a.
Garments	9.00 Lac pieces p.a.	18.00 Lac pieces p.a.	27.00 Lac pieces p.a.

OUR COMPETITIVE STRENGTHS

Professional Management

Our company is managed by a qualified management team and headed by Mr. Sushil Gupta, (an M-Tech from IIT Delhi) with several years of relevant experience in the field. Other Directors of our company are also qualified and experienced.

- Mr. Sandeep Gupta - MBA with specialization in marketing and a holder of Certificate in Apparel Production Technology from Pearl Academy of Fashion, Delhi.
- Mr. Manish Gupta- B.Tech in Textile Chemistry from DKTE, Ichalkaranji, Maharashtra.
- Mr. Sunil Mangla- A Science Graduate Having more than 25 years of experience in processing of Knitted Fabrics and ready made garments. He has over 20 years experience of Dyeing & Processing of knitted fabric and is associated with the company as KMP from the last 5 years.
- Mrs. Shweta Gupta- Is an MBA from Pune University and wife of one of our Director Mr. Sandeep Gupta and look after the 'AVO-CADO' distribution and Public Relation Activities.
- Mr. Anish Puri-A Graduate from Delhi University and Qualified Fashion Designer from Indian Institute of Fashion Technology (IIFT) and Post Graduate Qualification from National Institute of Fashion Technology (NIFT). Mr. Puri is heading our Retail Division and having an experience of more than 15 years in the textile industry.

Our standing in the Industry

Our company is a preferred process house amongst other companies operating in Northern India with Export Garment Manufacturers / Traders/ Merchant Exporters as we have the latest machineries for dyeing and processing of fabrics. A large number of merchant exporters use our services in getting their fabrics dyed and processed to their satisfaction. We are suppliers of knitted fabric to a number of exporters and reputed domestic garment manufacturer in Northern India.

Our Customer base

Our export garments division is a regular supplier to its U.S.A and U.K. based buyers like K-mart (Dikkies & Joe Boxer), Redsand, E.W.M., Bay Trading U.K., Bella, Ethel Austin and Guess and for prestigious Van Heusan, Beneton Brands in India to name a few.

R&D and Laboratory

Our Company has a 'State of the Art' in-house laboratory, which is equipped with all the testing facility to achieve near zero defects.



The latest testing equipment are installed in the Lab for Color Prediction, Lab dip development, washing fastness, Color leveling, Crocking Control, and Shrinkage Control. Emphasis is also laid on attaining Specialized Finishes and soft feel of the fabric as per the requirement of the buyer. Our spectrophotometer is calibrated online with the help of net profiler.

Capability to manage multiple and large orders

Large orders require capabilities to manage large workforce, complex sourcing, production planning and ability to ensure timely delivery to the customer. Over the years, our company has developed the expertise to manage multiple large orders. We have executed a large single order for value USD 112531.45 of Polo Shirts in February 2006. In addition to the above, the company has also executed multiple export orders for Polo Shirts of the value USD 200,049.60, USD 75,018, USD 50,012, USD 50012 respectively from the international buyer Dino Di Milano.

Good labour relations

By following a proactive labour policy, we have been able to develop a workforce that identifies themselves as part of a family rather than as mere employees. Our units have enjoyed the distinction of never having suffered any labour unrest since inception.

THE ISSUE

Present Issue to the Public in terms of this Prospectus		
	Particulars	No. of Equity Shares
A	Present Issue	
	Equity Shares of Rs. 10/- each.	90,00,000
B	Out of which:	
	Promoters participation in the Issue	15,00,000
C	BALANCE	
(C =A-B)	Equity Shares of Rs. 10/- each.	75,00,000
D	Out of which	
	Minimum allotment to QIB's on competitive basis (10% of the Net offer to the Public) Equity Shares of Rs. 10/- each.	7,50,000
	Reserved for allotment on competitive basis to NRIs and /or FIIs, applying on repatriation basis (10% of the Net offer to the Public) Equity Shares of Rs. 10/- each.	7,50,000
	Reserved for allotment on competitive basis to Permanent Employees of our Company (5% of the Net offer to the Public) Equity Shares of Rs. 10/- each.	3,75,000
E (E= C-D)	NET OFFER TO PUBLIC Equity Shares of Rs. 10/- each.	56,25,000
	Equity Shares of Rs. 10/- each outstanding prior to the Issue	80,99,362
	Equity Shares of Rs. 10/- each outstanding after the Issue	1,70,99,362
Use of Issue Proceeds	For detailed discussion on the Objects of the Issue, please refer to the section titled "Objects of the Issue" on page no. 21 of this Prospectus for additional information	



SUMMARY OF FINANCIAL/OPERATING DATA

ANNEXURE - I

SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS RESTATED

(Rs. In Lacs)

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
A Fixed/Intangible Assets					
Gross Block	578.02	669.65	901.86	1,410.44	2765.95
Less : Depreciation	57.97	89.88	129.90	186.33	270.39
Net Block	520.05	579.77	771.96	1224.11	2495.56
B Capital Work in progress	-	0.14	-	239.21	5.00
C Investments	-	-	-	-	-
D Current Assets, Loans and Advances :					
Inventories	43.44	78.32	214.45	307.59	1054.12
Sundry Debtors	109.09	239.66	330.89	451.22	743.20
Cash and Bank Balances	26.62	20.58	29.77	146.20	35.42
Loans and Advances	7.85	54.79	142.58	223.82	383.79
Total	187.00	393.35	717.69	1,128.83	2216.53
E Liabilities and Provisions:					
Secured Loans	334.95	456.03	528.71	1,298.78	2286.08
Unsecured Loans	49.48	56.73	45.86	57.02	138.84
Current Liabilities and Provisions	86.80	89.78	374.63	277.11	428.29
Deferred Tax Liability	-	41.00	62.93	96.97	164.70
Total	471.23	643.54	1,012.13	1,729.88	3017.91
F Networth (A+B+C+D-E)	235.82	329.72	477.52	862.27	1699.18
G Represented By					
1. Share Capital	137.80	137.80	143.37	218.87	809.94
2. Share Application Money	3.57	5.57	7.20	102.20	0.00
3. Reserves	102.20	192.11	331.12	580.76	980.49
Total	243.57	335.48	481.69	901.83	1790.43
H Miscellaneous Expenditure to the extent not written off or adjusted	7.75	5.76	4.17	39.56	91.25
I Net worth (G-H)	235.82	329.72	477.52	862.27	1699.18

Note: The Above statement should be read with the notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure III and IV to the report.

RICHA KNITS LIMITED

ANNEXURE -II

SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT AS RESTATED

(Rs. In Lacs)

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
A. Income					
Sale of Products					
- Knitted Fabrics & Garments	264.93	399.04	677.80	681.85	2054.18
- Exports (Garments/Fabrics)	–	141.71	207.29	537.92	683.93
- Retail Outlet - IOC Job Work/Processing	–	–	–	332.73	218.53
- Knitting & Processing Charges	346.58	679.79	662.10	938.48	1094.55
Total	611.51	1,220.54	1,547.19	2,490.98	4051.19
Other Incomes	4.52	13.78	13.10	50.78	50.31
Increase/Decrease in Inventories	17.01	21.19	39.94	86.46	444.88
Total	633.04	1,255.51	1,600.23	2,628.22	4546.38
B. Expenditure					
Raw Material Consumed	337.37	659.98	832.58	1,432.83	2645.95
Stores Consumed	6.41	14.15	16.82	14.10	22.52
Power & Fuel	91.61	155.09	152.35	217.37	298.50
Personnel Expenses	44.13	80.54	102.29	176.41	345.88
Other Manufacturing Expenses	13.37	63.67	78.14	148.17	164.95
Administrative expenses	31.78	52.29	77.45	87.91	151.76
Selling & Distribution Expenses	5.22	33.03	61.33	171.69	145.37
Excise Duty	–	–	43.45	38.85	–
Interest	20.51	32.70	40.15	89.32	135.74
Bank charges	0.83	4.08	8.92	9.05	16.68
Forex Loss	–	–	1.97	–	–
Total	551.23	1,095.53	1,415.45	2,385.69	3927.35
Net Profit Before Depreciation, Tax & Prior Period Items (A-B)	81.81	159.98	184.78	242.53	619.03
Depreciation	27.41	69.13	78.52	102.68	92.58
Net Profit Before Tax & Prior Period Items	54.40	90.85	106.26	139.85	526.45
Provision for Income Tax					
- Current Tax	4.20	10.30	12.90	17.80	45.00
- Deferred Tax	–	19.00	21.93	34.04	67.73
- Fringe Benefit Tax	–	–	–	–	1.35
Tax Paid/Provision Written Back for earlier year	0.06	0.08	1.40	0.12	(0.66)
Net Profit Before Extra Ordinary Items	50.14	61.47	70.03	87.89	413.03
Extra Ordinary Items	–	–	–	–	–
Net Profit after Extra Ordinary Items before adjustments (A)	50.14	61.47	70.03	87.89	413.03

**ADJUSTED PROFIT AND LOSS ACCOUNT (AS PER SEBI GUIDELINES)****(Rs. In Lacs)**

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
Net Profit before Adjustments	50.14	61.47	70.03	87.89	413.03
Adjustments for					
Change in Method of Depreciation (B)	9.58	37.09	38.50	46.16	–
Total Impact of Adjustments	9.58	37.09	38.50	46.16	–
Tax Impact of Adjustments	(0.60)	0.60	–	–	–
Total of Adjustments after Tax impact	8.98	37.69	38.50	46.16	–
Restated Net Profit after adjustments	59.12	99.16	108.53	134.05	413.03
Add : Balance Brought Forward from Previous year	43.08	102.20	179.36	287.89	421.94
Less: Deferred Tax Liability	–	22.00	–	–	–
Balance carried forward to Summary of Assets & Liabilities	102.20	179.36	287.89	421.94	834.97

Note: The above statement should be read with the Notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure III & IV to the report.

RICHA KNITS LIMITED

GENERAL INFORMATION

RICHA KNITS LIMITED

Originally incorporated as Richa Knits Private Limited on 15th September 1993 under the Companies Act, 1956 with the Registrar of Companies, NCT of Delhi and Haryana at New Delhi vide registration no. 05-32108. The constitution of our Company was changed and the words "Private Limited" was deleted by virtue of our Company being converted into a Public Limited Company vide Special Resolution passed on 12th September 2003 in terms of section 31/21 read with section 44 of the Companies Act, 1956. Our Company became a Public Limited Company vide Fresh Certificate of Incorporation dated October 28, 2003 and allotment of Company no. 05-32108 (CIN No.U17115HR1993PLC32108).

Registered Office: Plot no. 5, Sector 7, HSIDC-IMT Industrial Area, Manesar, Gurgaon, 122050, Haryana.

Website: www.richaknits.com

Registration Number: 05-32108 (CIN No.U17115HR1993PLC32108).

Registered with the Registrar of Companies, NCT of Delhi and Haryana at New Delhi C.G.O. Complex, Paryavaran Bhawan, 2nd floor, NCT, New Delhi-110 003

Board of Directors of the Company

The Board of Directors who currently manages the Company comprises of the following members:

Name of Director	Designation	Status
Mr. Subhash Gupta	Chairman	Non Executive Chairman
Mr. Sushil Gupta	Managing Director	Executive & Promoter Director
Mr. Sandeep Gupta	Jt. Managing Director	Executive & Promoter Director
Mr. Manish Gupta	Whole-time Director	Executive & Promoter Director
Mr. Subhash Chand Gupta	Director	Independent Director
Mr. Neeraj Bajaj	Director	Independent Director

For details of our directors, please refer the section titled, "Our Management" on page no. 63 of this Prospectus.

Company Secretary & Compliance Officer

Sanjeev Sharma
Company Secretary & Compliance Officer
Plot no. 5, Sector 7,
HSIDC- IMT Industrial Area,
Manesar, Gurgaon - 122 050
Tel : 91-124-2290702/03/04,
Fax : 91-124-2290211
Email: cs@richaknits.com

Investors may note that in case of any Pre-issue/ Post-issue related problems such as non-receipt of letters of allotment / share certificates / refund orders / non credit of demat shares, etc. they should contact the Compliance Officer.

Legal Advisor to the issue

Sandeep Gosain
Kothi No. 1258, Sector-28,
Faridabad - 121 008,
Haryana.
Tel: 0129 2275087
0129 2276164
Fax: 0129 2273044
Contact Person: Mr. Sandeep Gosain
Email id: s_gosain_99@yahoo.com



Bankers to the Company

Indian Overseas Bank

NIT Faridabad,
I C/ 47-48 NIT
Faridabad - 121001.
Tel: 0129 2415916
0129 2415202
Fax: 0129 2415916
Email : faridbr@chasco.iob.co.in

Auditors to the Company

Tayal & Co.
Chartered Accountants
A-5/1, Nehru Ground,
Faridabad - 121 003.
Tel: 0129 2412737
Email: tayalandcompany@rediffmail.com

Lead Manager

KJMC Global Market (India) Limited,

168 Atlanta, 16th Floor,
Nariman Point,
Mumbai - 400 021.
Tel. No.: +91 022 2288 5201
Fax No.: +91 022 2285 2892
Email: mbd@kjmc.com
SEBI Regn No.: INM000002509
Contact Person: Mr. K. V. Iyer

Registrar to the Issue

Intime Spectrum Registry Limited

C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup West,
Mumbai - 400078
Tel: +91 2596-0320
Fax: +91 2596-0329
E-mail: richaipo@intimespectrum.com
Website: www.intimespectrum.com
Contact person: Mr. Vishwas Attavar

Bankers to the Issue

Indian Overseas Bank,
NIT Faridabad,
I C/ 47-48 NIT
Faridabad - 121001.
Tel: 0129 2415916
0129 2415202
Fax: 0129 2415916
Email : faridbr@chasco.iob.co.in
Contact Person: Mr. R.K. Gupta

ICICI Bank Ltd.,

Capital Market Division
30, Mumbai Samachar Marg,
Raja Bahadur Compound,
Fort, Mumbai - 400 001.
Tel. No.: 91-22-22655284
Fax No.: 91-22-22611138
Email: sidhartha.routray@icicibank.com
Contact Person: Mr. Sidhartha S Routray / Mr. T.A. Venkataraghavan

RICHA KNITS LIMITED

HDFC Bank Ltd.,

Financial Institution Group,
Trade World, 'A' Wing, 2nd Floor,
Kamala Mills Compound,
Senapati Bapat Marg,
Lower Parel,
Mumbai - 400 013.
Tel. No.: 91-22-24988484
Fax No.: 91-22-24963871
Email: kripa.kalro@hdfcbank.com
Contact Person: Ms. Kripa Kalro

UTI Bank Ltd.,

3rd Floor, Maker Towers 'E',
Cuffe Parade, Colaba,
Mumbai - 400 005
Tel. No.: 91-22-67071657
Fax No.: 91-22-22155157
Email: Prashant.Fernandes@utibank.co.in
Contact Person: Mr. Prashant Fernandes

The Hongkong and Shanghai Banking Corporation Limited,

52/60 , Mahatma Gandhi Road,
Fort, Mumbai-400001, India
Tel. No.: 91-22- 2268 5568
Fax No.: 91-22- 2273 4388
Email: zersisirani@hsbc.co.in
Contact Person: Mr. Zersis Irani

Brokers to the Issue

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

Debenture Trustees

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

IPO Grading

The Company has not opted for grading of the issue

Credit Rating

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

However, we have been assigned A+ rating for credit worthiness by our bankers, which signifies the highest rating given by the Bank to its Client. The above rating is assigned based on important parameters inter alia Current Ratio, Debt-Equity Ratio, Conduct of Account, Audit Reports, etc.

Appraisal

The project has been appraised by Indian Overseas Bank. For further details please refer to section entitled "Objects of the Issue" beginning on Page 21.

Indian Overseas Bank

NIT Faridabad,
I C/ 47-48 NIT
Faridabad - 121001.
Tel: 0129 2415916
0129 2415202
Fax: 0129 2415916
Email : faridbr@chasco.iob.co.in

Monitoring Agency

Indian Overseas Bank has been appointed as the Monitoring Agency.

**Underwriting:**

The Issue is proposed to be underwritten to the extent of 67,50,000 equity shares by the following underwriter as under:

Sr. No.	Name and Address of the Underwriter	Indicative No. of Equity shares to be underwritten	Date of Agreement	Amount Underwritten (Rs.lacs)
1	KJMC Global Market (India) Limited 168, Atlanta, 16th floor, Nariman Point, Mumbai 400 021. Tel No.+91 022 2288 5201 Fax No. +91 022 2285 2892	67,50,000	25.08.2006	2025
	Total	67,50,000		2025

The above mentioned is the amount underwritten pursuant to the underwriting agreement dated 25th August 2006.

In the opinion of the Board of Directors (based on a certificate given by the Underwriter), the resources of the above mentioned Underwriter are sufficient to enable them to discharge their obligations in full. We hereby certify that in our opinion the underwriter's assets are adequate to meet their underwriting obligations. The abovementioned Underwriter is registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s). The above Underwriting Agreement has been accepted by the Board of Directors of Company at their meeting held on 25th August, 2006.

In the event of any default the underwriter in addition to other obligations to be defined in the Underwriting agreement will be required to procure/ subscribe to the extent of the defaulted amount.

UTI Securities Limited appointed as Co-Lead Manager to this issue by us in May 2006 has desired to withdraw from the issue as co-lead Manager and consequently as an underwriter in view of their pre-occupation with other issues and the same has been accepted by our company.

CAPITAL STRUCTURE OF THE COMPANY

The share Capital (before and after the issue) as on the date of this Prospectus with SEBI is set forth below:

	Particulars	Nominal Value (Rs.)	Aggregate Value (Rs.)
A	AUTHORISED * 2,00,00,000 Equity Shares of Rs.10/- each.	20,00,00,000	
B	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL 80,99,362 Equity Shares of Rs.10/- each.	8,09,93,620	8,09,93,620
C	PRESENT ISSUE IN TERMS OF THIS PROSPECTUS 90,00,000 Equity Shares of Rs.10/- each at a price of Rs. 30/- each	9,00,00,000	27,00,00,000
	OUT OF WHICH 15,00,000 Equity Shares of Rs. 10/- at a price of Rs. 30/- each towards promoter's participation in the Issue	1,50,00,000	4,50,00,000
D	OFFER THROUGH THIS PROSPECTUS 75,00,000 Equity Shares of Rs. 10/- each at a price of Rs. 30/- each	7,50,00,000	22,50,00,000
	OUT OF WHICH 7,50,000 Equity Shares of Rs. 10/- each at a price of Rs. 30/- each to be allotted compulsorily to QIBs on competitive basis	75,00,000	2,25,00,000
	7,50,000 Equity Shares of Rs.10/- at a price of Rs. 30/-each are reserved for allotment on competitive basis to NRIs and/or FIIs applying on repatriation basis	75,00,000	2,25,00,000
	3,75,000 Equity Shares of Rs.10/- at a price of Rs. 30/-each are reserved for allotment to permanent employees of the company on competitive basis.	37,50,000	1,12,50,000
E	NET OFFER TO PUBLIC 56,25,000 Equity Shares of Rs.10/- at a price of Rs. 30/- each	5,62,50,000	16,87,50,000
F	TOTAL PAID UP CAPITAL AFTER THE PRESENT ISSUE 1,70,99,362 Equity Shares of Rs.10 each fully paid at a price of Rs. 30/-	17,09,93,620	
G	SHARE PREMIUM ACCOUNT Before the Issue After the Issue	Nil	Nil 18,00,00,000

History of Changes made in the Authorised Share Capital

Date of change	Particulars of change	Change	Nature of Meeting	Total Authorised Share Capital
–	Incorporation	–	–	10 Lakhs
10/08/1994	Increase in Authorized Share Capital of the company to Rs. 25 Lakhs consisting of 250,000 Equity Shares of Rs. 10/- each	15 lakhs	EGM	25 Lakhs
15/07/1996	Increase in Authorized Share Capital of the company to Rs. 50 Lakhs consisting of 500,000 Equity Shares of Rs. 10/- each	25 lakhs	EGM	50 Lakhs
28/02/2000	Increase in Authorized Share Capital of the company to Rs. 100 Lakhs consisting of 1,000,000 Equity Shares of Rs. 10/- each	50 lakhs	EGM	100 Lakhs
04/08/2000	Increase in Authorized Share Capital of the company to Rs. 200 Lakhs consisting of 2,000,000 Equity Shares of Rs. 10/- each	100 Lakhs	EGM	200 Lakhs
09/07/2004	Increase in Authorized Share Capital of the company to Rs. 300 Lakhs consisting of 3,000,000 Equity Shares of Rs. 10/- each	100 Lakhs	EGM	300 Lakhs
29/12/2005	Increase in Authorized Share Capital of the company to Rs. 2000 Lakhs consisting of 20,000,000 Equity Shares of Rs. 10/- each	1700 Lakhs	EGM	2000 Lakhs



NOTES TO CAPITAL STRUCTURE

CONSENTS

Consents in writing of: (a) **our promoters viz. Mr. Sushil Gupta, Mr. Subhash Gupta, Mr. Chet Ram Gupta, Mr. Manish Gupta, Richa Clothing Pvt.Ltd. & CSB Capital Ltd., have been obtained for inclusion of their subscription of 15 lac equity shares in promoters contribution subject to lock-in** (b) our Directors, the Company Secretary, Compliance Officer, the Auditors, Bankers to the Company; and (c) Lead Manager to the Issue and Bankers to the Issue, Registrars to the Issue and Legal advisors to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Prospectus with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi, as required under Sections 60 of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of a copy of this Prospectus, for registration with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi.

M/s Tayal & Company, our Statutory Auditors, have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Prospectus and also tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of delivery of this Prospectus for registration with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi.

1. Share Capital History

Details of present Issue, subscribed and paid-up equity share capital of the Company are as follows:

Date of Allotment/ Fully paid up	No. of Shares	Cumulative no. of shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment of consideration	Nature of the Issue	Cumulative paid up Capital (Rs.)	% to the issued Capital
Incorporation	300	300	10	10	Cash	Subscription to the Memorandum	3000	Negligible
25.06.1994	1570	1870	10	10	Cash	Further issue of shares	18700	0.02
25.06.1994 (Note - a)	47500	49370	10	10	Consideration other than cash	Further issue of shares	493700	0.59
19.12.1994	58100	107470	10	10	Cash	Further issue of shares	1074700	0.72
19.12.1994 (Note - a)	14964	122434	10	10	Consideration other than cash	Further issue of shares	1224340	0.18
02.03.1998	234112	356546	10	10	Cash	Further issue of shares	3565460	2.89
01.06.2000	76837	433383	10	10	Cash	Further issue of shares	4333830	0.95
03.07.2000	114615	547998	10	10	Cash	Further issue of shares	5479980	1.42
20.09.2000	486031	1034029	10	10	Cash	Further issue of shares	10340290	6.00
30.12.2000	120000	1154029	10	10	Cash	Further issue of shares	11540290	1.48
26.04.2001	128912	1282941	10	10	Cash	Further issue of shares	12829410	1.59
07.05.2001	17059	1300000	10	10	Cash	Further issue of shares	13000000	0.21
30.08.2001	77941	1377941	10	10	Cash	Further issue of shares	13779410	0.96
10.10.2003	55740	1433681	10	10	Cash	Further issue of shares	14336810	0.69
10.12.2004 (Note - b)	755000	2188681	10	10	Consideration other than cash	Further issue of shares	21886810	9.32
30.12.2005 (Note - c)	2188681	4377362	10	10	Bonus shares	Allotment to existing shareholders	43773620	27.02
31.12.2005	3722000	8099362	10	10	Cash	Further issue of shares	80993620	45.95
Total	8099362	8099362						100.00

Note:

- We have issued 47,500 equity shares and 14,964 equity shares of Rs.10 each at par on June 25, 1994 and December 19, 1994 respectively, to the Promoters & Relatives in consideration of acquisition of business of erstwhile Partnership firm of M/s Usha Processing Mill belonging to the said allottees.
- We have issued 7,55,000 Equity shares of Rs.10/- each at par on December 10, 2004, to one of the promoting Company M/s Richa Clothing (P) Ltd. for details of this please refer to section titled "Our Promoters" beginning on page no. 73.

RICHA KNITS LIMITED

- c. We have issued 21,88,681 bonus shares out of Free Reserves of the Company to the existing shareholders in the ratio of one share for every one share held vide resolution dated December 30, 2005.

Statement showing shares issued for consideration other than cash:

Date of issue	Name of Allottees	Reason for issue	No. of share issued	Benefits accrued to the company
25.06.1994	All the partners of erstwhile firm M/s. Usha Processing Mill (1) Chet Ram Gupta (2) Subhash Gupta (3) Geeta Devi	To takeover the business of erstwhile firm M/s. Usha Processing Mill as a going concern w.e.f. 01.04.1994	47500	Expansion in the same line of product.
19.12.1994	All the partners of erstwhile firm M/s. Usha Processing Mill (1) Chet Ram Gupta (2) Subhash Gupta (3) Geeta Devi	To Takeover the business of erstwhile firm M/s Usha Processing Mill as a going concern w.e.f. 1.04.1994	14964	Expansion in the same line of product
10.12.2004	M/s. Richa Clothing Ltd.,	Part consideration for purchase of Land & Building against issue of shares vide Agreement dated 12.04.2004	755000	Additional infrastructure at Book value
30.12.2005	To all shareholders as on the record date	Bonus in the ratio of 1:1	2188681	NIL

2. Promoters' contribution and lock-in

a. 3 years lock-in

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-issue paid up Equity Share capital of our Company held by the promoters of the Company shall be locked in for a period of three years from the date of allotment in this Issue. The details of the promoters' Equity Shares locked-in for a period of three years are as follows:

Name of the Promoter	Date of allotment / acquisition and fully paid	Consideration (cash, bonus, kind etc.)	No. of Equity Shares	Face value of share	Issue / Acquisition Price	% of post-issue paid up capital	Lock-in period (In years)
Mr. Sushil Gupta	30.12.2005	Bonus	2,45,755	10	Nil	1.44	3
Mr. Sushil Gupta	13.05.2003	Cash	50,000	10	10	0.29	3
Sub- total			295755				
Mr. Subhash Gupta	30.12.2005	Bonus	1,57,500	10	Nil	0.92	3
Mr. Sandeep Gupta	30.12.2005	Bonus	3,65,484	10	Nil	2.14	3
Mr. Sandeep Gupta	13.05.2003	Cash	63,470	10	10	0.37	3
Sub-total			428954				
Mr. Manish Gupta	30.12.2005	Bonus	44,500	10	Nil	0.26	3
Mr. Chet Ram Gupta	30.12.2005	Bonus	2,38,164	10	Nil	1.39	3
M/s Richa Clothing Pvt. Ltd.	30.12.2005	Bonus	7,55,000	10	Nil	4.42	3
(*)Proposed to be subscribed during this Public Issue by the Promoters & Promoter Group			15,00,000	10		8.77	3
Total			3419873			20.00	



(*) Participation of the Promoters and Promoters Group in the Public Issue.

Name of the Participant	No. of Shares to be Allotted	Face Value	Issue Price	% of Post Issue	Lock in Period (in years)
Subhash Gupta	166667	10	30	0.97	3
Sandeep Gupta	350000	10	30	2.05	3
CSB Capital Ltd.,	983333	10	30	5.75	3
Total	15,00,000			8.77	

b. 1 Year lock-in

Name of the Promoter	Date of Allotment/ Acquisition	Date when made fully paid-up	Consideration (cash, bonus, kind etc.)	No. of Equity Shares	Face value	Issue/ Acquisition Price	% of post-issue paid up capital	Lock-in period (in years)
Subhash Gupta	06.05.2003	06.05.2003	Cash	8000	10	10	0.05%	1
	30.12.2000	30.12.2000	Cash	30000	10	10	0.18%	1
	20.09.2000	20.09.2000	Cash	62500	10	10	0.37%	1
	01.06.2000	01.06.2000	Cash	6000	10	10	0.04%	1
	31.03.2000	31.03.2000	Cash	25000	10	10	0.15%	1
	13.03.2000	13.03.2000	Gift	7500	10	Nil	0.04%	1
	02.03.1998	02.03.1998	Cash	18500	10	10	0.11%	1
Sub total				157500				
Sushil Gupta	31.12.2005	31.12.2005	Cash	10000	10	10	0.06%	1
	16.09.2005	16.09.2005	Cash	5000	10	10	0.03%	1
	13.05.2003	13.05.2003	Cash	25000	10	10	0.15%	1
	22.04.2003	22.04.2003	Gift	4035	10	Nil	0.02%	1
	22.04.2003	22.04.2003	Cash	2000	10	10	0.01%	1
	26.04.2001	26.04.2001	Cash	50000	10	10	0.29%	1
	20.09.2000	20.09.2000	Cash	52000	10	10	0.30%	1
	01.06.2000	01.06.2000	Cash	7000	10	10	0.04%	1
	31.03.2000	31.03.2000	Cash	7800	10	10	0.05%	1
	13.03.2000	13.03.2000	Gift	11000	10	Nil	0.06%	1
	19.12.1994	19.12.1994	Cash	5750	10	10	0.03%	1
	19.12.1994	19.12.1994	Cash	2000	10	10	0.01%	1
	25.06.1994	25.06.1994	Cash	22500	10	10	0.13%	1
25.06.1994	25.06.1994	Cash	1570	10	10	0.01%	1	
15.09.1993	15.09.1993	Cash	100	10	10	0.00%	1	
Sub-total				205755				
Sandeep Gupta	16.09.2005	16.09.2005	Cash	13400	10	10	0.08%	1
	13.05.2003	13.05.2003	Cash	1530	10	10	0.01%	1
	06.05.2003	06.05.2003	Cash	30000	10	10	0.18%	1
	25.04.2003	25.04.2003	Cash	7500	10	10	0.04%	1
	30.08.2001	30.08.2001	Cash	7941	10	10	0.05%	1
	07.05.2001	07.05.2001	Cash	17059	10	10	0.10%	1
	26.04.2001	26.04.2001	Cash	48912	10	10	0.29%	1
	20.09.2000	20.09.2000	Cash	55000	10	10	0.32%	1
	15.06.2000	15.06.2000	Gift	3000	10	Nil	0.02%	1
	01.06.2000	01.06.2000	Cash	35337	10	10	0.21%	1
	31.03.2000	31.03.2000	Cash	30835	10	10	0.18%	1

RICHA KNITS LIMITED

Name of the Promoter	Date of Allotment/ Acquisition	Date when made fully paid-up	Consideration (cash, bonus, kind etc.)	No. of Equity Shares	Face value	Issue/ Acquisition Price	% of post-issue paid up capital	Lock-in period (in years)
	13.03.2000	13.03.2000	Cash	40000	10	10	0.23%	1
	13.03.2000	13.03.2000	Gift	11500	10	Nil	0.07%	1
Sub-total				302014				
Chet Ram Gupta	25.04.2003	25.04.2003	Gift	3553	10	10	0.02%	1
	14.04.2003	14.04.2003	Gift	13317	10	Nil	0.08%	1
	26.04.2001	26.04.2001	Cash	23000	10	10	0.13%	1
	30.12.2000	30.12.2000	Cash	50000	10	10	0.29%	1
	20.09.2000	20.09.2000	Cash	79500	10	10	0.46%	1
	01.06.2000	01.06.2000	Cash	5000	10	10	0.03%	1
	31.03.2000	31.03.2000	Cash	9500	10	10	0.06%	1
	13.03.2000	13.03.2000	Gift	17520	10	Nil	0.10%	1
	02.03.1998	02.03.1998	Cash	11660	10	10	0.07%	1
	19.12.1994	19.12.1994	Cash	3414	10	10	0.02%	1
	19.12.1994	19.12.1994	Cash	1600	10	10	0.01%	1
	25.06.1994	25.06.1994	Cash	20000	10	10	0.12%	1
	15.09.1993	15.09.1993	Cash	100	10	10	0.00%	1
Sub-total				238164				
Manish Gupta	30.12.2000	30.12.2000	Cash	20000	10	10	0.12%	1
	01.06.2000	01.06.2000	Cash	20000	10	10	0.12%	1
	13.03.2000	13.03.2000	Gift	4500	10	Nil	0.03%	1
Sub-total				44500				
Richa Clothing Pvt. Ltd.,	10.12.2004	10.12.2004	Consideration other than cash	755000	10	10	4.42%	1
CSB Capital Limited	31.12.2005	31.12.2005	Cash	1250000	10	10	7.31%	1
Total				2952933				

- c. Other than the lock-in on the promoters' shares as stated above, the entire Pre-issue capital of our Company will be locked in for a period of one year from the date of allotment in this issue.
- d. In terms of clause 4.16.1 (b) of the SEBI Guidelines, locked in Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
- e. Further, in terms of clause 4.16.1 (a) of the SEBI Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
- f. In terms of clause 4.15 of the SEBI Guidelines, locked-in securities held by promoters may be pledged only with Banks or Financial Institutions as collateral security for loans granted by such Banks or Financial Institutions, provided the pledge of shares is one of the terms of sanction of loan.



3. Shareholding pattern of our Company prior and post this Issue:

Particulars	Pre Issue Capital		Post Issue Capital	
	No. of Equity Shares	%	No. of Equity Shares	%
Promoters				
Mr. Chet Ram Gupta	4,76,328	5.88	4,76,328	2.79
Mr. Sushil Gupta	5,01,510	6.19	5,01,510	2.93
Mr. Subhash Guta	3,15,000	3.89	4,81,667	2.82
Mr. Sandeep Gupta	7,30,968	9.03	10,80,968	6.32
Mr. Manish Gupta	89,000	1.10	89,000	0.52
M/s Richa Clothing (P) Ltd.	15,10,000	18.64	15,10,000	8.83
M/s CSB Capital Ltd.	12,50,000	15.43	22,33,333	13.06
Sub-Total (A)	48,72,806	60.16	63,72,806	37.27
Promoters Group & Associates				
M/s Richa Capital Pvt. Ltd.	23,90,000	29.51	23,90,000	13.98
Ms. Geeta Devi	2,75,570	3.40	2,75,570	1.61
Ms. Usha Gupta	2,46,418	3.04	2,46,418	1.44
Smt. Sewati Devi	58,978	0.73	58,978	0.34
Shri Mukesh Goyal	79,954	0.99	79,954	0.47
Chet Ram Gupta & Sons (HUF)	18,890	0.23	18,890	0.11
Ms. Shweta Gupta	84,746	1.05	84,746	0.50
Mr. Sunil Mangla	72,000	0.89	72,000	0.42
Sub-Total (B)	32,26,556	39.83	32,26,556	18.87
Total Promoter and Promoters group holding Sub-Total (C= A+B)	80,99,362	100	95,99,362	56.14
Public Issue	–	–	75,00,000	43.86
Total	80,99,362	100	170,99,362	100

A. The Pre-Issue & Post-Issue Shareholding Pattern of Promoters Group is as under:

Particulars	Pre-Issue		Post-Issue	
	No. of Shares @ Rs.10/- each	% Holding	No. of Shares @ Rs.10/- each	% Holding
a. Promoters	48,72,806	60.16	63,72,806	37.27
b. Immediate Relatives of the Promoters	8,17,666	10.09	8,17,666	4.78
c. Companies in which 10% or more of the share capital is held by the Promoters/an immediate relative of the Promoters / a firm or HUF in which the Promoters or any one or more of his immediate relatives is a member	23,90,000	29.51	23,90,000	13.98
d. Companies in which Company mentioned in (c) above holds 10% or more of the share capital	–	–	–	–
e. HUF or firm in which the aggregate share of the Promoters and his immediate relatives is equal to or more than 10% of the total	18,890	0.23	18,890	0.11
f. All persons whose shareholding is aggregated for the purpose of disclosing in the prospectus as "Shareholding of the Promoters Group".	–	–	–	–
Total	80,99,362	100.00	95,99,362	56.14

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B. The Pre-Issue and proposed Post-Issue shareholding pattern of our Company is as under:

Category	Pre-Issue		Post-Issue	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoters & Promoter Group	80,99,362	100	95,99,362	56.14
QIBs	–	–	7,50,000	4.39
Other Public Category	–	–	67,50,000	39.47
Total	80,99,362	100	1,70,99,362	100

4. Details of top ten Shareholders of the Company

a) The top ten shareholders as on the date of filing this Prospectus with SEBI

Sr. No.	Name of the Shareholder	No. of Equity Shares held	% of holding
1.	Richa Capital Pvt. Ltd.	23,90,000	29.51
2.	Richa Clothing (P) Ltd.	15,10,000	18.64
3.	CSB Capital Ltd.	12,50,000	15.43
4.	Sandeep Gupta	7,30,968	9.03
5.	Sushil Gupta	5,01,510	6.19
6.	Chet Ram Gupta	4,76,328	5.88
7.	Subhash Gupta	3,15,000	3.89
8.	Geeta Devi	2,75,570	3.40
9.	Usha Gupta	2,46,418	3.04
10.	Manish Gupta	89,000	1.10

b) The top ten shareholders 10 days prior to date of filing of this Prospectus with SEBI

Sr. No.	Name of the Shareholder	No. of Equity Shares held	% of holding
1.	Richa Capital Pvt. Ltd.	23,90,000	29.51
2.	Richa Clothing (P) Ltd.	15,10,000	18.64
3.	CSB Capital Ltd.	12,50,000	15.43
4.	Sandeep Gupta	7,30,968	9.03
5.	Sushil Gupta	5,01,510	6.19
6.	Chet Ram Gupta	4,76,328	5.88
7.	Subhash Gupta	3,15,000	3.89
8.	Geeta Devi	2,75,570	3.40
9.	Usha Gupta	2,46,418	3.04
10.	Manish Gupta	89,000	1.10

c) The top ten shareholders two years prior to date of filing of this Prospectus with ROC is as follows: (as on 25th August, 2004)

Sr. No.	Name of the Shareholder	No. of Equity Shares held	% of holding
1.	Mr. Sandeep Gupta	3,52,084	16.09
2.	Mr. Sushil Gupta	2,40,755	11.00
3.	Mr. Chet Ram Gupta	2,38,164	10.88
4.	Mr. Subhash Gupta	1,57,500	7.20
5.	Mrs. Geeta Devi	1,35,285	6.18
6.	Mrs. Usha Gupta	1,23,029	5.62
7.	Mr. Manish Gupta	44,500	2.03
8.	Mrs. Shweta Gupta	20,000	0.91
9.	Fashion House	20,000	0.91
10.	Mr. Mukesh Goyal	10,967	0.50



5. The Promoters / Promoter Group and Directors of our Company have not purchased or sold the Equity Shares of our Company during the period of six months preceding the date of filing this Prospectus with SEBI, other than those mentioned below:

Sr. No.	Date of transfer	Name of the transferor	Name of the Transferee	Sale/ purchase	No. of Shares	Face Value (In Rs.)	Consideration (Rs. In lacs)
1.	16.9.05	Shiv Kumar	Shweta Gupta	Purchase	2900	10/-	0.9
2.	16.9.05	Basant Singh	Shweta Gupta	Purchase	5500	10/-	0.55
3.	16.9.05	Anil Talwar	Shweta Gupta	Purchase	2426	10/-	0.24
4.	16.9.05	Vikram Singh	Shweta Gupta	Purchase	3000	10/-	0.30
5.	16.9.05	Shishir Kumar	Shweta Gupta	Purchase	2500	10/-	0.25
6.	16.9.05	Neelam Mittal	Shweta Gupta	Purchase	6047	10/-	0.60
7.	16.9.05	J.B. Gupta	Sewati Devi	Purchase	9500	10/-	0.95
8.	16.9.05	Shanti Devi	Sewati Devi	Purchase	2000	10/-	0.20
9.	16.9.05	Shanti Devi- Delhi	Sewati Devi	Purchase	4322	10/-	0.43
10.	16.9.05	Nippun Gupta	Sewati Devi	Purchase	3500	10/-	0.35
11.	16.9.05	Nisha Garg	Geeta Devi	Purchase	2500	10/-	0.25
12.	16.9.05	Subhash Chand Mittal	Sushil Gupta	Purchase	5000	10/-	0.50
13.	16.9.05	Fashion House	Mukesh Goyal	Purchase	20000	10/-	2.00
14.	16.9.05	Gupta Chemical industries	Mukesh Goyal	Purchase	5510	10/-	0.55
15.	16.9.05	Ram Prasad	Mukesh Goyal	Purchase	3500	10/-	0.35
16.	16.9.05	Deepak Gupta	Sandeep Gupta	Purchase	5000	10/-	0.50
17.	16.9.05	Vijendra Babu	Sandeep Gupta	Purchase	1800	10/-	0.18
18.	16.9.05	Raj Gupta	Sandeep Gupta	Purchase	1600	10/-	0.16
19.	16.9.05	Anil Kumar	Sandeep Gupta	Purchase	5000	10/-	0.50
	TOTAL				91,605		

6. Our Company has 15 registered shareholders as on the date of filing of this Prospectus with the SEBI.
7. There are no outstanding financial instruments or any other rights that would entitle the existing promoters or shareholders or any other person any option to receive equity shares after the Issue. We do not have any partly paid equity shares.
8. We have not raised any bridge loans against the proceeds of this Issue.
9. There is no "Buyback" or "Standby" or similar arrangement for the purchase of Equity Shares by the Company/ its Promoters/ Directors/Lead Manager for purchase of Equity Shares offered through this Prospectus.
10. This Issue is being made in terms of clause 2.2.2 (a) (ii) & (b) (i) of SEBI (DIP) Guidelines, 2000, as amended from time to time, wherein at least 10% of the Issue size i.e. 7,50,000 Equity Shares shall be allotted compulsorily to QIBs, failing which the full subscription monies shall be refunded.
11. Further, spill over from QIBs' category, shall, at the sole discretion of our Company in consultation with the Lead Manager, be allowed to meet under-subscription, if any, in categories for Non-Institutional Investors and Retail Individual Investors. Also, unsubscribed portion in either of Non-Institutional Investors or Retail Individual Investors category shall be added to the other category interchangeably.
12. Our Company has reserved 3,75,000 Equity Shares for allotment to Permanent Employees of our Company on a competitive basis, and 7,50,000 Equity Shares for allotment on competitive basis to NRIs and/or FIIs, applying on repatriation basis. Application by Employees of our Company can also be made in the "Net Issue to the Public" and such applications shall not be treated as multiple applications. Unsubscribed portion in any reserved category may be added to any other reserved category. The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the Net Issue to the Public.

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13. Allotment shall be on a proportionate basis rounded off to the nearest integer subject to minimum allotment being equal to minimum application size. In case of over-subscription the proportionate allotment will be subject to the reservation for retail individual investors as bellow:-
 - A minimum of 50% of the Net Issue to the Public will initially be made available for allotment to retail individual investors applying Equity Shares of or for a value of not more than Rs. 1,00,000/-.
 - The balance Net Issue to the Public shall be made available for allotment to applicants other than retail individual investors.
14. In case of under-subscription in the Net Issue to the Public portion, spillover to the extent of under-subscription shall be permitted from the reserved categories to Net Issue to the Public portion.
15. An over-subscription to the extent of 10% of the Net Issue to the Public can be retained for the purpose of rounding off to the nearest integer during finalizing the allotment, subject to minimum allotment being equal to 180 Equity Shares, which is the minimum application size in this issue. Consequently, the actual allotment may go up by a maximum of 10% of the Net Issue to the Public, as a result of which, the post Issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Shares held by the Promoters and subject to lock-in shall be suitably increased; so as to ensure that 20% of the Post Issue paid-up capital is locked in.
16. We undertake that there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed or all monies have been refunded to all investors on account of Non-listing or under subscription etc.
17. Our Company presently does not have any intention or proposal to alter its capital structure for a period of six months from date of opening of the Issue, by way of split/consolidation of the denomination of Equity shares or further issue of Equity shares (including issue of securities convertible into or exchangeable, directly or indirectly for our Equity Shares) whether preferential or otherwise that we may issue options to our employees pursuant to the ESOP or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund, such activity or use Equity Shares as currency for acquisition or participation in such joint venture.
18. Our Company undertakes that at any given time, there shall be only one denomination for the shares of our Company and our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
19. Our Company has not revalued its assets since inception.
20. An applicant in the net public category cannot make an application for a number of securities, which exceeds the net offer to the public.
21. In respect to the various agreements entered into by our Company with its lenders, we are bound by certain restrictive covenants regarding our capital structure. As per these restrictive covenants, our Company cannot, without the prior approval of the Banks/FIs prepay any outstanding loan amount, issue any debentures, raise loans, deposits from public, issue equity or preference capital, issue bonus shares, changes its capital structure or create any charge on its assets or give any guarantees. Also we shall not without the prior written approval of the Banks/FIs buy back, cancel, retire, reduce, redeem, purchase, repurchase, acquire any of its share capital, issue any further share capital. Further, our Company is also prohibited from creating any subsidiary or undertaking mergers, amalgamations and re-organizations with the creditors or shareholders, without the prior consent of its lending institutions. Also, our Company shall not without the prior permission of its lender, invest any part of the loan money advanced, by way of deposits, loans, share capital or otherwise in any concern. Our Company shall not declare or pay any dividend to its shareholders during any financial year unless it has paid all the pending dues. We shall not make any investments by way of deposits, loans, share capital, revalue its assets, carry out general trading other than sale of its own products, enter into a arrangement for sale of its products and purchase of raw materials without the prior written approval of the bank.
22. In case of reserved categories, a single applicant in the reserved category can make an application for a number of securities, which exceeds reservation.
23. The Company has not issued any Equity Shares out of revaluation reserves. The Company has issued bonus shares out of free reserves.
24. The Equity shares offered through this Issue will be made fully paid up on allotment.
25. Presently our Company does not have any Employee Stock Option Scheme and hence our Company has not granted any options or shares of the Company under any scheme of Employee Stock Options or Employee Stock Purchase to its Employees.



OBJECTS OF THE ISSUE

The objects of the present issue of Equity Shares are to part finance the following:

- (1) To set up a new unit for processing & dyeing with a capacity of 3960 Tons p.a, at village Tapukara, Alwar, Rajasthan;
- (2) To set up a new unit for Knitting with a capacity of 480 Tons p.a. at the existing location in Gurgaon, Haryana;
- (3) To enhance existing capacity for Garmenting by 18 lac pieces p.a. at existing Unit located at the new location in Gurgaon, Haryana;
- (4) To augment need based long-term working capital requirements of the Company.
- (5) To meet the Issue expenses; and
- (6) To get the Equity Shares of our Company listed on BSE.

The main Objects clause of the Memorandum of Association of our Company enable our Company to undertake the existing activities and the activities for which the funds are being raised through the present Issue.

APPRAISAL

The projects for which we intend to use our issue proceeds as mentioned in the Objects of the Issue have been appraised by Indian Overseas Bank, N.I.T. Faridabad Branch, Faridabad, Haryana vide their appraisal note dated February 27, 2006. Further, IOB, N.I.T. Faridabad Branch, Faridabad, Haryana vide its letter dated February 27, 2006 has given us its No Objection to incorporate the required details in this Prospectus from the Copy of the Appraisal Note prepared for the project.

REQUIREMENT OF FUNDS

The total estimated funds requirement is given below:

(Rs. in lacs)

Particulars	Amount
A. New Projects	
<ul style="list-style-type: none"> • Setting up of new projects <ol style="list-style-type: none"> (i) For processing & dyeing with a capacity of 3960 TPA., at village Tapukara, Alwar, Rajasthan (ii) For Knitting with a capacity of 480 TPA at existing factory located in IMT, Manesar, Gurgaon, Haryana; and (iii) For enhancing Garmenting capacity of 18 Lacs pieces p.a. at a new Unit at Gurgaon, Haryana 	5698.19
B. Margin money for working capital	373.46
C. Issue expenses	225.00
Total	6296.65

Scope and purpose of the appraisal

Our Company has appointed Indian Overseas Bank, N.I.T., Faridabad to appraise our project envisaging setting up of (i) A new unit for Dyeing and Processing with a capacity of 3960 TPA at Village Tapukara, Alwar, Rajasthan (ii) A new unit for Knitting with a capacity of 480 TPA at the existing location at IMT Manesar, Gurgaon, Haryana and (iii) Creation of additional Garmenting capacity by 18.00 lac pieces p.a. at a new unit in Gurgaon, Haryana.

The purpose of the Appraisal is to provide detailed information about our Company, cost of project and means of finance and to carry out a technical and financial assessment of the proposed expansion project and sanction a Term Loan of Rs. 3300 Lacs to part finance the Project of our company.

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COST OF THE PROJECT

The total cost of the project as appraised in the appraisal report of IOB is as under:

(Rs. in lacs)

Details of Projectwise break up of total Cost of Project				
	Dyeing & Processing Unit	Knitting	Garmenting	Total
Land	94.59		272.54	367.13
Building	495.72	163.2	484.5	1,143.42
Plant & Machinery	3,181.37	107.44	311.50	3,600.31
Contingencies	214.20	15.77	46.37	276.33
Miscellaneous Fixed assets	79.53	2.69	7.79	90.00
Pre-Operative Expenses	164.04	11.66	45.30	221.00
Public Issue Expenses	167.00	11.88	46.12	225.00
Margin for Working Capital	276.54	19.63	77.29	373.46
Total	4,672.99	332.26	1,291.41	6,296.66

MEANS OF FINANCE

The proposed means of the finance for the project, as appraised by the Appraising Bank, is as under:

(Rs. in lacs)

Particulars	Amount
Proceeds from the proposed Public Issue	2250.00
Promoters contribution	450.00
Reserve & surplus	296.65
Term Loans from Bank	3300.00
Total	6296.65

Term Loan From Bank

The company has received sanction letter dated April 4, 2006 from Indian Overseas Bank, NIT, Faridabad branch, sanctioning a Term loan of Rs. 3300 lacs and other facilities for the project.

"We hereby confirm that excluding the amount raised through the proposed Public issue, firm arrangement of finance through verifiable means towards 75% of the stated means of finance have been made."



DETAILS OF PROPOSED INSTALLED CAPACITIES

The existing installed capacity and the additional capacities proposed to be generated after this expansion and addition of machinery proposed for the expansion project as contained in the Bank' Appraisal Report are briefly described below:

	Existing		Existing capacity (Tons per annum/Lac Pieces per Annum)	Additional proposed		Additional Capacity (Tons per Annum/Lac pieces per Annum)	Total Capacity (Tons per Annum/Lac pieces per Annum)
	No.of circular knitting machines	No.of colour knitting machines		No.of circular knitting machines	No.of colour knitting machines		
Knitting							
IMT Manesar, Gurgaon (existing Units)	8	3	978				
IMT Manesar Gurgaon (proposed addition at existing location)				4	–	480	1458
Dyeing & Processing							
IMT Manesar and Faridabad (existing units)			4200				
Tapukara Alwar (proposed addition)						3960	8160
Fabrication / Garmenting							
Manesar, Gurgaon,							
	250 machines		9.00	500 machines		18.00	27.00
Annual installed Capacity for knitting and fabrication is worked out on average no.of working days as 300 and capacity for dyeing and processing has been worked out based on average 330 days per annum.							

PROJECT DETAILS

KNITTING PROJECT

Land

The Project is proposed to be set up at the existing location at IMT Manesar, Gurgaon, Haryana.

BUILDING

We propose to construct an additional building with covered area of 25,000 sq.ft. at existing factory site at IMT Manesar, Gurgaon at a total cost of Rs.163.20 lacs. This building will house the additional capacity of knitting as proposed in the object of the issue.

PLANT AND MACHINERY

The total cost of imported machinery is Rs 107.44 lacs details of which are given below:

(a): Imported Machineries:

S. No.	Particulars	Date of Quotation	Qty.	Supplier	Cost of Machinery (Rs. in Lacs)
A.	Knitting Line				
1.	Terrot Hi performance single Knit Circular Knitting Machine "S296-1" Diameter-30", Feeders-96, Gauge-28	09.12.2005	2.00	Terrot Strickmaschinen	54.78
2.	Terrot Hi performance single Knit Circular Knitting Machine "S296-1" Diameter-26", Feeders-84, Gauge-24	09.12.2005	2.00	Terrot Strickmaschinen	42.67
	Total Cost of proposed machinery				97.45
	Add : Customs Duty @ 5%				4.87
	Landed cost of imported Plant and Machinery				102.32
	Add : Expenses on Transportation, Freight, Loading, Unloading, etc.				5.13
	Total Cost of proposed Machinery				107.44

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(b): Indigenous Machineries:

No machines are to be purchased from local suppliers.

The cost estimates of plant & machinery are based on the quotations obtained placed by our Company with reputed and regular suppliers.

Note: The quotations relied upon for the entire Plant & Machinery for the Project are for new Machineries.

MISCELLANEOUS FIXED ASSETS

The miscellaneous fixed assets have been estimated at Rs. 2.69 lacs, including office equipment, furniture and fixtures, fire fighting equipment and factory vehicles.

PREOPERATIVE EXPENSES

An amount of Rs.11.66 lacs has been provided as Pre-operative expenses towards Loan processing fee, Fees for increase in Authorised capital, Start-up expenses, Securities & deposits, Interest during construction period

PROVISION FOR CONTINGENCY

Provision for contingencies has been made @ 5.83% of the building, plant & machinery cost to meet any escalations in the proposed cost.

PUBLIC ISSUE EXPENSES

Issue expenses for the knitting project are apportioned in the ratio of fixed assets for the project to total assets in all the proposed projects. Accordingly, Rs 11.88 lacs is apportioned to the knitting project.

SCHEDULE OF IMPLEMENTATION

Knitting			
Activity	Commencement Date	Completion Date	Progress as on 25.04.06
Land Acquisition			
Existing Location at IMT Manesar	Acquired	Acquired	Acquired
CLU / NOCs IEM etc permissions	15.1.2006	31.5. 2006	CLU is not required. We already have NOCs.
Layout Plan of Building & approvals	1.2. 2006	31.3. 2006	Approved
Construction of building issue	1.4. 2006	30.11. 2006	Will start after receipt of proceeds of the Public issue
Arrangement of Power	30.9. 2006	30.11. 2006	Company will apply after 30.09.2006
Order Placement for Machinery	1.4. 2006	31.5. 2006	Company has received quotations for the required Plant & Machineries and negotiations in respect of technical specifications with the Vendors have been commenced. Orders will be placed on availment of Term loan, which will be disbursed after completion of the Public issue.
Lead time for arrival of machineries	6 months		
Commissioning of Machineries	1.12. 2006	31.1.2007	Will start after 1.12.2006
Trial Run	1.2. 2007	31.3. 2007	Will start after 1.2.2007
Commercial Production	1.4. 2007		Will start after 1.4.2007

READYMADE GARMENTS LINE

LAND

Land at Gurgaon, Haryana : We propose to acquire a plot admeasuring 4050 Sq.Mtrs. at an estimated cost of Rs.6000/- per sq.mtr. From Haryana State Industrial Development Corporation (HSIDC) in Gurgaon, Haryana for manufacture of readymade garments for export. As appraised by IOB, the total cost of above land including stamp duty, registration and land development would work out to be Rs.272.54 lacs.



BUILDING

Cost of construction of Building and other infrastructure at Gurgaon, Haryana: We propose to construct a 'Modern building with all amenities and facilities' with a covered area of 65,000 sq.ft. with all International Standards of an Export House at Gurgaon, Haryana. In addition to the main Building which will house the new garment unit, we have made provision for roads, pavements, boundary wall, steel gate, water harvesting system, overhead and underground tanks etc. The total cost of building including other infrastructure and architect fee has been appraised to Rs.484.50 lacs.

PLANT AND MACHINERY

(a): Imported Machineries:

The total cost of imported machinery is Rs 293.58 lacs details of which are given below:

S. No.	Particulars	Date of Quotation	Qty.	Supplier	Cost of Machinery (Rs. in Lacs)
1.	Sunstar brand single needle lockstitch Machine complete set	03.12.2005	200.00	Sunstar Machinery Co. Limited, Korea	22.54
2.	Sunstar brand single needle lockstitch machine with thread needle positioner, thread wiper, quick back tack programmable complete set	03.12.2005	40.00	Sunstar Machinery Co. Limited, Korea	11.78
3.	Sunstar brand single needle lockstitch machine with edge trimmer complete set	03.12.2005	32.00	Sunstar Machinery Co. Limited, Korea	12.88
4.	Sunstar brand direct drive electronic button hole machine complete set	03.12.2005	4.00	Sunstar Machinery Co. Limited, Korea	7.36
5.	Sunstar brand electronic button stitch machine complete set	03.12.2005	4.00	Sunstar Machinery Co. Limited, Korea	6.63
6.	Sunstar brand electronic bar tack machine complete set	03.12.2005	4.00	Sunstar Machinery Co. Limited, Korea	4.60
7.	Sunstar brand two needle, needle feed lockstitch machine with split needle, complete set	03.12.2005	8.00	Sunstar Machinery Co. Limited, Korea	5.89
8.	Pegasus brand 4-thread overlock machine complete set with standard accessories	03.12.2005	128.00	Pegasus Sewing Machine Pte. Ltd. Singapore	41.80
9.	Pegasus brand 3-Needle flat lock machine complete set with standard accessories	03.12.2005	64.00	Pegasus Sewing Machine Pte. Ltd. Singapore	54.46
10.	Pegasus brand 3-Needle flat lock machine for button hemming with fabric trimmer complete set with standard accessories	03.12.2005	32.00	Pegasus Sewing Machine Pte. Ltd. Singapore	42.54
11.	KM brand straight knife cloth cutting machine complete set with standard accessories	03.12.2005	8.00	Magnum Resources (P) Limited	13.98
12.	KM brand band knife cutting machine	03.12.2005	2.00	Magnum Resources (P) Limited	4.32
13.	Computerised multithread embroidery machine	10.12.2005	4.00	O-Tak	32.00
14.	Computerised multithread embroidery machine for sampling	10.12.2005	1.00	O-Tak	5.50
	Total cost of proposed machinery				266.29
	Add : Customs Duty @ 5%				13.31
	Landed cost of imported plant and machinery				279.60
	Add : Expenses on transportation, freight, loading, unloading, etc.				13.98
	Total cost of proposed machinery				293.58

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(b): Indigenous Machineries:

S. No.	Particulars	Date of Quotation	Qty.	Supplier	Cost of Machinery (Rs. in Lacs)
	Readymade Garments Line				
1.	Thread Trimmer and Suction Unit Complete with standard accessories	13.12.2005	20.00	Cleantech Trading, New Delhi	8.94
2.	Blade Lubricating Oil, Spray	13.12.2005	200.00	Cleantech Trading, New Delhi	0.26
3.	100 KG. Diesel fired boiler with inbuilt stabilizer, Electronic Temperature Controller, Electronic Safety System, Fuel Indication System, Italian Burner, etc.	12.12.2005	2.00	Surbhi Garments Finishing Equipments, Bangalore	2.70
4.	Vacuum Ironing table size 130 X 80 CM with imported Silicone Foam Tray, Tube Light, Silicon Pad, Imported Steam Iron with Teflon Shoe, Silicone Hose, Solenoid Valve, without Buck, etc.	12.12.2005	20.00	Surbhi Garments Finishing Equipments, Bangalore	3.74
5.	Stain removing machine all SS 304 Grade complete stainless body with powerful vacuum on main Sleeve Buck, Foot Pedal Operation, with two cold air gun and one steam gun with air compress	12.12.2005	2.00	Surbhi Garments Finishing Equipments, Bangalore	1.41
	Cost of proposed plant and machinery				17.07
	Add : Expenses on transportation, freight, loading, unloading, etc.				0.85
	Total cost of machinery				17.92

Note: The quotations relied upon for the entire Plant & Machinery for the Project are for new Machineries.

The cost estimates of plant & machinery are based on the quotations obtained placed by our Company with reputed and regular suppliers

MISCELLANEOUS FIXED ASSETS

The miscellaneous fixed assets have been estimated at Rs. 7.79 lacs, including office equipment, furniture and fixtures, fire fighting equipment and factory vehicles.

PREOPERATIVE EXPENSES

An amount of Rs.45.30 lacs has been provided as Pre-operative expenses towards Loan processing fee, Fees for increase in Authorised capital, Start-up expenses, Securities & deposits, Interest during construction period

PROVISION FOR CONTINGENCY

Provision for contingencies has been made @ 5.83% of the building, plant & machinery cost to meet any escalations in the proposed cost.

PUBLIC ISSUE EXPENSES

Issue expenses for the Garmenting project are apportioned in the ratio of fixed assets for the project to total assets in all the proposed projects. Accordingly, Rs 46.12 lacs is apportioned to the garmenting project.



SCHEDULE OF IMPLEMENTATION

Garmenting			
Activity	Commencement Date	Completion Date	Progress as on 25.04.06
Land Acquisition			
Gurgaon, Haryana	16.12.2005	30.03.2006	Acquired
CLU / NOCs IEM etc permissions	15.01.2006	31.05.2006	CLU is not required.
Layout Plan of Building & approvals	01.02.2006	31.03.2006	Layout submitted to Architect for approval
Construction of building	01.04.2006	30.11.2006	Will start after receipt of proceeds of the Public issue
Arrangement of Power	30.09.2006	30.11.2006	Company will apply after 30.09.2006
Order Placement for Machinery	01.04.2006	31.05.2006	Company has received quotations for the required Plant & Machineries and negotiations in respect of technical specifications with the Vendors have been commenced. Orders will be placed on availment of Term loan, which will be disbursed after completion of the Public issue.
Lead time for arrival of machineries	6 months		
Commissioning of Machineries	01.12.2006	31.01.2007	Will start after 1.12.2006
Trial Run	01.02.2007	31.03.2007	Will start after 1.2.2007
Commercial Production	01.04.2007		Will start after 1.4.2007

DYEING AND PROCESSING

LAND

Land at Tapukara, Dist.Alwar, Rajasthan : We have purchased 34250 Sq.Mtrs (13.7 Bighas) of land at Village Tapukara, Distt.Alwar in Rajasthan, at a total cost of Rs.64.59 lacs for setting up the Dyeing and Processing Unit. We propose to incur additional Rs.30.00 Lacs for development and conversion of the above land into a non-agricultural land . The land being agricultural land, we are in the process of converting the same into non-agricultural land before commencing any industrial activity. As appraised by IOB, the total cost of above land including stamp duty, registration and land development would work out to be Rs.94.59 lacs.

BUILDING

Cost of construction of Building and other infrastructure at Tapukara, Dist.Alwar, Rajasthan : We propose to construct a RCC building of about 78,000 sq.ft covered area at Tapukara, Alwar, Rajasthan. Out of the total 78,000 constructed area, approximately 3000 sq.ft is proposed to be used for administrative purposes and the remaining 75,000 sq.ft for Plant & Machinery to house the new Dyeing & Processing Unit, we have made provision for roads, pavements, boundary wall, water harvesting system, overhead and underground tanks etc. The total cost of building including other infrastructure and architect fee has been appraised to Rs.495.72 lacs.

PLANT AND MACHINERY

(a): Imported Machineries:

The total cost of imported machinery is Rs 2848.15 lacs details of which are given below:

S. No.	Particulars	Date of Quotation	Qty.	Supplier	Cost of Machinery (Rs. in Lacs)
1.	Turntable and upside down automatic standard cutter with needle excision detection photocell for grey finished fabrics	10.12.2005	1.00	Blanco SPA, Italy	24.46

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S. No.	Particulars	Date of Quotation	Qty.	Supplier	Cost of Machinery (Rs. in Lacs)
2.	Finishing and shrinking line mod. Comptec - Re - 2500, for finishing of the open width knitted fabrics in rolls composed of motorized feeder, tenter equalizer, compacting machine, non stop rolling up device	02.12.2005	1.00	Ferraro SPA, Italy	229.13
3.	Continuous open width washing range for the treatment of knitted fabrics complete	27.09.2005	1.00	Eduard Kusters Maschinenfabrik GmbH & Co. KG	482.22
4.	Continuous open width bleaching range for the treatment of knitted fabrics	27.09.2005	1.00	Eduard Kusters Maschinenfabrik GmbH & Co. KG	774.46
5.	Two bowl padder type 222.11 with two kusters swimming rollers	27.09.2005	1.00	Eduard Kusters Maschinenfabrik GmbH & Co. KG	104.85
6.	"ILSUNG" brand, Sun Super S. Stenter Model ISSST-8TP, 8 Chamber, complete	14.12.2005	2.00	BTM Co., Limited, Korea	460.00
7.	"POONGKWANG" brand Knit Open Merceriser model PK-OM 2400	14.12.2005	1.00	BTM Co., Limited. Korea	345.00
8.	Raising and shearing machine	22.12.2005	2.00	Matex India Agency	163.24
Total cost of proposed machinery					2583.36
Add : Customs Duty @ 5%					129.17
Landed cost of imported plant and machinery					2712.53
Add : Expenses on transportation, freight, loading, unloading					135.62
Total cost of proposed machinery					2848.15

(b): Indigenous Machineries:

S. No.	Particulars	Date of Quotation	Qty.	Supplier	Cost of Machinery (Rs. in Lacs)
1.	Steam Boiler capacity 4 TPH Model Energy PAC, 4 pass FBC cum fixed grate with MS self supported chimney, ducting refractory, insulation, fuel storage & operating platform, structure, water tanks, electrical cabling erection, IBR approval, final painting, steam piping & header, water drain piping, DM/RO plant	15.12.2005	1.00	Cheema Boilers Limited, Delhi	56.25
2.	2.5 million KCAL.H Thermic Fluid Heater with UST collector and Air pre heater model TSFB 2500 - FBC vertical 4 pass, capacity 25 LAC KCAL/H	14.12.2005	1.00	Thermotech Systems Limited	29.64
3.	ETP 10,00,000 LTR, capacity		1.00		50.00
4.	Laboratory equipment		1.00		60.49
5.	Genset and Electrical installation		1.00		120.97
Cost of proposed plant and machinery					317.35
Add : Expenses on transportation, freight, loading, unloading etc.					15.87
Total cost of machinery					333.22

Note: The quotations relied upon for the entire Plant & Machinery for the Project are for new Machineries.

The cost estimates of plant & machinery are based on the quotations obtained placed by our Company with reputed and regular suppliers



MISCELLANEOUS FIXED ASSETS

The miscellaneous fixed assets have been estimated at Rs. 79.53 lacs, including office equipment, furniture and fixtures, fire fighting equipment and factory vehicles.

PREOPERATIVE EXPENSES

An amount of Rs.164.04 lacs has been provided as Pre-operative expenses towards Loan processing fee, Fees for increase in Authorised capital, Start-up expenses, Securities & deposits, Interest during construction period

PROVISION FOR CONTINGENCY

Provision for contingencies has been made @ 5.83% of the building, plant & machinery cost to meet any escalations in the proposed cost.

PUBLIC ISSUE EXPENSES

Issue expenses for the Dyeing & Processing project are apportioned in the ratio of fixed assets for the project to total assets in all the proposed projects. Accordingly, Rs 167.00 lacs is apportioned to the dyeing and processing project.

SCHEDULE OF IMPLEMENTATION

Dyeing & Processing			
Activity	Commencement Date	Completion Date	Progress as on 25.04.06
Land Acquisition			
Tapukara Alwar, Rajasthan.	Acquired	Acquired	Acquired
CLU / NOCs IEM etc permissions	15.1.2006	31.5. 2006	Application made to The Collector, Dist. Alwar, Rajasthan, on April 7, 2006 for obtaining CLU permission, which is expected to be complete in a month's time. Company has received SIA approval vide letter No.2280/SIA/IMO/2006 dated 28.4.2006.
Layout Plan of Building & approvals	1.2. 2006	31.3. 2006	Layout submitted to Architect for approval
Construction of building	1.4. 2006	30.11. 2006	Will start after receipt of proceeds of the Public issue
Arrangement of Power	30.9. 2006	30.11. 2006	Company will apply after 30.09.2006
Order Placement for Machinery	1.4. 2006	31.5. 2006	Company has received quotations for the required Plant & Machineries and negotiations in respect of technical specifications with the Vendors have been commenced. Orders will be placed on availment of Term loan, which will be disbursed after completion of the Public issue.
Lead time for arrival of machineries	6 months		
Commissioning of Machineries	1.12. 2006	31.1.2007	Will start after 1.12.2006
Trial Run	1.2. 2007	31.3. 2007	Will start after 1.2.2007
Commercial Production	1.4. 2007		Will start after 1.4.2007

Margin Money for Working Capital

The appraising bank has considered the following assumptions for assessing the working capital requirement of our company:

Particulars	Period of holding (in months)
Raw materials	1.34
Consumables & spares	-
Stock In Process	1.25
Finished goods	1.28
Debtors	1.90
Creditors	15 days

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Based on the above parameters, our bank has assessed the working capital requirement at Rs.1200 lacs for the existing operations for the FY 2006-07 and margin money of 373.46 lacs has been considered and provided in the project cost which is considered to be adequate for our company's requirements. The margin money for the full year of operation after expansion has been estimated at Rs.838.82 lacs. We propose to meet the incremental margin money requirements for the future years out of internal accruals.

The working capital limits of the company for the years 2005-06, 2006-07 and 2007-08 have been assessed at Rs.1000 lacs, Rs.1200 lacs and Rs.2500 lacs (for the enhanced capacity from the new project) respectively. The working capital margin is determined to be 373.46 lacs of the total assessed requirement which has been included in the cost of the project.

The margin amount for each project is determined as noted below.

Margin for Knitting	Rs	19.63
Margin for Dyeing and Processing	Rs	276.54
Margin for Garmenting	Rs	77.29
Total	Rs	373.46

Technical Feasibility of the Project as appraised by IOB.

Raw Material

Grey Yarn, Grey Fabric and Dyes and Chemicals, Accessories for readymade garments are the basic raw material required by our plants. We are in the same line of activity and enjoy good relations with raw material suppliers. The desired raw material is easily available throughout the year.

Power

We would require a total of additional 1150 KW load for all our expansion projects as detailed below:

1. Dyeing & Processing Plant at Alwar	- 750 KW
2. Knitting Plant at IMT Manesar	- 150 KW
3. New Garment Unit at Gurgaon	- 250 KW
Total	- 1150 KW

For our additional requirement for new projects, we will approach the respective State Electricity Boards to source our power requirement. Since the Units are proposed to be set up in the industrial belts we do not expect any difficulty in getting the required power load. Also adequate generator backup provisions have been proposed in the project.

Water

Water required for human consumption, sanitation and manufacturing process is adequately available through Municipal sources. We have proposed to install a borewell at both the sites.

Manpower

We propose to engage technically qualified and experienced staff. We have already engaged services of 483 persons and as appraised by the Appraising Bank we would need to employ additional 633 persons for our proposed new projects.

For details of our existing employees please refer to page no. 52 in this Prospectus under Our Business of the Company.

Pollution Control Measures

We propose to install an Effluent Treatment Plant at our unit at Tapukara, Alwar, Rajasthan engaged in processing and dyeing of fabric and garments also obtain No Objection/ Permission from Pollution Control Authorities.

Marketing

1. Dyeing
2. Garments (domestic and export)
3. Knitting

We are already in the business of Knitting, Dyeing & Processing, Sale of Knitted garments in the Export and retailing of garments in domestic market. Our exports have grown over the years and we have established our own brand 'AVO-CADO' in domestic market by opening exclusive retail outlets at prominent locations in different cities such as Crown Plaza Faridabad and Sahara Mall, Gurgaon. We are planning to open more retail outlets at different prominent locations / Malls in future.



The export of readymade garments is continuously increasing in India. There is great demand for readymade garments in countries like USA, Canada, Holland, France, Germany etc. We already have a very strong client base and thus do not envisage any problem in marketing our products.

MEANS OF FINANCE

The project is proposed to be funded by equity by way of the proposed public issue, term loan from bank and internal accruals. The proposed means of the finance for the project, as appraised by the Appraising Bank, is as under:

(Rs. in lacs)

Particulars	Amount
Proceeds from the proposed Public Issue	2250.00
Promoters contribution	450.00
Reserve & surplus	296.65
Term Loans from Bank	3300.00
Total	6296.65

The excess proceeds if any from the present issue would go towards reduction in the working capital borrowings for the proposed project and towards meeting additional issue expenses.

The shortfall in funds, if any, shall be met from internal accruals and/or raising the debt funds. We have sufficient internal accruals to meet the shortfall of funds, if any. As on March 31, 2006, we had Rs. 35.42 lacs in cash and cash equivalents on hand.

Term Loans from Bank

The company has received sanction letter dated April 4, 2006 from Indian Overseas Bank, NIT, Faridabad branch, sanctioning a Term loan of Rs. 3300 lacs and other facilities for the project.

Revision in the project cost

There has been no revision towards the cost of the projects and means of finance after the date of issue of appraisal report.

Gist of Recommendations as contained in IOB's Appraisal Note

IOB has recommended for sanction of the additional limits to the Company considering the following merits:

- The increase in sales/TNW and profits of the Company are excellent
- The conduct of the account is good.
- The promoter directors are committed and well experienced.
- Export sales are increasing.
- Successful implementation of expansion activity last year for which enhanced credit facilities were sanctioned.
- Good management and systems in the Company.
- Good standing and repayment track record.

SCHEDULE OF IMPLEMENTATION

The implementation schedule for our Projects is as under:

FUNDS DEPLOYED

We hereby certify to have already deployed funds to the extent of Rs. 147.45 lacs on the objects of this issue upto 18.06.2006 from our internal sources. The expenditure incurred has also been certified by our Statutory auditors M/s. Tayal & Co., Chartered Accountants vide their certificate dated 18.06.2006. The details of amount spent are as under:

The Project wise details of funds deployed:

(Rs. In lacs)

Towards	Knitting	Dyeing & Processing	Garmenting	Total
Land & Site Development	–	54.76	–	54.76
Public Issue Expenses				92.69
Grand Total				147.45

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DETAILS OF BALANCE FUND DEPLOYMENT

The details of year wise break up of the expenditure proposed to be incurred on the said project is as under:

(Rs. In lacs)

Particulars	Knitting		Dyeing & Processing		Garmenting		Amount		Grand Total
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	
Land	–	–	94.59		–	272.54	94.59	272.54	367.13
Building	–	163.20	–	495.72	–	484.50	–	1,143.42	1,143.42
Plant & Machinery	–	107.44	–	3,181.37	–	311.50	–	3,600.31	3,600.31
Contingencies	–	15.77	–	214.20	–	46.37	–	276.33	276.33
Miscellaneous Fixed assets	–	2.69	–	79.53	–	7.79	–	90.00	90.00
Pre-Operative Expenses	–	11.66	–	164.04	–	45.30	–	221.00	221.00
Public Issue Expenses	–	11.88	20.00	147.00	–	46.12	20.00	205.00	225.00
Margin for Working Capital	–	19.63	–	276.54	–	77.29	–	373.46	373.46
Total	–	332.26	114.59	4,558.40	–	1,291.41	114.59	6,182.06	6,296.65

INTERIM USE OF PROCEEDS

We propose to invest the proceeds of this issue in fixed deposits with Scheduled Commercial Bank until utilized for the stated objects of the issue

MONITORING OF UTILIZATION OF FUNDS

The audit committee of the Board of Directors will monitor the end use of funds. The Company has also appointed Indian Overseas Bank as the monitoring agency.

Appraising Bank's Disclaimer Clause:

"The appraisal note has been prepared based on the information furnished by the Company and Bank disclaims any and all responsibility on the accuracy, completeness and veracity of any and all such information as provided. Further the bank will not be responsible for the projections given in the appraisal note and any investment/equity participation made on the basis of our appraisal note."



BASIC TERMS OF THE ISSUE

The Equity Shares, now being offered, are subject to the terms and conditions of this Prospectus, the Application form, the Memorandum and Articles of Association of the Company, the guidelines for listing of securities issued by the Government of India and the guidelines issued by SEBI from time to time, the Depositories Act and the provisions of the Act.

In addition, the Equity Shares shall also be subject to such other conditions as may be incorporated in the Share Certificates, as per the guidelines, notifications and other regulations for the issue of capital and listing of securities laid down from time to time by the Government of India and/or other authorities and other documents that may be executed in respect of the Equity Shares.

BASIS FOR ISSUE PRICE

Investors should read the following summary along with the sections titled "Risk factors" and "Financial Statements" beginning on pages v and 86 respectively and other details about the Company and other Group companies included in this Prospectus.

Qualitative Factors

1. A profit making company since incorporation. Profit figures for the last five years as under:

(Rs.Lacs)

Year	Profit after Tax*
31.03.2002	59.12
31.03.2003	99.16
31.03.2004	108.53
31.03.2005	134.05
31.03.2006	413.03

* Note : Profit after Tax as stated above are based on Restated Profit & Loss statement given on page no. 89 of the Prospectus.

Professional Management

Our company is managed by a qualified management team headed by Mr. Sushil Gupta, (an M-Tech from IIT Delhi) with several years of relevant experience in the field. Other Directors of our company are also qualified and experienced.

- Mr. Sandeep Gupta - MBA with specialization in marketing and a holder of Certificate in Apparel Production Technology from Pearl Academy of Fashion, Delhi.
- Mr. Manish Gupta- B.Tech in Textile Chemistry from DKTE, Ichalkaranji, Maharashtra.
- Mr. Sunil Mangla- A Science Graduate Having more then 25 years of experience in processing of Knitted Fabrics and ready made garments. He has over 20 years experience of Dyeing & Processing of knitted fabric and is associated with the company as KMP from the last 5 years.
- Mrs. Shweta Gupta- Is an MBA from Pune University and wife of one of our Director Mr. Sandeep Gupta and look after the 'AVO-CADO' distribution and Public Relation Activities.
- Mr. Anish Puri-A Graduate from Delhi University and Qualified Fashion Designer from Indian Institute of Fashion Technology (IIFT) and Post Graduate Qualification from National Institute of Fashion Technology (NIFT). Mr. Puri is heading our Retail Division and having an experience of more then 15 years in the textile industry.

Continuous growth with improvement in technology

We have been continuously improving our deliverability by making consistent improvement in technology in all areas of our operations namely Dyeing & Processing, Knitting and Garment manufacturing. In our new project of Dyeing & Processing, proposed to be set up at Tapukara, Distt. Alwar, Rajasthan, we intend to use the Open width Processing of Knitted Fabrics using Cold Pad Batch (CPB) Dyeing Technology, which can help us in improving our cost of operations in the following ways:

- a) The quality produced on above machines will be much superior in comparison to batch dyeing.
- b) Water consumption is less than half of soft flow dyeing, resulting into savings of steam and effluent treatment.
- c) CPB dyeing does not require usage of salt in the dye bath and offers green solution to the processing industry.
- d) Manpower requirement is very less resulting into major savings in wages.



Strong Customer Relationships

Our Garments division is a regular supplier to its U.S.A and U.K. based buyers like K-mart (Dikkies & Joe Boxer), Redsand, E.W.M., Bay Trading U.K., Bella, Ethel Austin and Guess and for prestigious Van Heusan, Beneton Brands in India.

Name of the Buyers	Period of supply
A. Export	
K-Mart	Supplying since FY 2003-04 till date
E.W.M.	Supplying since FY 2003-04 till date
Bay Trading UK	Supplying since FY 2004-05 till date
Bella	Supplying since FY 2004-05 till date
Ether Austin	Supplying since FY 2004-05 till date
Guess	Supplied in FY 2005-06
B. Domestic Buyers	
Van Heusan	Supplied in FY 2004-05

Our strong design team has kept close relationships with these customers to understand their needs and create the apparel designs as per their quality requirements, follow stringent norms and guidelines prescribed by the customers to adhere to their quality standards.

Design Capabilities

Design is a critical element of garment manufacturing. Our ability to identify and stay abreast of evolving fashion trends, and design apparel that meets with our buyers'/customers requirements allows us to enhance our market shares with existing buyers and develop new customers. Our ability to add value to the designs and design thoughts that the customers bring to us help us develop stronger relationships with these customers and further strengthen our competitive position vis-à-vis our competitors. Company has in house design studio with the qualified designers from some of the reputed institutes of India such as NIFT, IIFT among others.

Timely Delivery

Garment manufacturing is highly labour intensive and requires managing complex supply chains of raw materials to be sourced globally. Large Orders require managing a large workforce, complex sourcing, production planning, and ensuring timely delivery to the customers. Over the years, the company has developed the expertise to manage large orders concurrently as well as to have a diversified product range which has helped the company to grow. Our company has been meeting all commitments of Timely delivery with acceptable quality standards.

Human Assets.

Our Company maintains a proactive human relation policies with our employees at all levels. There have been no instances of any kind of labour unrest / damages /stoppage of work / lock out / strikes in the history of the company.

QUANTITATIVE FACTORS

1.	Adjusted Earning per Share (EPS)	Amount (Rs.)	Weights
	(a) 2002-03	7.20	1
	(b) 2003-04	7.57	2
	(c) 2004-05	6.12	3
	(d) 2005-06	5.09	4
	(e) Weighted Average (EPS)	6.11	
	Note:		
	1. The earning per share has been computed on the basis of the restated profits and losses of the respective years.		
	2. The denominator considered for calculation of EPS for year ended 2005-06 is 80,99,362 equity shares.		

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2.	Price Earning Ratio (P/E) in relation to issue price of Rs.30/-		
	(a) Based on EPS as on March 31, 2006 of Rs. 5.09	5.89	
	(b) Industry P/E*		
	(i) Highest	50.6	
	(ii) Lowest	1.7	
	(iii) Average	12.81	
	(* Based on Capital Market, August 14 - August 27, 2006 Capital Market Volume XXI/12, Issue)		
3.	Return on Net Worth	%	Weights
	(a) 2002-03	30.07	1
	(b) 2003-04	22.73	2
	(c) 2004-05	15.55	3
	(d) 2005-06	24.30	4
	(e) Weighted Average	21.94	
	Note: RONW has been computed by dividing Net Profit after tax by Net Worth. The Weighted average Return on Net Worth for these fiscal years has been computed by giving weights of 1, 2, 3 and 4 for the fiscal years ending March 31, 2003, 2004, 2005 and 2006 respectively.		
4.	Minimum Return on increased Net Worth required to maintain pre-issue EPS of 5.09		
	For Issue at Rs.	30	
	Total Net Worth After Issue (Rs.Lacs)	3953.18	
	No.of Equity shares after the issue (in Lacs)	170.99	
	Profits required to get required EPS (Rs.in Lacs)	870.36	
	Minimum Required RONW for maintaining above EPS	22.02%	
5.	Net Asset Value (NAV) Per Share	Amount (Rs.)	
	(a) As on 31.03.2005	39.39	
	(b) As on 31.03.2006	20.98	
	(c) After the Issue	23.12	
	(d) Issue Price	30.00	

Comparison of Accounting ratios of the Company with industry average and accounting ratios of peer group for Financial Year 2005

Name of company	Period ended	NAV	RONW (%)	EPS	PE Ratio
Richa Knits Ltd.	March 2006	20.98	24.30	5.09	5.89
Industry :					
SPL Industries Ltd.	March 2006	57.00	15.30*	5.5	6.70
Alok industries Ltd.	March 2006	41.00	17.90*	6.8	8.90
Anjani Synthetics Ltd.	March 2006	24.80	20.30*	1.9	6.50
BSL Ltd.	March 2006	64.80	6.20*	2.4	12.00
Nahar Spinning Mills Ltd.	March 2006	353.70	2.00*	20.2	9.5
Gokaldas Exports Ltd.	March 2006	201.00	44.2*	35.9	16.5
Alps Industries Ltd.	March 2006	152.8	19.9*	16.2	5.5
Industry Average		80.57	17.97*	9.78	12.81

1. Book Value, EPS and RONW for our company are based on the restated audited statements by M/s Tayal & Company, Auditors of our company. For details please refer to the section titled 'Financial Statements' on page no. 86 of this Prospectus.
2. Information for the peer group has been taken from Capital Market Volume XXI/12, August 14 - August 27, 2006.
3. We have not made any issuance of equity shares after December 31, 2005.

***figures for y.e. March 31, 2005**



The equity shares are being issued at a price of Rs. 30/- per share. The face value of the Equity shares of our company is Rs 10/- per share. The Issue Price is 3 times of the face value.

The Equity shares are being issued at P/E multiple of 5.89 times on the basis of EPS of Rs. 5.09 (as on March 31, 2006). The highest P/E multiple in the Industry is 50.6 while the lowest is 1.7. The average Industry P/E stands at 12.81.

The pre issue Book value of the share as on March 31, 2006 is Rs. 20.98.

The minimum Return on Net worth required after the issue, to maintain pre issue EPS of Rs. 5.09 as March 31, 2006 is 22.02%. Our Company has generated a Return on Networth of. 24.30% for year ended March 31, 2006.

Taking into account the above qualitative and quantitative parameters, the Lead Manager believes that the issue price of Rs 30/- per equity share is justified.

STATEMENT OF TAX BENEFITS

The Company has been advised by M/s. Tayal & Co., Chartered Accountants, Statutory Auditors of the Company, vide their letter dated March 1, 2006 that under the current provisions of the Income Tax Act, 1961 and the existing laws for the time being in force, the following benefits, inter-alia, will be available to the Company and the Members. The statement of tax benefits certificate from the Tax Auditors of our Company is reproduced below:

We hereby certify that the enclosed Annexure states the possible Tax benefits available to the Richa Knits Limited (the Company) and its Shareholders under the current tax laws presently in force in India.

Several of these benefits are dependant on the company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions, which based on the business imperatives, the company may or may not choose to fulfill.

The contents of this annexure are based on information, explanation and representation obtained from the company and on the basis of our understanding of the business activities and operation of the company.

The benefits discussed in the annexure are not exhaustive. The statement is only intended to provide general information to the investors and hence is neither designed nor intended to substitute for professional tax advice and each investor is advised to consult his/her/its own Tax consultants with respect to the specific tax implications arising out of their participation in the issue.

For M/s. Tayal & Co.,
Chartered Accountants,

Sd/-

(R.A. Gupta)
Partner
Membership No. 80997

Date: 1.03.06



A. TO THE COMPANY

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

The Company is eligible under section 35D of the Act to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the Issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and the conditions specified under the said section.

B. TO THE RESIDENT MEMBERS OF THE COMPANY

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

1. Members will be entitled to exemption, under section 10(34) of the Act, in respect of the income by way of dividend received from the Company.
2. If the shares of the Company are sold by its members, after being held for more than 12 months, in a transaction entered into in a recognized stock exchange in India, the gain, if any, would be exempt from tax as per the provisions of Sections 10(38).
3. If the shares of the Company are sold by the members, after holding them for a period of less than 12 months, in a transaction entered into in a recognized stock exchange in India, the gain, if any, shall be chargeable to tax @10% [plus applicable surcharge and education cess] as per the provisions of Section 111A of the Act.
4. The long-term capital gains accruing to the members of the Company from the transfer of the shares of the Company, otherwise than as mentioned in point 2 above, shall be charged to tax after deducting the indexed cost of acquisition at 20% (plus applicable surcharge and education cess) or without the benefits of indexation @10% (plus applicable surcharge and education cess) as per the provisions of Section 112 of the Act. Long Term Capital Gains on sale of shares of the Company by the members shall be exempt from income tax if such gains are invested in bonds/equity shares specified in Section 54EC or Section 54ED of the Act respectively, subject to the fulfillment of the conditions specified in those sections. In the case of individual or HUF members, Long Term Capital Gains on sale of shares of the Company shall be exempt from Income tax u/s 54F of the Act subject to the fulfillment of the conditions specified therein.

Under Wealth Tax Act, 1957

Assets as defined under section 2 (ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

C. TO THE NON-RESIDENT INDIAN MEMBERS OF THE COMPANY

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

1. Members will be entitled to exemption, under section 10(34) of the Act, in respect of the income by way of dividend received from the Company.
2. If the shares of the Company are sold by its members, after being held for more than 12 months, in a transaction entered into in a recognized stock exchange in India, the gain, if any, would be exempt from tax as per the provisions of Section 10(38) of the Act.
3. If the shares of the Company are sold by the members, after holding them for a period of less than 12 months, in a transaction entered into in a recognized stock exchange in India, the gain, if any, shall be chargeable to tax @10% [plus applicable surcharge and education cess] as per the provisions of section 111A of the Act.
4. Under Section 115E of the Act where shares in the Company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares in a manner other than as specified in Section 10(38) of the Act held for a period exceeding 12 months shall be concessionaly taxed at the flat rate of 10% (plus applicable surcharge and education cess of 2% of tax) (without indexation benefit but with protection against foreign exchange fluctuation).
5. Under section 115F of the Act, long term capital gains arising to a Non-Resident Indian on transfer of shares of the Company in the manner other than as specified in 10(38) of the Act subscribed to in convertible foreign exchange shall be exempt from income tax, if net consideration is re-invested in specified asset within six months of the date of transfer. If only part of the consideration is so invested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax, if the specified assets are transferred or converted within three years from the date of their acquisition.
6. Under provision of section 115G of the Act, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
7. Under provision of section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of chapter XII-A for any Assessment Year by furnishing his Return of Income under section 139 of the Act declaring therein that the provisions of this chapter shall not apply to him for that Assessment Year whereupon his total income for that assessment year will be computed according to the other provisions of the Act and he would be eligible to get concessions applicable to a resident individual and would get be taxed accordingly.

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- Under the first provision to section 48 of the Act in case of a non resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales, consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency, which was utilized in the purchase of the shares.

However, the benefit will be available only when the shares are transferred in a manner other than as specified in Section 10(38) of the Act.

Under Wealth Tax Act, 1957

Assets as defined under section 2 (ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

D. TO FOREIGN INSTITUTIONAL INVESTORS (FIIs)

- Income by way of dividend received on shares of the Company is exempt u/s 10(34) of the Act.
- If the shares of the Company are sold by its members after being held for more than 12 months in a transaction entered into in a recognized stock exchange in India, the gain, if any, would be exempt from tax as per the provisions of Section 10(38) of the Act.
- If the shares of the Company are sold by the members, after holding them for a period of less than 12 months, in a transaction entered into in a recognized stock exchange in India, the gain, if any, shall be chargeable to tax @10% [plus applicable surcharge and education cess] as per the provisions of Section 111A of the Act.
- Under Section 115AD(1)(b)(ii) of the Act, Income by way of Short Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the Company for a period of less than 12 months will be taxable @30% (plus applicable surcharge and education cess).
- Under Section 115AD(1)(b)(iii) of the Act, Income by way of Long Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 1 above) held in the Company will be taxable @10% (plus applicable surcharge and education cess). It is to be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by Section 45 of the Act are not available to Foreign Institutional Investors.

E. TO VENTURE CAPITAL COMPANIES/FUNDS

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

F. TO MUTUAL FUNDS

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax.

Notes:

- All the above benefits are as per the current tax law as amended by the Finance Act, 2005.
- The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
- In respect of Non-Residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the Non-Resident has fiscal domicile.
- In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the Issue.

For M/s. Tayal & Co.,
Chartered Accountants,

Sd/-

(R.A. Gupta)
Partner
Membership No. 80997

Date: 1.03.06



SECTION IV: ABOUT THE COMPANY

INDUSTRY OVERVIEW

The textiles and garments industry is one of the largest and most prominent sectors of the Indian economy, in terms of output, foreign exchange earnings and employment generation. The textile industry provides employment to nearly 35 million people and is the second highest employer, next only to agriculture. It accounts for the one fifth of the country's total export earnings. Indian textile industry is multi-fibre based, using cotton, jute, wool, silk and man-made and synthetic fibres. In the spinning segment, India has an installed capacity of around 40 million spindles (23 per cent of world), 0.5 million rotors (6 per cent of world). In the weaving segment, India is equipped with 1.80 million shuttle looms (45 per cent of world), 0.02 million shuttle less looms (3 per cent of world) and 3.90 million handlooms (85 per cent of world).

(Source: EXIM Bank Working Paper Series No. 9: Textile Exports: Post MFA Scenario Opportunities and Challenges)

Trend in Indian Textiles exports

The Indian textile industry contributes significantly to the country's Gross Domestic Product, providing employment to millions and in earning precious foreign exchange. The industry contributed to 20% of the country's total exports in FY2004 and also accounted for 2.3% of the country Gross Domestic Product (at factor cost) in the same period. For the last five years, the industry has shown a compounded growth of 7.87%, however with the dismantling of the quota system the pace of export growth is expected to pick up.

Textile and Clothing Export Data

Period	Mar-00	Mar-01	Mar-02	Mar-03	Mar-04	CAGR
Total Exports	159,095	201,356	209,018	255,137	291,582	
Exports of Textiles and Readymade garment exports	42,562	51,555	48,677	56,221	57,626	7.87%
As a % of total exports	27%	26%	23%	22%	20%	
Textiles (excluding readymade garments) export of which:	21,913	26,114	24,799	28,684	29,649	7.85%
Cotton yarn fabrics made-up etc. export	13,388	15,810	14,655	16,217	15,276	
As a % of Textile Exports	61%	61%	59%	57%	52%	
Readymade garments export Of which:	20,648	25,441	23,878	27,537	27,977	7.89%
Readymade garments cotton incl. Accessories export	14,397	17,941	17,646	21,510	21,384	
As a % of Readymade garments exports	70%	71%	74%	78%	76%	

Data in Rs.Crore [Source: CMIE]

According to the New Textile Policy, 2000 announced by the government of India India's textile exports are expected to grow from the current levels to US \$50 billion by 2010, consequent to the removal of the quota system. Apparel exports are expected to be the key drivers of this growth and are expected to reach US \$25 billion by 2010.

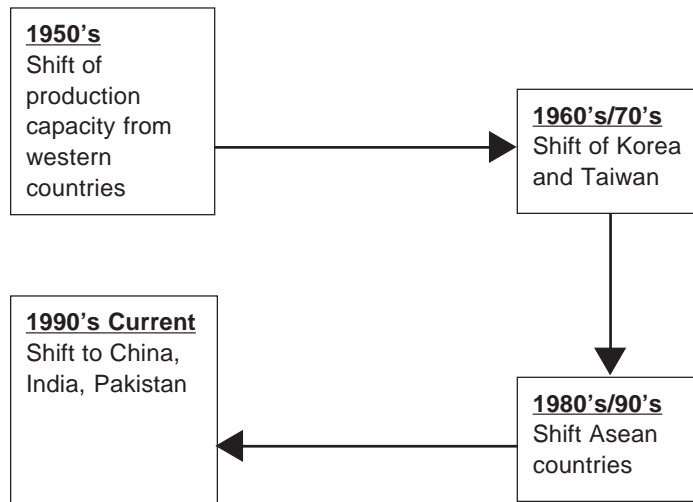
The Apparel Industry

The apparel sector is structurally a labour-intensive, low wage industry with some differences across its market segments. In the high quality fashion market, the industry is characterized by modern technology, relatively well-paid workers and designers and a high degree of flexibility. The competitive advantage of firms in this market segment is related to the ability to produce designs that capture the tastes and preferences, and even better - influence such tastes and preferences - in addition to cost effectiveness. The core functions of firms servicing this market segment are largely located in developed countries and often in limited geographical areas or clusters within these countries. However, this market segment has also seen a significant amount of relocation of production and outsourcing to lower-cost producers, often in geographical proximity to the major market.

The other major segment is mass production of lower-quality and/or standard products such as T- shirts uniforms, white underwear etc. Manufacturers for this market segment are largely found in developing countries, often in export processing zones and/or under so called outward processing agreements with major importers.

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The apparel industry's reliance on labour cost is also evident from the fact that apparel manufacturing, on a global scale, has shifted its base several times over the last 50 years and concentrated to such countries/location which offers most competitive labour cost structure as given below:



However, developing countries like China and India could not fully exploit the opportunity offered by their low cost structure, because of quotas/restrictions imposed by developed countries. With the removal of quota restrictions on January 1, 2005, the share of developing countries in worldwide apparel trade is expected to rise.

Reasons for the relocation of global apparel industry

Developing countries always have an edge over developed countries in apparel/garment making because of the following reasons:

- Labour cost as a percentage of total cost is high for the textile value chain, with apparel manufacture being the most labour intensive. This provides developing countries an edge over developed countries because of their lower labour costs. Findings of a comparative study of labour cost as a percentage of total cost among various segments of textile industry is given below:

Various segments of textile industry	Labour cost as per percentage of total cost
Spinning	30%
Weaving	39%
Knitting	35%
Apparel/Garment making	69%

[Source: CII-Accenture report 'Textile Industry : Road to Growth', November 2001]

- Additionally, clothing industry is not capital intensive. Traditionally, developing countries lag behind developed countries with respect to industrialization because of lack of capital, which is not the case with the clothing industry.

Globally, the apparel market can be segmented into two categories:

- **Basic segment:** this includes men's shirts, trousers, suits, coats and innerwear, women's skirts, trousers, tops and innerwear; and infant wear. It accounts for an estimated 70-75 per cent of world trade in garments. Demand Cost is the biggest factor in selecting a supplier. Efficient sourcing, large-scale operations, quality control and efficient supply chain management are required for successful manufacturing.
- **Value added segment:** it includes women's dresses, women's coats and jackets and accessories such as ties. It accounts for an estimated share of 25-30 per cent of world trade in garments. Consumer demand is relatively difficult to forecast and orders are usually placed in small lots according to seasonal sales trends. Short lead times, high quality and creative design are critical. An ability to suggest design changes, a skilled workforce, quick turnaround and low cost but high quality production are needed for successful manufacture of these garments.

[Source: CII-Mckinsey Report: Made in India - The next big manufacturing story.]



Indian Textile and Clothing Industry

The US\$36 billion (FY 2003-2004) Indian textile industry is well diversified, both from manufacturing and marketing perspective. It offers the entire gamut of products ranging from fibre to garments and cotton to synthetic. Around two-third (US\$ 23 billion) of the total textile and clothing production is consumed in the domestic market and remaining one-third (US\$ 13 billion) is merchandised to foreign consumers.

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

Removal of quotas in 2005 and its impact on Indian textile and clothing exports

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

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

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

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

Market shares before and after quota elimination, clothing, EU

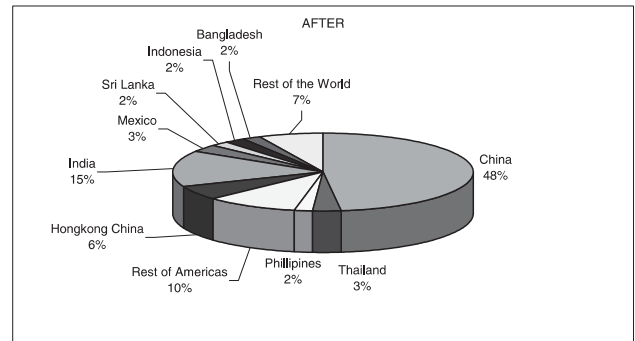
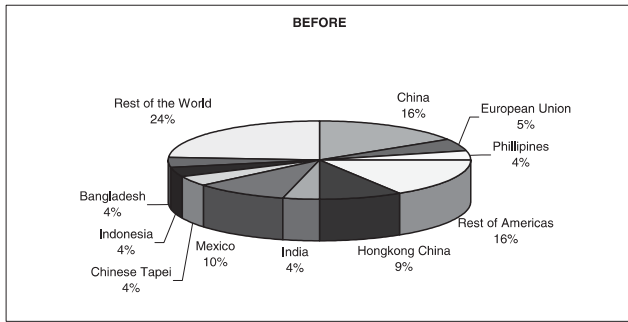


Source: Staff of the WTO Secretariat

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

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Market shares before and after quota elimination, clothing, USA



Source: Staff of the WTO Secretariat

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

India has the potential to become the second largest exporter among low cost countries (LCCs)

India has the potential to grow apparel exports from US\$ 6 billion in 2002 to US\$25-US\$30 billion by 2015 and emerge as the second largest apparel exporter among LCCs, with 8-10 per cent of world trade. This would require growing exports at 12-13 per cent a year, as against a historical average of 6 per cent. This goal may seem ambitious, but it is attainable. China's share of world trade today is already at 20 per cent and its apparel exports amount to US\$42 billion. Analysis indicate that China could grow its apparel exports still further and capture 40-50 per cent of world trade if rapid liberalization takes place. This would imply an aspiration of over 20 per cent annual growth for the Chinese apparel sector.

Indian apparel makers and foreign buyers have recognized India's competitiveness in the second category and started producing value-added garments and accessories such as women's tops and embroidered products. But they have been unable to leverage India's potential in basic segments such as men's shirts, and men's and women's trousers. Traditional buyers as well as Indian companies have persisted in seeing India as competitive in skill-intensive products, while China leads in large-scale basic garments.

[Source: CII-Mckinsey Report: Made in India - The next big manufacturing story.]

Strengths and weakness of the Indian Textile sector:

Strengths:

- Easy availability of raw material i.e. cotton man-made fibre, viscose fabric etc.
- World class spinning mills.
- Integrated operation.
- Availability of a strong base of skilled and cheap workforce.
- Huge domestic markets that can absorb export shocks.
- Desire of foreign buyer to not put all their eggs in one basket and use India as an alternative for China.
- Access to finance at subsidized rates and improving infrastructural amenities.
- Distinct ability to provide with ornate design work

**Weakness:**

- Fragmented industry.
- Small size companies lack economies of scale.
- Low investment in research and development.
- Poor supply chain causes wastage of resources and increases cost.
- Regressive government policies.
- Undue favour to small-scale enterprises discourages large investment plans.
- Outdated production solutions.
- Lack of proper network between the two ends of the textile value addition chain i.e. Fibre and Garments.
- Stringent labour laws.
- Absence of a common body to promote industry interest from one platform

[Source: Karvy Stock Broking, Industry]

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

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

Availability of Cotton, key Raw Material

Cotton is one of the major crops cultivated in India. It accounts for more than 75 % of the total fibre consumption in the spinning mills and more than 58 % of the total fibre consumption in the textile sector. The New Textile Policy - 2000 (NTxP- 2000) aims at improving the quality of cotton to that of international standards through the effective implementation of the Technology Mission on Cotton (TMC).. [Source: Ministry of Textiles Annual Report 2003-04]

Regular and timely availability of cotton, which is the basic raw material at competitive price will reduce the fluctuations in the price and will bring stability to plan and deliver goods on long term contract basis.

Key Government Initiatives to Promote growth of the Indian Textile Industry

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

- i) Announcement of New Textile Policy- setting improved targets for exports and de-reservation of woven & Knitwear from the preview of SSI
- ii) Technology Up-gradation Fund Scheme (TUFS) - to reduce the cost of funds and upgrade the manufacturing facilities in textile sector.
- (iii) Duty Exemption Pass Book (DEPB) Scheme - to make our exports competitive in international markets.
- (iv) Duty Drawback Scheme
- (v) New duty drawback rates of 2005-2006 , which are related to the current market conditions
- (vi) Human Resource Development - establishment of training Institutes such as NIFT, ATDC etc.
- (viii) Construction of Apparel International Mart
- (ix) Setting up of modern laboratories - to ensure that textile products meet the International standards.
- (x) Apparel Park for Exports Scheme - to give thrust to garment manufacturing for exports
- (ix) Textile Centers Infrastructure Development Scheme (TCIDS)

For details on these schemes please refer to section titled Regulations and Policies on page no. 58 of this Prospectus.

BUSINESS OF THE COMPANY

Details of the Business of the Issuer Company

Our company is presently engaged in knitting, dyeing and processing of knitted fabrics and manufacture of readymade garments. Our company provides end-to-end solution to buyers for their apparel procurement needs from yarn to fabric and in garment, from design to delivery. We are one of the multi-divisional textile unit and has the facilities for knitting of fabric, dyeing and processing of knitted fabrics and manufacture of garments. Our company has a qualified team of designers who designs and develops the products as per customer's requirement. We have a 'state of the art' laboratory facility for developing shades and we adopt stringent quality checks at each steps of manufacturing process. We propose to expand our capacities in all the 3 segments of our business to meet the growing demand.

The existing installed capacity of the units and capacity after completion of our proposed expansion project are as under:

Line of Activity	Existing capacity	Proposed Addition	Capacity after proposed expansion
Knitting	978 Tons p.a.	480 Tons p.a.	1458 Tons p.a.
Dyeing & Processing	4200 Tons p.a.	3960 Tons p.a.	8160 Tons p.a.
Garments	9.00 Lac pieces p.a.	18.00 Lac pieces p.a.	27.00 Lac pieces p.a.

The Company has created additional new capacities in Dyeing & Processing and Garmenting segments at different point of time during the FY 2005-06. In Dyeing & Processing segment, the company has added 1000 tpa to the existing capacity of 3200 tpa during the month of November 2005 taking the total installed capacity to 4200 tpa therefore available Installed Capacity on weighted average basis for F.Y. 2005-06 works out to 3600 tpa. Similarly in the Garmenting Segment, the company has added a capacity to manufacture 500000 pcs p.a. in December 2005 to the existing capacity of 400000 pcs p.a. taking the total installed capacity to 900000 pcs p.a. therefore available Installed Capacity on weighted average basis for F.Y. 2005-06 works out to 537000 pcs p.a.

Location of the Plants

Our Existing Plants are located at

- Fabric Dyeing & Processing Plant - Plot No. 5, sector-7, HSIDC-IMT Manesar, Gurgaon-121050(India)
- Fabric Knitting & Garment Manufacturing Plant - Plot No. 4, Sector-7, HSID-IMT Manesar Gurgaon - 121050 (India)
- Fabric Dyeing & Processing Plant- Plot No. I-16, DLF Industrial Area, Phase-1, Faridabad (India)
- Garment Manufacturing Plant for AVO-CADO Brand - Plot No. 75, Sector-7, IMT Manesar Gurgaon -121050 (India)

MACHINERY, TECHNOLOGY, PROCESS, ETC.

KNITTING DIVISION

Our company has a knitting facility equipped with Humidification plant having return air system. We manufacture a variety of knitted structures such as Single Jersey, Pique, Honey Comb, Ribs, Interlocks, Fleece, Mini Jacquards, Flat Back Ribs, Waffles, Collars and Cuffs, etc The capacity of the knitting is approx. 978 Tons per annum. We have 8 circular knitting machines and 3 collar & cuff machines. All the machines are equipped with latest gadgets like LMW, fabric scanners, needle detectors, Lycra feeders etc.

The various machineries used in our Knitting department with their capacities are as given below:

Type	Machine Type	No. of Machines	Lycra	Capacity per Day
Single Jersey	Terrot (Germany)	2	yes	900 kgs
Fleece cum Single Jersey	Terrot (Germany)	2	yes	900 kgs
Rib cum Eight Lock M/cs	Terrot (Germany)	3	yes	900 kgs
Interlock	Terrot (Germany)	1	yes	500 kgs
Collars & Cuffs	Kauo Heng	3	yes	60 kgs
Total				3260 kgs



Knitting Process

For fabric production, two types of machines are normally used i.e. circular knitting machine and flat knitting machine. The grey yarn, the main raw material is transformed into fabric via circular knitting. In knitting, yarn is interloped by latched and spring needles i.e. two different loops are mingled together with needle adjustment. We source quality grey yarn from spinning mills in India depending upon the requirement of our purchase orders. Knitting department receives orders from Production, Planning and Control Department (PPC) stating article or style number and quantity of fabric required. The knitting department makes the production planning for all knitting machines based on request from PPC and also calculates and orders required yarn from the yarn department. Planning is usually done for every week. After conversion of grey yarn into knitted fabric, the fabric is checked for any defects by experts in the department and sent to the dyeing and processing division for further processing. The output of this Division is used to meet in house requirement of Garment Export Division and AVO-CADO Retail division & Fabric sales to other garment manufactures. We are currently operating at an average capacity utilization of 89%.

DYEING & PROCESSING DIVISION

Our Company has good quality dyeing operations equipped with high quality Laboratory and R & D facilities having latest soft flow machines of 1000 kgs capacity from Fongs and other soft flow machines from Brazzoli, Finishing line from Farrero, Open width slitter from Bianco and stenter, relax from Harish. Our Dyeing Department is equipped with latest machines and trained manpower. The unit is capable of dyeing all types of fabric including cotton, polyester, poly-cotton blend, Lycra, viscose in tubular and open width form. This Division deals with the requirements of in-house Garment export division, AVO-CADO retail division, garment exporters in the region & other brands like Reebok, Nike, and Adidas etc. Total capacity of our Dyeing Unit at IMT Manesar is 3300 tons per annum and 900 Tons at DLF Industrial area, Faridabad. The machines used in our Dyeing Division at IMT Manesar Gurgaon & Faridabad with their capacities are as under:

Machine Make	No. of M/cs	Loading Capacity	No. of Batches per day	Capacity per day
Fongs - ECO-6	2	1000 kgs	2.5	5000 kgs
Brazzoli - Lux	1	600 kgs	2	1200 kgs
Brazzoli - Lux	2	400 kgs	2	1600 kgs
Krsna/Gopal - Soft flow	3	400 kgs	2.0	2400 kgs
Krsna/Sanghvi - Soft flow	4	300 kgs	2.0	2400 kgs
Krsna/Gopal - Soft flow	2	100 kgs	1.0	200 kgs
Sampling M/cs	4	2 kg to 50 kgs	2.0	--
Total	18			12,800 kgs

Dyeing Process

The dyeing process involves cotton dyeing, poly-cotton dyeing, polyester dyeing, Bleaching and washing of dyed yarn fabrics. For greige (not colored) fabric, department is responsible for coloration of fabric and for yarn dyed fabric, department is responsible for washing. The process of dyeing is time consuming as all the final parameters of the fabrics need to be controlled here and necessary approvals taken before dispatch. The department receives order from the PPC stating article and quantity required. The department makes the production plan for the dyeing and the washing machines based on order from the PPC and also sends request to greige store for issuing fabric for processing. Dyeing program is issued on daily basis.

The Research And Development Lab

Our Company has a state of the art in-house R & D laboratory for processing and Dyeing Division. The Company's success as a quality fabric processing house can be attributed to its R & D team for its strength and efforts. Over the years our Company has developed the art of continuous improvement and innovation through rigorous research and development. Our fully computerized R&D Lab has following equipments:

- Data Color dispenser for most accurate recipe along with computerized solution maker.
- Macbeth spectra light - III & Junior color matching cabinet
- Macbeth 7000A spectrophotometer with net profiler for accurate measurements and testing
- Ahiba (data color) lab dyeing machine
- All types of physical testing equipment
- Washing machine and Tumbler for testing Spirality & Shrinkage in the fabrics
- Wrap reel for exact measurement of yarn count.
- 2 kg soft flow machine.

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Our company's R & D team helps in maintaining various quality parameters such as fastness in washing, shade change, rubbing, and shrinkage control etc. Continuous improvements in R & D efforts have provided our company an edge in the industry. Our Company has developed in house ERP system (Vision-2006) for the growing needs of the company.

All the workings and reporting in these sections are fully computerized. Our company is well placed in taking online approvals from overseas or domestic buyers by sending test reports confirming to international standards of measurement. Our spectrophotometer is calibrated online with the help of net profiler.

Finishing Department

The department is responsible for finishing of the fabric with a proper procedure so that it meets the desired parameters for garment production. Any increase or decrease in fabric width or GSM (grams per sq. meter) results into higher fabric consumption or rejection of Fabrics. Whether the fabric is dyed or washed, it follows the same process in the finishing department. Once the fabric is washed or dyed, it needs to be hydro extracted on balloon padder, open width padder or hydro extractor depending on the nature of fabrics or requirement of garment. After which fabric is dried on relax drier, hot air stenter or tumblers. After drying fabric is steam pressed on compactors so as to have minimal residual shrinkage. Fabric is then inspected before dispatch for garmenting. Current capacities of the machineries used in our Finishing Department are as under:

Type	Make	Features	Capacity/day
Tubular Balloon padder	Ferraro (Germany)	Auto ballooning with wet compaction	12 Tons
Relax Dryer	Harish	Fabric drier - 3 chamber 3 pass	7 Tons
Tubular Compactor	Ferraro (Germany) & Longia	Felt compactor with pre-steaming and precision folding machine. Less than 5% residual shrinkage.	14 Tons
Wet fabric slitter cum padder	Bianco (Italy)	Can slit the fabric in dry as well as wet condition on slit line. Automatically detects and slits on slit line.	10 Tons
Hot Air Stenter	Harish	Fully automatic equipped with PLC, Moisture control, edge gumming & cutting. 5-chambers	5 Tons
Tubular Heat Setting	Longia	Heat setting m/c for tubular fabrics	2.5 Tons
Inspection cum rolling machine		Open width inspection and batching for Rolling	5 Tons

GARMENT EXPORT DIVISION

Occupying a covered area of 30,000 sq. ft, our Garmenting Unit for Exports is located at our main factory premises at IMT Manesar, Gurgaon, Haryana. This Unit is equipped with cutting, stitching, dry-cleaning, washing, finishing & packing facilities using latest machinery and work flow systems. Complete unit is centrally air cooled to give a dust free environment and better working conditions. The production capacity of this Unit is 9,00,000 pieces p.a., which is currently working at 88% capacity.

Following machines are being used in the Unit for garment manufacturing activities.

Type of machine	Make	No.of machines
Single needle machines	Brother / Juki	170
Overlock machines	Pegasus	50
Flat Lock machine	Pegasus / Kansai	30
Total		250

Apart from the above machineries, the Unit is also equipped with a number of other specialized machines such as Button & button hole machines, thread trimming machines, elastic attachment, zigzag, bartech, 4-needle flat lock, Ofusing machine, thread suction machines etc.

The following departments assist our Garmenting Unit:

Cutting Department

The department is responsible for cutting of the fabric into different parts of the garment. This department is mainly responsible for cutting and avoiding wastage. The PPC issues article average with a draft or diagram of how different patterns should be placed on to the layer. The cutting department based on their experience and expertise either accepts the proposed average or sometimes gives a better average by few percent. The department makes production plan on weekly basis for all cutting stations based on article or style requested. Once fabric is cut different parts of the same garment are bundled together and sent for stitching.



Stitching department

The department is responsible for stitching different parts of garment together. The process takes place in the assembly line system. The assembly line system is the set of many different stitching machines each for a specific purpose. These machines are arranged in an orderly fashion depending on how different parts of garment should be attached. Assembly line method is used for large production. PPC decides on the article or style to be produced with quantity. The stitching department makes necessary production planning i.e. time line in accordance with each article. The stitching process is the most time consuming and labour intensive process in the entire garment production. The planning is done weekly.

Computerized Embroidery

Our company has three computerized embroidery machines of which one is a sampling computerized machine. These machines are used for better designing capability and increased variety of value added products in garments. The following machineries are currently working in our embroidery section:

Machine	Make	Capacity
2 Computerized Embroidery	Rich piece	24 heads
1 Sampling Computerized Embroidery		04 Heads

Quality Control

To ensure minimum rejection and highest level of quality the garment manufacturing has to pass through number of quality checks such as:

- 100% fabric inspection before cutting. Fabric is checked for shade, color fastness, shrinkage, spirality, gsm etc.
- On line inspection and quality control at assembly line.
- Initial checking of garments before transfer to finishing department.
- Final checking of garments before packing
- AQL inspection by independent in-house quality control team.

Finishing & Packing Department

This is final stage before the garment is ready to be shipped. The garment goes through the quality checks before steam pressed. After ironing garment goes for final thread trimming and final checking before labeled, packed into garment bags and finally, put into the cartons. Once all cartons are packed and labeled, external inspection takes place on AQL levels and goods are ready to be shipped.

AVO -CADO RETAIL DIVISION

AVO-CADO : Colour of Fashions

Our company plans to be an active and recognized player in the field of readymade garments in the domestic market. With the increase in per capita income, standard of living of Indians the demand for branded goods is increasing every day. This can be seen from the fact that organized retails had increased to Rs. 32,000 crores in 2005 from Rs. 5,000 crores in 1999 (Source: Images year book Vol. 1 No11). Our company with a clear vision had launched its brand 'AVO-CADO' in the domestic market in June 2005. To start with the Company has focused in Northern India and after stabilizing our operations we plan to target the rest of India.

We manufacture T-shirts, Capris, Cargo, Sweaters, Sweat-shirts, Jackets and fashion wear for women & men for the age group of 16 years and above under AVO-CADO brand.

Our company vision for AVO-CADO is :

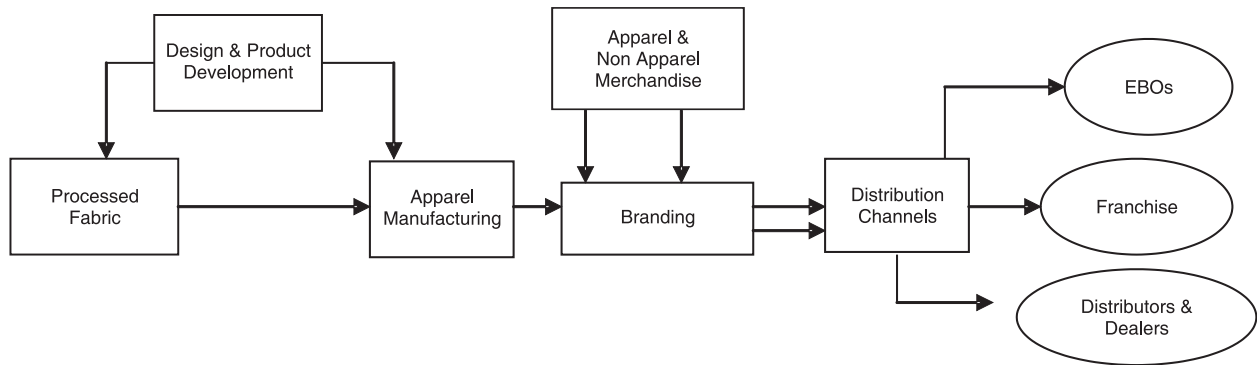
"To make and market the most trusted Indian Apparel brand in the textile industry".

Unique Selling Proposition (USP) of the Company is:

"To provide its customers with best of quality, colors and innovative product at the most affordable prices without compromising on the quality, yarn and finishing."

RICHA KNITS LIMITED

Business Process Flow Chart for our Brand 'AVO-CADO' garments



Marketing Strategy

We follow two pronged strategy for marketing products under AVO-CADO brand namely:

- a) Exclusive Business Outlet (EBO's)
 - b) Distributor / C&F and Dealer network
1. The company's strategy to establish EBO's is based on the philosophy/objective of providing place for exclusive shopping/ buying to perspective customers where an exhaustive range of products is displayed and updated on regular intervals. This enables the company to have dedicated buyers and a prompt and correct feed back is received which helps company in building a brand loyalty in a selective manner. We identify locations based on prominence of place in a city and exclusive malls/buying locations of upper middle class population. We either own or take on long term lease or set up on franchise basis EBO's in different locations. Currently we have three operational EBO's one each at Faridabad, Gurgaon & Jaipur. We are in process of setting up additional two EBO's in Delhi and negotiations for few more are on advanced stage. Following are the details of our existing and proposed EBO's:

S. No.	City	Location	Operating mode	Area (sq. ft.)	Status
1	Faridabad	Crown Plaza mall	Lease	816	Operational
2	Jaipur	MI Road	Franchisee	330	Operational
3	Gurgaon	Sahara Mall	Owned	1073	Operational
4	New Delhi	Unitech Rohini	Lease	708	Expected to start by October, 06
5	New Delhi	Cross River Mall, Lakshmi Nagar	Lease	450	Expected to start by October, 06

2. To distribute and make our apparels available to customers in locations where we don't have EBO's we have appointed C&F agents/distributors who are catering to over 100 dealers in six states of northern India namely Uttar Pradesh, Punjab, Himachal Pradesh, Chandigarh, Jammu & Kashmir, Rajasthan. Currently we have one C&F agent and five distributors to cover northern India.

The marketing department for AVO-CADO is employing over ten sales personnel to service our EBO's and distribution setup of agents and distributors.

AVO-CADO is supported by fully equipped in house design studio having several experienced designers.

We are in process of setting up a separate manufacturing unit to cater exclusively to the needs of AVO-CADO at Plot No. 75, Sector 7 , IMT Manesar, Gurgaon, 50 meters away from the our existing main unit. The above unit is taken on long term lease. The above unit will be equipped with latest cutting, stitching, finishing, washing & packing etc. and will house a latest design studio. The requirement of AVO-CADO is currently being met through the existing lines of manufacturing at IMT Manesar. To cater to the growing need of AVO-CADO the above unit will be operational shortly. The entire expenses for this unit are proposed to be funded from internal accruals of our company.

AVO-CADO - The brand

The AVO-CADO brand is the trademark of our company for which we have made the necessary application for getting the same registered. The other brands submitted for registration are RICHA and WAFFLE.



We have incurred an expenditure of Rs.65.88 Lacs upto 31.03.2006 for launching & promoting our brand 'AVO-CADO' in the domestic market and have undertaken the following activities in past:

Promotional activities for AVO-CADO in the year 05-06

- A detailed survey was conducted by an independent agency namely M/s Planman Consultant, New Delhi for accessing the demand, demography, positioning and planning of launch and development of a brand.
- A well-organized launch was undertaken by the company in Hotel Taj Ambassador, Delhi for three days in June 05.
- Full page advertisements were released in Trade related magazines such as 'Images' 'Business of Fashion' and in the Prominent News Papers of North India. The launch bookings and exhibitions for Fall Winter 05 were held in Chandigarh, Jaipur, Meerut and Lucknow in renowned hotels to get bookings and orders.
- Hoardings & Follow on newspaper advertisements are released to reinforce the brand in the minds of consumers.
- Attractive schemes, Point of purchase displays & other promotional efforts are put on regular basis to build the brand & improved the sales.

Collaborations

Our Company has not entered into any foreign collaboration for technical know-how and we are using indigenous technology for all our manufacturing units.

INFRASTRUCTURE FACILITIES FOR RAW MATERIALS AND UTILITIES LIKE WATER, ELECTRICITY, ETC.

Raw material

The basic raw materials required for manufacturing knitted fabrics & readymade garments are greige yarn, lycra, dyes and chemicals and accessories. Since the company has a vertically integrated plant, the knitted fabric is used in manufacture of garments. Our company procures greige yarn from various reputed yarn manufacturers like:

- Vardhaman Spinning & Weaving Mills Ltd.,
- Nahar Spinning and Weaving Mills Ltd.,
- Sutlej Industries Ltd; and
- Rajasthan Spinning and Weaving Mills Ltd. etc..

These suppliers have been supplying raw material to our Company for last four to five years and we do not foresee any problem in procuring raw materials from the above mentioned or other reputed raw material suppliers.

Dyes and Chemicals

Dyes and Chemicals are used in the processing of the grey fabric. These are procured from internationally reputed dyes and chemicals manufacturers' viz. Ciba, Clariant, CHT, Dystar, etc.

Accessories:

Our company imports as well as buys from the local markets accessories like buttons, tags, labels, zippers, price tickets, inter lining etc. These accessories are abundantly available in the market.

Power

Our company has a total sanctioned load of 68.9 KW at Faridabad and 600 KW for the Gurgaon units. The above sanctioned load is sufficient for the smooth functioning of our units. We receive Power from main grid of DHBVN (Dakshin Haryana Bijli Vitran Nigam) Limited. Our company has also installed 2 power generating sets of total capacity of 720 KVA at Manesar and 1 DG set of capacity of 140 KVA at Faridabad unit as standby arrangement. The arrangement for power is adequate to meet the current requirement as a back up in case of any interruption in the supply.

For our expansion project 150 KW load for its Manesar plant and 750 KW for its Tapukara plant and 250 KW power load for the Gurgaon plant is required. Thus a total of 1750 KW (including existing) power load will be required for our operations at these plants, on completion. We would be applying for the additional requirement as detailed above of power to the State Electricity Boards and we do not anticipate any difficulty in obtaining the required amount of power for our operations. We have also made adequate provisions for generator back-up to ensure uninterrupted supply of power for operations.

RICHA KNITS LIMITED

Water

Our manufacturing units requires 8,00,000 ltrs of water per day for manufacturing process, as well as for human consumption and sanitation purposes. Currently we are drawing the required quantity of water from HSIDC and ground water at Faridabad. We have the necessary sanctions in place.

Fuel

Our company requires fuel viz. coal for coal-fired Boiler for generating steam & Diesel for Diesel Generating sets which is being used as standby arrangement in our company. Our Fuel requirement is met by sourcing the same from the fuel suppliers situated in the close vicinity of our company.

Pollution Control Measures

Our company has installed effluent treatment plants at our both existing units to effectively handle effluents generated during the manufacturing process. Further, we have obtained all required NOC's and Consents from the Pollution Control Board Haryana for our existing units. We are also a member of Haryana Environmental Management Society responsible for disposal of hazardous waste.

As per the arrangement evolved by HSIDC (Haryana state Industrial Development Corporation) for disposal of effluents in the industrial belt of IMT Manesar, Gurgaon, the industrial units located at IMT Manesar are expected initially to treat the effluents generated by the Units in their own ETPs and discharge below 150 Bio- Chemical Oxygen Demand (BOD). Common Effluent Treatment Plant is maintained by HSIDC at IMT Manesar which further treats the effluent of all the industrial area and supplies that discharge for agriculture use.

Manpower requirement details

The Company has total staff strength of 483 employees at both the units at Manesar and Fairdabad. Our Company proposes to recruit additional 633 Employees for its proposed enhanced operations break-up of the same is given below:

Staff:	Faridabad unit	IMT Units	Proposed
Executives	8	20	12
Officers/ staff	7	60	53
Workers:			
Skilled	25	245	345
Unskilled	20	98	223
Total	60	423	633

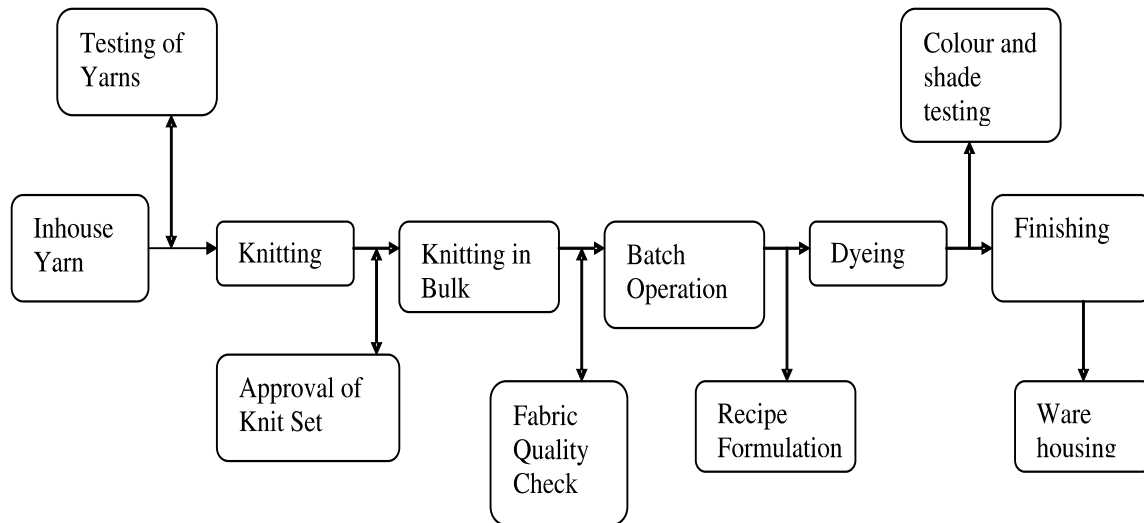
Products of our Company:

Knitted Fabrics and garments like single jersey, double jersey, rib, interlock fabric, poly-cotton fabrics, viscose lycra, collars & cuffs, waffle, fleece fabrics, Flat back ribs etc. In garments we manufacture men & women T-shirts, sweat shirts, pullovers, track suits, shorts Capri, cargo, jacket.

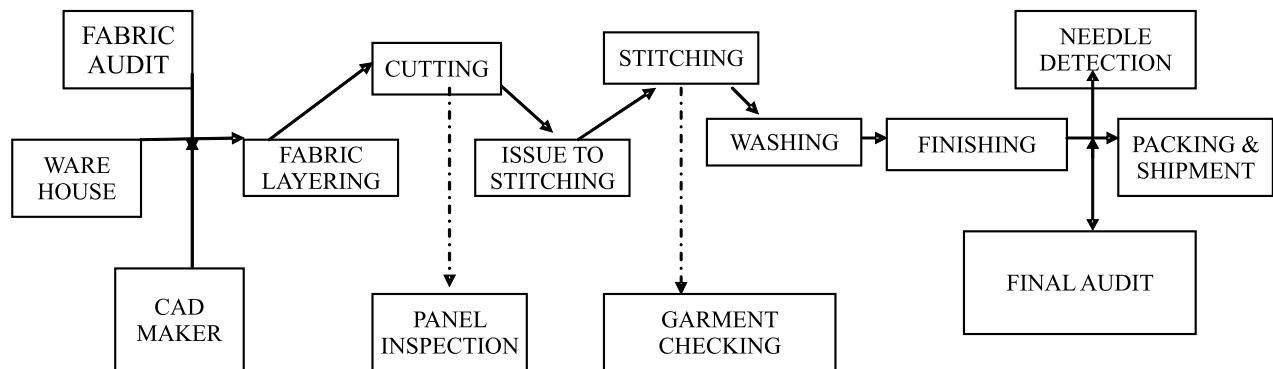


Manufacturing process and production flow Chart

Fabric Process Flow Chart



Manufacturing flow-chart of Garments



Business strategy

Our Company's vision is to become an integrated, reliable, quality supplier of readymade garment in the international market from India by providing total solution to cater to the needs of readymade garments segment under one roof. The removal of quotas has offered significant opportunities of growth for the Indian Garment Manufacturing Industry. Our company therefore, does not have a limit on export quantities. Removal of quotas has also opened up new competition within India and from other countries which were restrained by similar quota restriction.

In order to take advantage of the growing market, we have planned to expand our business activity in all the segments in which we operate viz. knitting, dyeing & processing and garmenting.

We have envisaged the following strategy for our future growth:

Expansion of the existing facilities

Our company proposes to expand capacities of knitting by 480 Tons p.a. (existing - 978 Tons p.a.) , Fabric Dyeing and Processing by 3960 Tons p.a. (existing 4200 Tons p.a.) and Garmenting by 18.00 lac pcs p.a. (existing 9.00 Lac pieces p.a.) to meet the increased demand in the international and domestic market consequent to removal of quota regime.

Increased sale of our products in the domestic market

Our company intends to extend existing range of products to include a wide range of garments under our Trade Mark registered brand 'Avo-cado'. We have planned to open 10-15 EBOs in the next 9-12 months in various cities through which our range of products will be sold to the customers. We have arrangements with retail dealers on franchise basis for marketing our AVO-CADO garments.

RICHA KNITS LIMITED

Enhancing our customer base in Export Markets:

We intend to continue to grow our business by adding new customers in existing and other countries. We aim to achieve this by effectively leveraging our marketing skills and relationships further by enhancing customer satisfaction.

Reduction of operational costs by adding new and latest technologies and processes

We have been continuously making efforts to reduce the operational costs so as to increase the margins and remain competitive in the market. Therefore, in our new project of Dyeing & Processing, proposed to be set up at Tapukara, Distt. Alwar, Rajasthan, we intend to use the Open width Processing of Knitted Fabrics using Cold Pad Batch (CPB) Dyeing Technology, which can help us in improving our cost of operations in the following ways:

- The quality produced on above machines is much superior in comparison to batch dyeing.
- Water consumption is less than half of soft flow dyeing, resulting into savings of steam and effluent treatment.
- CPB dyeing does not require usage of salt in the dye bath and offers green solution to the processing industry.
- Manpower requirement is very less resulting into major savings in wages.

FUTURE CAPACITY & CAPACITY UTILISATION

	Unit	2003-04	2004-05	31.12.05	2005-06	2006-07	2007-08	2008-09	2009-10
Knitting	Existing								
	Installed	MT	800	650	978	978	978	978	978
	Utilised	MT	740	580	800	831	831	831	880
	% of Utilised		93%	89%	82%	85%	85%	85%	90%
	New								
	Installed	MT					480	480	480
	Utilised	MT					335	408	432
	% of Utilised						70%	85%	90%
	Overall								
	Installed	MT					1458	1458	1458
	Utilised	MT					1166	1239	1312
% of Utilised						80%	85%	90%	
Dyeing	Existing								
	Installed	MT	2400	3200	2570	3600	4200	4200	4200
	Utilised	MT	2057	3000	2300	3300	3800	3800	3800
	% of Utilised		86%	94%	89%	92%	90%	90%	90%
	New								
	Installed	MT					3960	3960	3960
	Utilised	MT					2320	2772	3366
	% of Utilised						59%	70%	85%
	Overall								
	Installed	MT					8160	8160	8160
	Utilised	MT					6120	6572	7166
% of Utilised						75%	81%	88%	
Garmenting	Existing								
	Installed	Pcs	200000	400000	314000	537000	900000	900000	900000
	Utilised	Pcs	119404	326558	275000	460000	720000	720000	765000
	% of Utilised		60%	82%	88%	86%	80%	80%	85%
	New								
	Installed	Pcs					1800000	1800000	1800000
	Utilised	Pcs					1035000	1350000	1530000
	% of Utilised						58%	75%	85%
	Overall								
	Installed	Pcs					2700000	2700000	2700000
	Utilised	Pcs					1755000	2070000	2295000
% of Utilised						65%	77%	85%	



The Company has created additional new capacities in Dyeing & Processing and Garmenting segments at different point of time during the FY 2005-06. In Dyeing & Processing segment, the company has added 1000 tpa to the existing capacity of 3200 tpa during the month of November 2005 taking the total installed capacity to 4200 tpa therefore available Installed Capacity on weighted average basis for F.Y. 2005-06 works out to 3600 tpa. Similarly in the Garmenting Segment, the company has added a capacity to manufacture 500000 pcs p.a. in December 2005 to the existing capacity of 400000 pcs p.a. taking the total installed capacity to 900000 pcs p.a. therefore available Installed Capacity on weighted average basis for F.Y. 2005-06 works out to 537000 pcs p.a.

Intellectual Property

Our Avo-Cado brand "AVO-CADO " is registered with the trademarks registry. In addition, we have 2 trademarks viz. RICHA (LABEL) and WAFFLE registered with the trademarks registry in India.

Insurance

The Company has the following insurance policies as on date for its Faridabad unit:

(In Rs.)

Sr. No.	Policy No.	Policy Type	Description	Period	Sum Insured	Premium (p.a.)
1.	361101/11/05/3100000/315	Burglary	stock of all kinds	1.8.2005 to 31.7.2006	70,00,000	7714
2	361101/43/05/7600001653	Cash in transit/ cash in safe	Cash in transit & cash in safe	27.7.2005 to 26.7.2006	52,00,000	2345
3	361101/11/05/3100000375	Fire	building, plant & machinery including accessories	1.8.2005 to 31.7.2005	17250000	52277

The Company has the following insurance policies as on date for its Gurgaon unit:

(Rs. in lacs)

Sr. No.	Policy No.	Policy Type	Description	Period	Sum Insured	Premium (p.a.)
1	47027667	Industrial protector policy (flotter)	Stock of all kinds	9-1-2006 to 8-1-2007	1400.00	4.42
2	47027986	Industrial protector policy	Plant & machinery	9-1-2006 to 8-1-2007	27.00	0.07
3	47027659	Industrial protector policy	Building, plant & machinery including accessories	9-1-2006 to 8-1-2007	2392.00	6.10
4	45007331	Cash in transit/cash in safe	Cash in transit & cash in safe	9-1-2006 to 8-1-2007	300.00	0.16
5	361101/44/85/ 5200000013	Machinery Insurance	Machinery	26.06.2005 to 25.06.2006	29.61	0.52
6	361101/11/05/ 3100000375	Standard fire and special Perils policy	Buliding, Plant & Machinery, Furnisture, fixtures & setting, other stock		172.5	0.47

The Company has the following insurance policies as on date for its EBO at :

(Rs. in lacs)

Sr. No.	Policy No.	Policy Type	Description	Period	Sum Insured	Premium (p.a.)
1	47025132	Trade Protector policy	Fire and allied Perils	14/11/2005 to 13/11/2006	14.03	0.05

The Company owns six Trucks and six Cars for supporting our operations. All theses Vehicles are adequately insured.

The assets of our Company consisting of building , Plant & Machinery, Vehicles etc. are adequately insured.

RICHA KNITS LIMITED

Export Possibilities and Export Obligations

We, in the past, have imported Plant & Machineries under EPCG Licence scheme wherein we are required to mandatorily export goods for the value mentioned there against. The following table gives the details of the various EPCG licences against which we have imported machineries and the relevant export obligations and status of completion of the export obligations.

Sr. No.	Type of Licence	Licence No.	Date of issue	E. O. amount (Rs. in lacs)	Date of starting E.O.	Export obligation completed	Date of completion of E.O.
1.	EPCG	0530132309	13.11.2001	415.91	14.05.2002	Yes	28.06.2004
2.	EPCG	0530135577	19.01.2004	224.00	14.09.2004	Yes	22.03.2005
3.	EPCG	0530138168	04.03.2005	189.63	30.11.2005	Yes	Completed*
4.	EPCG	0530139550	16.09.2005	26.96	10.12.2005	Yes	Completed*
5.	EPCG	0530137583	10.12.2005	88.28	11.03.2005	Yes	Completed *

Notes:

- * For licenses worth 304.87 lacs, the Company has already exported goods and submitted the application to DGFT for certification of fulfillment of obligation.

Our export income has increased from Rs.141.71 lacs in 2002-03 (in which year we started earning our export income) to Rs.683.93 lacs in the year 2005-06 Our current outstanding export obligation as on date is nil.

FURTHER EXPORT OBLIGATIONS

As part of the expansion project, our Company proposes to import Plant & Machineries aggregating to Rs. 29.47 Crores (excluding Customs Duty on Imported Machinery under EPCG Scheme and transportation) under the Indian government's Export Promotion Capital Goods (EPCG) Scheme, under which Plant & Machineries may be imported at a concessional customs duty rate of 5% against the normal total customs duties of 5% (approx.), additional duty 4% plus CVD 16% Educational Cess @ 2% thereon. Under this EPCG Scheme, we should be able to save the total customs duties to the tune of Rs. 5.90 Crores (approx.), provided our Company is able to export 8 times of the total customs duties saved i.e., Rs. 47.20 Crores (approx.) in next eight years. Based on our Company's current exports, we expect to meet our export obligations in accordance with the EPCG license requirements.

Purchase of property

Following is the list of our properties as on March 31, 2006:

Sr.No.	Location	Area (Sq. Mtr)	Type of ownership	Use
1.	Plot No.4 & 5, Sector 7, IMT Manesar, Gurgaon, Haryana	8100	Freehold land	Factory
2.	1-16, Phase-I, DLF Industrial Area, Faridabad, Haryana	755.7 (sq yards)	Freehold land	Factory
3.	Plot.No.75, Sector 7, IMT Manesar, Gurgaon, Haryana	450	On Lease	Garment factory
4.	Gurgaon	1095.58	Freehold property	EBO outlet

Property on lease: Avo-cado factory EBO - Faridabad, Delhi - 2 Numbers

Company is yet to receive the CLU (conversion of land use) permission for the property acquired for the proposed Dyeing & Processing Unit at Tapukara, Alwar District, Rajasthan."

Property for new units

(Rs.in Lacs)

Particulars	Area	Status	Amount
A. Land acquired for Dyeing & Processing Unit in Village Tapukara, district Alwar, Rajasthan *	34250 sq.mtr	Mutation is complete.	94.59
B. Plot of land for Garment Unit in Gurgaon, Haryana	4050 sq.mtrs.	Application for allotment already moved and allotment expected any time.	272.54

* Property purchased as part of the proposed project cost.



The following properties have been acquired from group companies in the past:

(Rs.in Lacs)

Sr.No.	Location	Area (Sq. Mtr)	Date of acquisition consideration	Previous owner	Total
1	Land & Building on Plot No.4, Sector 7, IMT Manesar, Gurgaon, Haryana	4050	2004-2005	M/s Richa Clothing Pvt. Ltd.	112.00

The above property was purchased at Book Value.

Except as stated in this Prospectus, our Company has not purchased any property in which any of the promoters and directors, have any direct or indirect interest in any payment made thereof.

SWOT ANALYSIS OF OUR COMPANY

As considered by our bankers Indian Overseas Bank while appraising our new expansion projects

STRENGTHS

- The company has a qualified and technically sound Management team.
- The company has a old standing and high reputation in the industry.
- The company has a dedicated customer base.
- The units of the company are all operational in approved Industrial areas with strong infrastructure which greatly reduces the lead time and lag period.
- The company is constantly improving its products which are of International standards.
- The company brand has started showing its acceptance by the consumer.

WEAKNESSES

- The quota free regime in the export market shall make the company vulnerable to a lot of tough competition.
- The company is labour intensive and needs to be careful about turnover and other labour related problems.
- The cost of infrastructure power, fuel, etc. is higher as compared to the expenses incurred by comparable units in other exporting countries.

OPPORTUNITIES

- Quota free regime shall enable the company to project itself as a solution for readymade garments requirement globally.
- The company's quality products have gained favour with its overseas customers which shall provide the company with better export opportunities.
- The company has all the required manufacturing and processing facilities which shall reduce time lag and provide a better competitive edge.
- Integrated manufacturing facilities shall further make the company cost effective as compared to other exporters in the country, thus helping the company to earn better margins.
- Technology Up gradation Fund Scheme shall reduce the cost of implementation of the project.
- Company's own EBO's will help the company by giving more stability in terms of sales and revenue as the margin going to retailers will be directly earned by the company.

THREATS

- Loading of local/ domestic taxes may increase cost of the products.
- Increasing Demands being made by the Industrial sector on the Infrastructure base.
- Excessive Competition with the opening of the market.

REGULATIONS AND POLICIES

Key Government Initiatives to Promote growth of the Indian Textile Industry

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

- i) **Announcement of New Textile Policy:** One of the main objectives of the New Textile Policy (NTxP-2000) announced in November 2000 is to facilitate the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The policy endeavours to achieve the target of textile and apparel exports from the present level to US \$ 50 billion by 2010, of which the share of garments will be US \$ 25 billion. Subsequent to the announcement of NTxP-2000, woven segment of readymade garment sector has been de-reserved from SSI and the announcement has been made for de-reservation of knitwear from SSI.
- ii) **Technology Up-gradation Fund Scheme (TUFS):** In view of the urgent need for stepping up the process of modernization and technology upgradation of the textile industry in India, Ministry of Textiles launched a Technology Upgradation Fund Scheme (TUFS) for the textile and jute industry for a five years time frame w.e.f. 01-04-1999 to 31-03-2004, providing for 5% interest reimbursement in respect of loans availed thereunder from the concerned financial institutions for investment benchmarked technology for the sectors of the Indian Textile Industries specified thereunder. The Scheme has since been extended till 31.03.2007.

The Budget for 2005-06 also provided an additional incentive of capital subsidy of 10% (over and above 5% interest subsidy under TUFS) for the specified textile processing machinery. The additional 10% capital subsidy will be admissible on the investments made in the specified processing machinery during a period of one year from April 20, 2005 to April 19, 2006.

The Budget for 2006-07 announced an enhancement allocation of Rs.100 crore on TUFS. (Budeget proposals are subject to approval by Parliament.)

- iii) **Duty Exemption Pass Book (DEPB) Scheme:** DEPB credit rates have been prescribed for 83 textiles and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalized. However, these export incentives are to be reviewed shortly to make it WTO-compatible.
- iv) **Duty Drawback Scheme:** The exporters are allowed refund of the excise and import duty suffered on raw materials under the scheme so as to make the products more competitive in the international market. From January 19, 2005, the Ministry of Finance restructured the drawback rate from value-based to quantity-based.

New duty drawback rates of 2005-2006: The drawback rates have been determined on the basis of certain broad parameters including, inter alia, the prevailing prices of inputs, standard input/ output norms (SION) published by DGFT, share of imports in the total consumption of inputs and the applied rates of duty. As education cess is being collected as duties of excise/customs, the element of education cess has been factored in the drawback rates. The incidence of duty on HSD/Furnace Oil has also been factored in the drawback calculation. The production, import and price data used for calculation of drawback rates have been obtained from the various sources, such as, the field formations of Central Excise/ Customs, the Export Promotion Councils and trade bodies, Government publications and other reputed journals. The changes in drawback rates reflect the changes in applied duties and changes in prices.

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

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

The Ministry of Textiles is also concerned over the need to improve the quality of textile training institutes in the country. Therefore, a Nodal Centre for Upgradation of Textile Education has been established at the Indian Institute of Technology, Delhi with funding from the Ministry of Textiles. The Apparel Export Promotion Council has been running Apparel Training



and Design Centres (ATDCs) at important apparel centres located at Chennai, Delhi, Kolkata, Hyderabad, Jaipur and Bangalore in order to impart training at shop floor level to meet the growing needs of apparel industry.

- (vi) **Construction of Apparel International Mart:** Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from Government. For this purpose a grant of Rs. 15 Crore was released during the year 2001-02 and of Rs.30 Crore has been released during the year 2003-04.
- (vii) **Setting up of modern laboratories:** The Ministry of Textiles has assisted the Textile Committee in setting up of modern textile laboratories to ensure that the textiles exported from the country meet all international environmental standards.
- (viii) **Apparel Park for Exports Scheme:** A centrally sponsored scheme titled "Apparel Parks for Exports Scheme" has been launched. The scheme is intended to impart focused thrust to setting up of apparel Manufacturing units of international standards at potential growth centres and to give fillip to exports. Since the inception of scheme in March 2002, eleven Project Proposals has been sanctioned for setting up Apparel Parks at Tronica City & Kanpur (U.P.), Surat (Gujarat), Thiruvananthapuram (Kerala), Visakhapatnam (Andhra Pradesh), Ludhiana (Punjab), Bangalore (Karnataka), Tirupur & Kanchipuram (Tamil Nadu), SEZ, Indore (Madhya Pradesh) and Mahal (Jaipur, Rajasthan).
- (ix) **Textile Centres Infrastructure Development Scheme (TCIDS):** Development of infrastructure facilities at pre-dominantly textile/apparel sector areas is one of the thrust areas of NTxP-2000. For attaining this objective, a new scheme (TCIDS) has been launched for upgrading infrastructure facilities at important textile centers. In the last Budget, the government reduced the import duty on textile machinery from 20% to 10%.

FOREIGN TRADE POLICY 2004-2009

In order to provide thrust to exports, foreign trade policy provides for certain schemes for the promotional measures:

1. Assistance to States for Infrastructure Development of Exports (ASIDE)

Ministry of commerce has formulated a scheme called ASIDE, to encourage the State Governments to participate in promoting exports. Whereby suitable provisions have been made for allocation of funds to the States on the twin criteria of gross exports and the rate of growth of exports.

2. Market Access Initiative (MAI) scheme

Market Access Initiative (MAI) scheme is intended to provide financial assistance for medium term export promotion efforts with a sharp focus on a country and product. The financial assistance is available for Export Promotion Councils, Industry and Trade Associations, Agencies of State Governments, Indian Commercial Missions abroad and other eligible entities as may be notified from time to time.

3. Marketing Development Assistance (MDA) Scheme

The Marketing Development Assistance (MDA) Scheme is intended to provide financial assistance for a range of export promotion activities implemented by export promotion councils, industry and trade associations on a regular basis every year. As per the revised MDA guidelines with effect from 1st April, 2004 assistance under MDA is available for exporters with annual export turnover upto Rs 5 crores.

4. Meeting Legal expenses for Trade related matter

Financial assistance would be provided to deserving exporters on the recommendation of Export Promotion Councils for meeting the cost of legal expenses relating to trade related matters.

5. Brand Promotions and Quality

The Central Government aims to encourage manufacturers and exporters to attain internationally accepted standards of quality for their products. The Central Government has recognised the need to support and shall assist Trade and Industry to launch a nationwide programme on quality awareness and to promote the concept of total quality management.

HISTORY AND CORPORATE STRUCTURE OF THE COMPANY

The Company was incorporated on 15th September 1993 under the Companies Act, 1956 as a Private Limited Company and changed its constitution as a Public Limited Company vide Special Resolution passed on 12th September 2003 in the NCT of Delhi with the main objective of carrying on the business of manufacturing and processing of fabrics and export of fabric or garments.

Our Company was established under the leadership of Mr. Sushil Gupta (M.Tech - IIT Delhi), in 1993 as a process house to cater to the needs of exporter, knitted fabric for Indian market. Beginning as a small establishment, with a small initial capital of Rupees 20 lacs, the company has grown creating a niche for itself in the Northern India as a dyeing & processing house for and export market.

Today, we have successfully placed our company in the fields of Greige Knitted Fabric, Knitted fabric Dyeing & Processing, Garment Manufacturing. We have two facilities one at Faridabad for dyeing & processing and another state-of-the-art at IMT Manesar Gurgaon in the outskirts of Delhi for knitting, dyeing and garment manufacturing.

The present Knitting capacity of our company is around 978 Tons per annum wherein the present capacity utilization is around 89%. Dyeing & processing capacity of our company is around 3600 Tons per annum wherein the present capacity utilization is around 89%. The garment division has a capacity to manufacturing 5,37,000 pieces per annum and the present capacity utilization is around 88%.

Our company has taken initiatives towards the promotion and expansion of quality dyeing so as to achieve international standards with the help of highly technical & experienced manpower, latest technology & machines. The strategy has also helped Richa Knits in firmly establishing itself in the field of manufacturing & processing of knitted fabrics and manufacturing of readymade garments.

Better relationship and proper coordination between the employer and employee is the key factor for the success of our Company. By achieving the skilled support from its manpower, our Company is ready to face any kind of challenges that comes in the way of its growth.

Our company is known for its quality and service towards high-end products. Our company has shown a growth rate of (CAGR) of over 60% over the period of last 5 years. Over the years our company's turnover has grown from Rs. 3.70 crore in 2001 to Rs.26.28 crore in March 31, 2005 and further to Rs. 45.46 crore for the year ended March 31, 2006.

Our company has firm policy and procedures to maintain its quality standards at each and every stage. The sublime endeavor begins with the purchasing of right kind of raw material and consumables.

The company also maintains a Design Studio, a library of designs and labs for quality checks.

All the expansions till date have been financed from the internal accruals, equity participation by the promoters and loans from Banks.

Major events of the company

Year	Achievement
1993	Company incorporated in the name of Richa Knits Pvt. Ltd. for manufacturing and dyeing and processing of fabrics, ready made garments
1994	Take over of partnership firm viz. Usha Processing Mill
2002	Our company started its operations of our Unit set up at IMT Manesar in January 2002. When there was no infrastructure available at Sector-7, IMT Manesar, ours was the first company to start operations there. Today, IMT Manesar is in great demand and most of the MNCs are setting up their facilities. This can be seen from the fact that Government has raised the rates from Rs.1200/- per sqr. meters to Rs.2500/- per sqr. Meter for industrial plots.
2002	Our Company received first export order for USD 26,342 in June 2002 from Classique Enterprises Ltd. through Cortex Textile Trading and as on 31/03/2005 we had done exports to the tune of USD 1,195,374 (approx.)
2002	Our Garments Division started its operations in June 2002 with 46 stitching machines.
2003	Our Company changed its constitution from private limited to public limited company in September 2003..
2003	Udyog Patra Awarded to Mr. Sushil Gupta, Managing Director of our company by Shri Sharad Yadav, the then Hon'ble Union Minister for Food & Supply, Government of India.
2004	Our Knitting Division started operating in February 2004 with 6 Circular Knitting machines.
2004	20% rebate received from HSIDC for timely completion of project & successful running of the unit on 23/04/2004.



Year	Achievement																														
2005	Expansion undertaken by our company till Dec. 2005: A) Knitting Division - from 6 Machines to 8 Machines and addition of 3 Flat knitting machines. B) Garment Division - from 46 stitching machines to 250 machines C) Processing Division - from 8 ton to 12.80 Tons .																														
2005	Udyog Vibhushan Award to Mr. Sushil Gupta, Managing Director of our company by Institute of Trade & Industrial Development.																														
2005	Launching of 'AVO-CADO' brand from June 2005.																														
2005	First EBO Started at Faridabad in October 2005.																														
2005	Additional facility for AVO-CADO planned and premises taken on Long term Lease																														
2005	EPCG Commitment fulfilled before time																														
	<table border="1"> <thead> <tr> <th>License No.</th> <th>Dt. of Issue</th> <th>Commitment</th> <th>Due Date</th> <th>Fulfillment Date</th> </tr> </thead> <tbody> <tr> <td>0530132309</td> <td>13.11.2001</td> <td>within 8 Years</td> <td>12/11/2009</td> <td>28/06/2004</td> </tr> <tr> <td>0530135577</td> <td>19.01.2004</td> <td>within 8 Years</td> <td>18/12/2012</td> <td>22/03/2005</td> </tr> <tr> <td>0530137583</td> <td>10/12/2004</td> <td>within 8 Years</td> <td>09/12/2012</td> <td>25/07/2005</td> </tr> <tr> <td>0530138168</td> <td>04/03/2005</td> <td>within 8 Years</td> <td>03/03/2013</td> <td>under Process</td> </tr> <tr> <td>0530139550</td> <td>16/09/2005</td> <td>within 8 Years</td> <td>15/09/2013</td> <td>14/12/2005</td> </tr> </tbody> </table>	License No.	Dt. of Issue	Commitment	Due Date	Fulfillment Date	0530132309	13.11.2001	within 8 Years	12/11/2009	28/06/2004	0530135577	19.01.2004	within 8 Years	18/12/2012	22/03/2005	0530137583	10/12/2004	within 8 Years	09/12/2012	25/07/2005	0530138168	04/03/2005	within 8 Years	03/03/2013	under Process	0530139550	16/09/2005	within 8 Years	15/09/2013	14/12/2005
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2005	Second EBO Started at Gurgaon in December 2005.																														
2005	Land purchased for new project & project approved by IOB in principle sanction.																														
2006	Third EBO Started at Jaipur in January 2006																														
2006	Place for 4th & 5th EBO taken on long term lease in Delhi																														

Awards

Shri Sushil Gupta, Managing Director of the Company was conferred with Udyog Patra award for self made industrialist from Institute of Trade and Industrial Development (ITID), for his entrepreneurship & contribution to the industry in the year 2003.

He has also received a Certificate of "Udyog Vibhushan" for Excellence in Industrial Performance by the Institute of Trade and Industrial Development, New Delhi in June 2005.

Main Objects of the Company

The main objects as contained in our Memorandum of Association of the Company are:

1. To acquire and takeover the running concern namely 'Usha Processing Mill'1-16, DLF Ind. area, Phase-1, Faridabad, to take over the running business of the partnership firm. Usha Processing Mill with all its assets, liabilities and rights whatsoever. The said firm will cease to be in existence after its takeover by the company on its incorporation.
2. Manufacturing and processing of fabrics, Readymade Garments to carry on the business of manufacturing, dyeing, printing processing, finishing spinning, weaving of all kinds of fabrics shoddy yarn, woolen yarn, carpet woolen yarn barrack yarn, grey yarn, worsted and Non-worsted yarn, all kinds of blankets, lohis, shawls, Textile Products waste synthetic and man -made fibrous, flax hemp jute wool silk, cotton, textiles or any fibrous substance and buying, selling and dealing in all kinds of wool, waste, rags, synthetic, rayon nylon, shoddy yarn and all kinds of yarns and fabrics and other such allied products thereof.
3. To export fabrics or garments to manufacture, buy, sell, import and export all kinds of cotton, polyester, woolen and silk garments, apparels and all types of Readymade Garments.
4. To carry on the business of manufacturers, traders, fabricators, exporters and importers of terry-towels cotton towels, fabrics and made ups made from any or all types of fibres.
5. To carry on agency business in all its branches and to act as agents for Indian and foreign principals for sale, purchase, export and import for the business referred to in Sub-clause (1) and (2) above.
6. To carry on business as importers, exporters, traders, agents, wholesalers, retailers, commission agents factors for the business referred to in Sub-clause (1) to (4) above.
7. To carry on the business of developing integrated textile park, special economic zone or specified textile zone as per the policies of the country either individually or as joint venture with other entity or in the joint sector with any state government or any government body.

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Changes in the Memorandum & Articles of Association

Date	Change
August 10, 1994	Increase in Authorized Share Capital of the company From Rs. 10 Lakhs to Rs. 25 Lakhs consisting of 250000 Equity Shares
July 15, 1996	Increase in Authorized Share Capital of the company From Rs. 25 Lakhs to Rs. 50 Lacs consisting of 5 Lakhs Equity Shares
February 20, 2000	Increase in Authorized Share Capital of the company From Rs. 50 Lakhs to Rs. 1 crore consisting of 10 lakhs Equity Shares
August 4, 2000	Increase in Authorized Share Capital of the company From Rs. 1 crore to Rs. 2 crore consisting of 20 lakhs Equity Shares
September 12, 2003	Adoption of new set of Articles of Association for conversion from Private to Public (for details relating to this please refer to the section titled "Main provisions of Articles of Association")
July 9, 2004	Increase in Authorized Share Capital of the company From Rs.2 crore to Rs. 3 crore consisting of 30 lakhs Equity Shares
December 29, 2005	Increase in Authorized Share Capital of the company From Rs. 3 crore to Rs. 20 crore consisting of 200 lakhs Equity Shares
December 29, 2005	Alteration in the object clause of the Company to include the following object: To carry on the business of developing integrated textile park, special economic zone or specified textile zone as per the policies of the country either individually or as joint venture with other entity or in the joint sector with any state government or any government body.
December 29, 2005	Insertion of new clause no. 52 to 70 related to Transfer of Shares (for details relating to this please refer to the section titled "Main provisions of Articles of Association")
December 29, 2005	Insertion of new clause no. 82 (A) relating to "Dematerialisation / Rematerialisation of Securities" clause no.82 (B) relating to "Nomination" and clause no. 82(C) relating to "Transmission of Securities by Nominee" (for details relating to this please refer to the section titled "Main provisions of Articles of Association")
December 29, 2005	Insertion of new clause no. 97A relating to "Passing of resolution by Postal Ballot pursuant to Section 192A" (for details relating to this please refer to the section titled "Main provisions of Articles of Association")
December 29, 2005	Insertion of new clause no. 157A relating to "Constitution of Audit Committee as per Section 292A of the Companies Act, 1956" (for details relating to this please refer to the section titled "Main provisions of Articles of Association")
December 29, 2005	Insertion of new clause no. 178 (a) relating to "Payment of dividend through ECS facility, (b) relating to "Payment of dividend within 30 days"& (c) relating to "transfer of unclaimed/ unpaid dividend to Investor Education and Protection Fund u/s 205 (c)" (for details relating to this please refer to the section titled "Main provisions of Articles of Association")

Subsidiaries of the Company

Our Company does not have any subsidiary as on the date of filing of this Prospectus.

Shareholders Agreements

The Company has not entered into any shareholders agreements.

Other Agreements

Except the contracts/agreements entered in the ordinary course of the business carried on or intended to be carried on by our Company, our Company has not entered into any other agreement/contract.

Strategic Partners & Financial Partners

At present we do not have any strategic or financial partners.



OUR MANAGEMENT

Board of Directors

As per the Articles of Association of the Company, the Company must have a minimum of three (3) and maximum of twelve (12) directors. At present, the Company has 6 Directors. Mr. Sushil Gupta, Mr. Sandeep Gupta, Mr. Manish Gupta manages the day-to-day affairs of the Company.

The Board of Directors of the Company comprises of the following members:

Name, Designation, Father's Name, Address and Occupation	Designation	Date of Appointment and Term	Other Directorships/ Partnership/ Sole Proprietorship held
Mr. Subhash Gupta 48 years, S/o Shri Chet Ram Gupta Address: House No. 1265, Sector-19, Faridabad, Haryana	Chairman (Non- Executive)	28.08.2004 liable to retire by rotation	Directorship: 1. Richa Clothing Pvt. Ltd. 2. Richa Processing (Pvt.) Ltd.
Mr. Sushil Gupta 41 years, S/o Shri Chet Ram Gupta Address: G-74, South City, Gurgaon, Haryana	Managing Director	15.09.1993 5 years w.e.f 29.12.2005	Nil
Mr. Sandeep Gupta 28 years, S/o Subhash Gupta Address House No. 944, Sector-15, Part-II, Gurgaon (Haryana).	Joint Managing Director	17.01.2000 5 years w.e.f 29.12.2005	Nil
Mr. Manish Gupta 27 years, S/o Subhash Gupta Address House No. 944, Sector-15, Part-II, Gurgaon (Haryana).	Whole-time Director	29.12.2005 5 years	Directorship: Richa Capital Pvt. Ltd.
Mr. Subhash Chand Gupta 45 years, S/o Shri Faqir Chand Gupta Address: House No. 433, Sector-8, Faridabad- 121006, Haryana.	Director (Independent)	29.12.2005 Liable to retire by rotation	Firm : Kumar Vijay Gupta & Co.
Mr. Neeraj Bajaj 37 years, S/o Sadanand Bajaj Address: House No. 559, Sector 16A, Faridabad.	Director (Independent)	29.12.2005 Liable to retire by rotation	Directorship: 1. SPM Autocomp Systems Pvt. Ltd. Partnership: 1. M/s GSK & Associates Ownership 1. M/s Bajaj & Associates

Brief details of the Directors

Mr. Subhash Gupta, Chairman

Mr. Subhash Gupta aged 48 years is the Chairman of our company having more than 23 years of experience in the Textile Industry. He is associated with the company since its inception. He has been appointed as the Non-Executive Chairman of the company w.e.f. 29.12.05. He is a Graduate by qualification.

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Mr. Subhash Gupta started his career in 1975 as a cloth merchant. During his long tenure of 31 years in the business he gained a lot of experience of textile business. He is also on the Board of other group Companies.

Mr. Sushil Gupta, Managing Director

Mr. Sushil Gupta, aged 41 years is the Managing Director of our Company, having more than 17 years of experience in the industry. He has wide experience in Textile Industry with exposure in the field of Chemicals & Textiles. He is associated with the Company since its inception. He has been the driving force behind the Company's evolution. He has done his B. Tech (Mechanical) from Kurushetra University, Haryana and M. Tech (CAD/ CAM) from IIT- Delhi.

He started his career in the year 1988 as an executive in Axis Cottex Private Limited and worked there for ten months. He has served as a lecturer for few months in Vaish College (Rohtak) in the year 1989. With the background of business and to continue the family business, he decided to leave the job and put the mile stone of the business in the year 1991 in the name of 'Usha Processing Mill'. Later on the business of Usha Processing Mill' was taken over by Richa Knits Ltd. Since then he is in this business and is known for his technical capabilities in the industry. His far-sightedness and firm commitment enabled our company to achieve the present status. He is In-charge of overall activities of our Company. His core area of focus remains on R&D, cost effectiveness and customer service. His responsibility includes exercising overall control and supervision of various activities of the Company.

He was conferred with Udyog Patra award for self made industrialist from IITF for his entrepreneurship & contribution to the industry.

He has also received a Certificate of "Udyog Vibhushan" for Excellence in Industrial Performance by the Institute of Trade and Industrial Development, New Delhi in June 2005.

Mr. Sandeep Gupta, Director

Mr. Sandeep Gupta aged 28 years is the elder son of our Chairman. He has been appointed as the Joint Managing Director of our Company w.e.f. 29.12.05. He has more than 6 years of experience in the textile and garment industry. He is actively involved in the affairs of our company and looks after the customer relations and marketing aspects. He is an MBA in marketing, Graduate in Industrial Relations and Personal Management from Delhi University. He also holds a Diploma in Apparel Production Technology from Pearl Institute & Diploma in Sales & Marketing from NIS (National Institute of Sales). He joined the family business after completing his Graduation in 2000. He has been groomed under the able guidance of Mr. Sushil Gupta, our Managing Director and in the atmosphere of business with the common goal.

Ever since joining the Company, he has assumed responsibilities of activities involved in manufacturing to marketing. Having attained thorough experience of the trade, he is now looking after the Marketing and Finance of the Company.

Mr. Manish Gupta, Director

Mr. Manish Gupta, aged 27 years is the younger son of our Chairman. He has been appointed as the Whole-time Director of the Company w.e.f. 29.12.05. He joined our company on July 1, 2002. He is in charge of overall working of plant including Knitting, Processing, Dyeing and administration. He is also on the Board of other group Companies.

He has 4 years experience in the line of textile industry. He has done - B.Tech in Textile Chemistry from DKTE, Ichalkaranji, Maharashtra. Shivaji University.

Mr. Neeraj Bajaj, Director

Mr. Neeraj Bajaj aged 37 years, has an experience of over 15 years in Accounts and Finance related matters. He is a Qualified Chartered Accountant and is a Fellow Member of The Institute of Chartered Accountants of India. He is an expert in Project Finance. He joined us in December 2005. He is a Non-Executive, Independent Director. He would be receiving sitting fees of Rs. 5000/- per meeting for attending Board/ Committee meetings.

Mr. Subhash Chand Gupta, Director,

Mr. Subhash Chand Gupta, aged 45 years, is a Qualified Chartered Accountant. He has an overall experience of over 22 years in the field of Finance, Accounts and Taxation. Prior to starting his own practice he served as Manager Accounts in Perfect Pac Limited for almost 5 years. His core strengths are financial analysis and management and statutory and internal audit. He is a Non-Executive Independent Director. He would be receiving sitting fees of Rs. 5000/- per meeting for attending Board/ Committee meetings.



Borrowing powers of the Directors

The shareholders of our Company have passed a resolution at the Extraordinary General Meeting of our Company held on 29th December, 2005 authorizing our Board of Directors pursuant to Section 293(1)(d) of the Companies Act, 1956 to borrow total amount not exceeding Rs. 100 crores (Rupees One Hundred Crores Only).

For details regarding powers of our Board in this regard, please refer to the section titled 'Main Provisions of the Articles of Association' of this Prospectus.

Details of all contracts entered with Directors for Remuneration

Compensation to Directors

1. Mr. Sushil Gupta, Managing Director

In the Extra-ordinary General Meeting of our Company held on December 29, 2005, approved the appointment of Mr. Sushil Gupta as the Managing Director of our Company and approved a revision in his remuneration. The current terms and conditions of his appointment are as under:

1. Period :

The appointment is effective from 29th December, 2005 for a period of five years i.e. up to 29th December, 2010.

2. Overall Remuneration:

Subject to the provisions of Section 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956, the remuneration payable to the Managing Director in any financial year shall not exceed 5% (five percent of the net profit of the Company), or such other limits as may be specified under the relevant legislation prevailing from time to time. Within the aforesaid ceiling, the remuneration payable to him shall be as follows:

a. Salary

Rs.75,000/- per month w.e.f., 29th December, 2005 for a period of five years i.e. up to 29th December, 2010.

b. Perquisites

In addition to above remuneration the Managing Director shall also be entitled to perquisites like:

- Housing Accommodation
- Medical reimbursement
- Leave Travel Concession
- Telephone
- Car

Valuation of perquisites shall be done as per the Income Tax Rules, wherever applicable. In the absence of any such Rule, the perquisites shall be evaluated at actual cost.

c. Minimum Remuneration

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified in Section II of part II of Schedule XIII to the Companies Act, 1956 as may be amended from time to time.

2. Mr. Sandeep Gupta, Joint Managing Director

In the Annual General Meeting of our Company held on 26th September, 2000, our shareholders approved the appointment of Mr. Sandeep Gupta as the Director of our Company. Further, in the Extra-ordinary General Meeting of our Company held on December 29, 2005, our shareholders approved his appointment as Joint Managing Director and revision in his remuneration. The current terms and conditions of his appointment are as under:

1. Period :

The appointment is effective from 29th December, 2005 for a period of five years i.e. up to 29th December, 2010.

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2. Overall Remuneration:

Subject to the provisions of Section 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956, the remuneration payable to the Managing Director in any financial year shall not exceed 5% (five percent of the net profit of the Company), or such other limits as may be specified under the relevant legislation prevailing from time to time. Within the aforesaid ceiling, the remuneration payable to him shall be as follows :

a. Salary

Rs.75,000/- per month w.e.f., 29th December, 2005 for a period of five years i.e. up to 29th December, 2010.

b. Perquisites

In addition to above remuneration the Managing Director shall also be entitled to perquisites like:

- Housing Accommodation
- Medical reimbursement
- Leave Travel Concession
- Telephone
- Car

Valuation of perquisites shall be done as per the Income Tax Rules, wherever applicable. In the absence of any such Rule, the perquisites shall be evaluated at actual cost.

c. Minimum Remuneration

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Joint Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified in Section II of part II of Schedule XIII to the Companies Act, 1956 as may be amended from time to time.

3. Mr. Manish Gupta, Whole-time Director

In the Extra Ordinary General Meeting of our Company held on 29th December, 2005, our shareholders approved the appointment of Mr. Manish Gupta as the Whole-time Director of our Company w.e.f. 29th December, 2005 for a period of five years. The terms and conditions of his appointment are as under:

1. Period :

The appointment is effective from 29th December, 2005 for a period of five years i.e. up to 29th December, 2010.

2. Salary

Rs.60,000/- p.m. (Rupees Sixty thousand) for a period of five years i.e. up to 29th December, 2010.

3. Perquisites

In addition to above remuneration the Whole-time Director shall also be entitled to perquisites like

- Housing Accommodation
- Medical reimbursement
- Leave Travel Concession
- Telephone
- Car

Valuation of perquisites shall be done as per the Income Tax Rules, wherever applicable. In the absence of any such Rule, the perquisites shall be evaluated at actual cost.

The shareholders also approved that the above Salary and perquisites will be payable to him as minimum remuneration in case of absence or inadequacy of profits in any financial year as permissible under section II of Part II of Schedule XIII of the Companies Act, 1956 including such amendment(s), modification(s) and/or revision(s) as may be made by the Central Government in the said limits from time to time.



CORPORATE GOVERNANCE

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance and the SEBI Guidelines in respect of corporate governance will be applicable to our Company immediately upon the listing of our Company's Equity Shares on the Stock Exchanges. Our Company undertakes to adopt the Corporate Governance Code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to the listing of our Equity Shares. Our Company has complied with such provisions, including with respect to constitution of the following Board Committees: the Audit Committee, Investor Grievance Committee and the Remuneration Committee.

We believe in adopting the best corporate governance practices, based on the following principles in order to maintain transparency, accountability and ethics:

1. Recognition of the respective roles and responsibilities of Board and the management;
2. Independent verification and assured integrity of financial reporting;
3. Protection of shareholder's right and priority for investor relations; and
4. Timely and accurate disclosure on all material matters concerning operations and performance of the company.

We have constituted the following committees of Board in compliance with the Corporate Governance norms:

a. Audit Committee

The Audit Committee has been constituted by the members of the Company in the Extra Ordinary General Meeting held on 29th December, 2005. The Audit Committee comprises of the following directors:

1. Mr. Neeraj Bajaj
2. Mr. Subhash Chand Gupta
3. Mr. Sandeep Gupta

Mr. Neeraj Bajaj shall act as the chairman of the audit committee meetings.

The terms of the Audit Committee as defined in the Board meeting held on February 14, 2006 are to comply with the requirements of Section 292 A of the Companies Act, 1956 and Clause 49 of the listing agreement to be entered into with the Stock Exchange. The scope of Audit Committee shall include but shall not be restricted to the following:

1. Oversight of the company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and ,if required, replacement or removal of the statutory auditor and fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by them.
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 in accounting policies and practices and reasons for the same;
 - c) Major accounting entries involving estimates based on the exercise of judgement by 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;
 - g) Qualification in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

RICHA KNITS LIMITED

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders and creditors.
12. To review the functioning of Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the audit committee.

Each member of the audit committee shall be paid a sitting fee of Rs. 5,000 for each meeting of the committee attended by him, provided that no such sitting fee shall be paid to any whole-time director/managing director/joint managing director of the Company.

b. Remuneration Committee:

The Remuneration Committee has been constituted on February 14, 2006. The Committee consists of the following Directors of the Board:

1. Mr. Neeraj Bajaj,
2. Mr. S.C. Gupta and
3. Mr. Subhash Gupta

The powers of this Committee are as follows:

- (a) To approve remuneration payable to managerial personnel, taking into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance and past Remuneration.
- (b) To bring about objectivity in determining the remuneration package while striking a balance Between the interest of the Company and the shareholders.

c. Investor Grievance Committee:

The Investor Grievance Committee has been constituted on February 14, 2006. The Committee consists of the following Directors:

1. Mr. Neeraj Bajaj,
2. Mr. S.C. Gupta and
3. Mr. Subhash Gupta

The Committee is authorized to:

- (a) To approve and register transfer and/or transmission of all classes of shares.
- (b) To sub-divide consolidate and issue share certificates on behalf of the Company.
- (c) To affix / to authorize affixation of the common seal of the Company on the share certificates of the Company.
- (d) To redress matters relating to share holders and investor complaints like transfer of shares, non receipt of balance sheet, non-receipt of declared dividend, etc.
- (e) To do all such acts, deeds or things as may be necessary or incidental to the exercise of the above powers.



Shareholding of the Directors in our Company

The following table provides the details of the shareholding of our Directors as on date:

Sr. No.	Name of Director	No. of Shares	% of shareholding
1.	Mr. Subhash Gupta	3,15,000	3.89
2.	Mr. Sushil Gupta	5,01,510	6.19
3.	Mr. Sandeep Gupta	7,30,968	9.03
4.	Mr. Manish Gupta	89,000	1.10

Interest of the Directors

All the directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of reimbursement of expenses, if any, payable to them under the Articles of Association of the Company. The Managing, Joint Managing Director and Whole time Directors are interested to the extent of the remuneration paid to them, for services rendered by them as officers or employees of our Company.

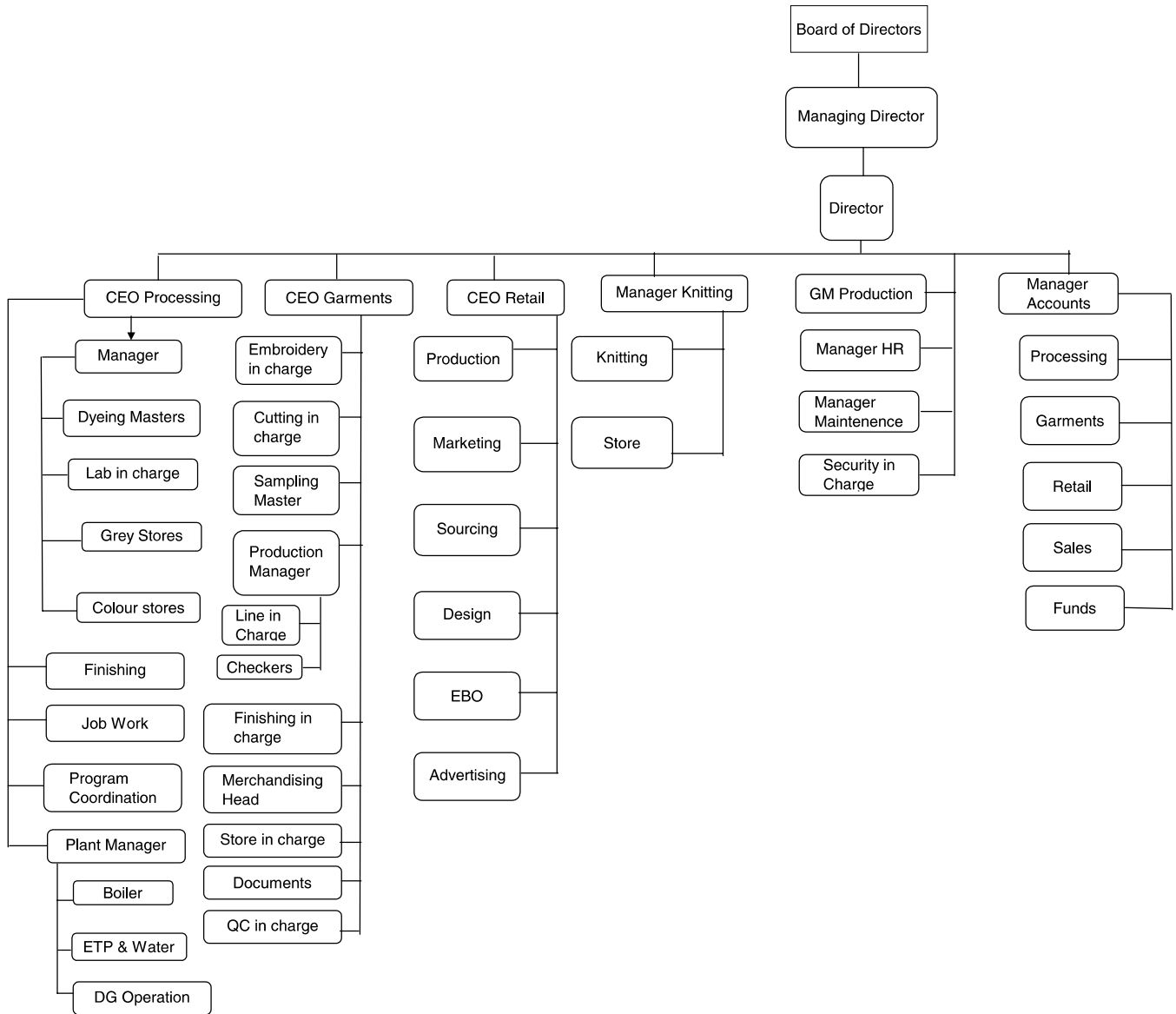
Changes in the Board of Directors

The changes in our Board of Directors during the past three years are as given below:

Sr. No.	Name	Date of Appointment	Date of Cessation	Remarks if any
1.	Mr. Subhash Gupta	28.08.2004	–	Appointed as Director & Chairman
2.	Ms. Geeta Devi	Since Incorporation	28.08.2004	Resigned as Director
3.	Mr. Chet Ram Gupta	Since Incorporation	15.10. 2005	Resigned as Director
4.	Mr. Neeraj Bajaj	29.12.2005	–	Appointed as Director
5.	Mr. Subhash Chand Gupta	29.12.2005	–	Appointed as Director
6.	Mr. Manish Gupta	29.12.2005	–	Appointed as Whole-time Director

RICHA KNITS LIMITED

ORGANISATION STRUCTURE





Key Management Personnel

The Company is managed by its Board of Directors, assisted by professional, with experience in the field of production/finance/distribution/marketing and corporate law. The following Key Managerial Personnel assist the management.

Brief details of the Key Managerial Personnel

The details of our Key Managerial Personnel other than directors are as under:

For the details of Directors, please refer to section titled 'Our Management' on page no. 63 of this Prospectus.

Mr. Anish Puri, CEO (Retail division), aged 35 years, has experience of over 14 years in garment production management, knitted fabric sourcing and development, plant set up and customer compliances. He is involved in Running the division as separate profit centre. He looks after designing, sourcing at the macro level, ensuring timely and qualitative delivery of the merchandise from the manufacturing facility, framing of sound marketing and promotional plans to facilitate quick sales and increased revenue. He holds a degree in Bachelor of Commerce from University of Delhi. His other qualifications include 2 years advanced course in Fashion Designing from IIFT Delhi, Certificate course in pattern making and grading for women's wear from NIFT Delhi, Certificate course in clothing production technology from NIFT Delhi, Certificate course on fabric inspection and quality control and ISO 9000 from NIFT Delhi.

Prior to working with us he worked with V & S International Pvt. Ltd. as a General Manager. He joined our organization on 4th June, 2005 and is currently designated as CEO- Retail Division. Currently, he is drawing a remuneration of Rs. 7.20 lacs p.a.

Mr. Gautam Mehta, Head- Apparel Division, aged 34 years, has an experience of over 12 years. He is involved in managing the team of Marketing, handling and managing buyers, suppliers/job-workers/sub-contractors, identification of buyers for orders, quality approval and procurement of fabric and other accessories and raw material. He holds a degree in Bachelor of Commerce. He worked as General Manager with Avenier Impex for over 5 years. Later on he started his own business as buying agent for about 6 years from 1999 to the year 2005. He joined our organization on February 20, 2005 and is currently designated as Head- Apparel Division. His current remuneration is Rs. 6.00 lacs p.a.

Ms. Shweta Gupta, Head - PR & General Administration, aged 28 years has an experience of about 7 years. She is in charge of execution of PR & media activities for the brand promotion and awareness, organize events of promotions to enhance brand awareness in relation to sales, responsible for general administration of the retail divisions. She holds a Masters degree in Personnel Management from Bhartya Vidyapitha Institute. She joined our Company on July 1, 2002. Prior to joining our Company she worked with Sewa International Ltd from June 2000- April 2001 and with M/s Resource Group from May 2001 to November 2001. Currently, she is drawing a remuneration of Rs. 4.20lacs p.a..

Mr. Vijay Kumar Singhla- Vice President Finance, aged 36 years has an experience of more than 10 years in finance and accounts related matters. He is a commerce graduate and a qualified Chartered Accountant. He is also a member of the Institute of Cost & Works Accountants of India. Prior to joining our company, he was working with M/s.Shivalik Global Ltd., Faridabad as Manager Accounts and M/s Oswal Electricals, Faridabad as Senior Divisional Manager - Accounts & Finance. Currently he is drawing a remuneration of Rs. 4.08 lac per annum.

Mr. Sanjeev Sharma, Company Secretary, aged 37 years, has an experience of over 10 years in Corporate Laws, Legal and Secretarial related matters. He is a commerce graduate and a Qualified Company Secretary. Prior to joining us, he was working with Hansuttam Finance Limited as a Company Secretary and he has also worked for 6 years with DS Group which are manufacturers of premium brand PanMasala namely Rajnigandha and other Food products and beverages under the brand name of Catch. He was looking after their corporate matters. He joined us as a Company Secretary on February 12, 2006. Currently, he is drawing a remuneration of Rs. 3.84 lacs p.a..

Mr. Sunil Kumar Mangla, Head- Faridabad Plant, aged 46 years, has an experience of over 24 years. He is responsible for overall working of the Plant at Faridabad. He holds a Bachelor degree in Science. He has worked with M/s K.V.M. Enterprises for 20 years. He joined our organization on April 1, 2002 and is currently designated as Plant-Head, Faridabad in our Company. Currently, he is drawing a remuneration of Rs. 3.00 lacs p.a.

Mr. Pawan Shukla, Manager -Maintenance, aged 31 years, has an experience of over 14 years. He is in charge of all Maintenance Activities in Plant. He holds a degree in Bachelor of Arts. He has worked with Addi Industries, Ghaziabad for 5 years. He joined our organization on 20th February, 2005 and is currently designated as Manager - Maintenance in our Company. Currently, he is drawing a remuneration of Rs. 2.40 lacs p.a.

All the key management personnel are permanent employees of the Company. None of the aforementioned key managerial personnel are related to the promoters of the Company except Ms. Shweta Gupta who is wife of our Director, Mr. Sandeep Gupta and Mr. Sunil Mangla who is son in law of Mr. Chet Ram Gupta.

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Shareholding of the Key Managerial personnel

None of the Key Managerial Personnel of the Company hold any Equity Shares in the Company except as mentioned below:

Sr. No.	Name of Key Managerial personnel	No. of shares Held
1.	Ms. Shweta Gupta	84,746
2.	Mr. Sunil Kumar Mangla	72,000

Bonus or Profit Sharing Plan for the Key Managerial Personnel

There is no Bonus or Profit Sharing Plan for the Key Managerial Personnel of the Company.

Changes in Key Managerial Personnel

Following have been the changes in the key managerial personnel during the last one year:

Sr. No.	Name of Key Managerial personnel	Date of appointment	Date of ceasing	Designation	Reason of change
1.	Mr. Anish Puri	04.06.2005	–	CEO (Retail division)	Appointment
2.	Mr. Gautam Mehta	02.01.2006	–	Head- Apparel Division	Appointment
3.	Ms. Shweta Gupta	01.07.2002	–	Head - PR & General Administration	Appointment
4.	Mr. Sanjeev Sharma	12.02.2006	–	Company Secretary	Appointment
5.	Mr. Sunil Kumar	01.04.2002	–	Head, Faridabad Plant	Appointment
6.	Mr. Pawan Shukla	20.02.2005	–	Manager-Maintenance	Appointment
7.	Mr. Manish Gupta	01.07.2005	29.12.2005	Head- Manesar Plant	Promoted as Director of the Company
8.	Mr. Vijay Kumar Singhla	01.05.2006	–	Vice President Finance	Appointment

Employee Stock Option Scheme

Presently, the Company does not have any Employee Stock Option Scheme.

Payment or Benefit to Officers of the issuer company (non-salary related).

Except as stated in section titled "Our Management" on page no. 63 to 72 of the Prospectus, no amount or benefit has been paid or given within the two preceding years or intended to be paid to the officers of the company except the normal remuneration or sitting fees for services rendered as Directors, officers, employees.

There has been no such payment or benefit given to the officers of the Company.



OUR PROMOTERS

The promoters of our company are Mr.Subhash Gupta, Mr. Sushil Gupta Mr. Sandeep Gupta, Mr. Manish Gupta, Mr. Chet Ram Gupta, CSB Capital Ltd. & Richa Clothing Pvt. Ltd.

PROMOTERS WHO ARE INDIVIDUALS

The promoters of our company who are individuals are Mr.Subhash Gupta, Mr. Sushil Gupta Mr. Sandeep Gupta, Mr. Manish Gupta and Mr. Chet Ram Gupta.

1. Mr. Subhash Gupta



Voter ID No. : HR/06/52/403371

Driving License No. : 5337

Mr. Subhash Gupta aged 48 years is the Chairman of our Company having more than 23 years of experience in the textile industry. He is associated with the Company since its inception. He has been appointed as the Non-Executive Chairman of the Company w.e.f. 29.12.05. He is a Graduate by qualification.

Mr. Subhash Gupta started his career in 1975 as a cloth merchant. During his long tenure of 31 years in the business he gained a lot of experience of textile business. He is also on the Board of other group Companies.

2. Mr. Sushil Gupta



Voter ID No. : HR/06/52/403373

Driving License No. : 3011/JSD/11.10.1993

Mr. Sushil Gupta, aged 41 years is the Managing Director of our Company, having more than 17 years of experience in the industry. He has wide experience in Textile Industry with exposure in the field of Chemicals & Textiles. He is associated with the Company since its inception. He has been the driving force behind the Company's evolution. He has done his B. Tech (Mechanical) from Kurushetra University, Haryana and M. Tech (CAD/ CAM) from IIT- Delhi.

He started his career in the year 1988 as an executive in Axis Cottex Private Limited and worked there for ten months. He has served as a lecturer for few months in Vaish College (Rohtak) in the year 1989. With the background of business and to continue the family business, he decided to leave the job and put the milestone of the business in the year 1991 in the name of 'Usha Processing Mill'. Later on the business of Usha Processing Mill' was taken over by Richa Knits Ltd. Since then he is in this business and is known for his technical capabilities in the industry. His far-sightedness and firm commitment enabled our company to achieve the present status. He is In-charge of overall activities of our Company. His core area of focus remains on R&D, cost effectiveness and customer service. His responsibility includes exercising overall control and supervision of various activities of the Company.

He was conferred with Udyog Patra award for self-made industrialist from IITF for his entrepreneurship & contribution to the industry.

He has also received a Certificate of "Udyog Vibhushan" for Excellence in Industrial Performance by the Institute of Trade and Industrial Development, New Delhi in June 2005.

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3. Mr. Sandeep Gupta



Voter ID No. : HR/06/52/403375

Driving License No.: 9506/F/99

Mr. Sandeep Gupta aged 28 years is the elder son of our Chairman. He has been appointed as the Joint Managing Director of our Company w.e.f. 29.12.05. He has more than 6 years of experience in the textile and garment industry. He is actively involved in the affairs of our company and looks after the customer relations and marketing aspects. He is an MBA in marketing, Graduate in Industrial Relations and Personal Management from Delhi University. He also holds a Diploma in Apparel Production Technology from Pearl Institute & Diploma in Sales & Marketing from NIS (National Institute of Sales). He joined the family business after completing his Graduation in 2000. He has been groomed under the able guidance of Mr. Sushil Gupta, our Managing Director and in the atmosphere of business with the common goal.

Ever since joining the Company, he has assumed responsibilities of activities involved in manufacturing to marketing. Having attained thorough experience of the trade, he is now looking after the Marketing and Finance of the Company.

4. Mr. Manish Gupta



Voter ID No. : JWP2556231

Driving License No. : 40131/F/ 186

Mr. Manish Gupta, aged 27 years is the younger son of our Chairman. He has been appointed as the Whole- time Director of the Company w.e.f. 29.12.05. He joined our company on July 1, 2002. He is in charge of overall working of plant including Knitting, Processing, Dyeing and administration. He is also on the Board of other group Companies.

He has 4 years experience in the line of textile industry. He has done - B.Tech in Textile Chemistry from DKTE, Ichalkaranji, Maharashtra. Shivaji University.

5. Mr. Chet Ram Gupta



Voter ID No. : HR/05/35/078685

Driving License No. : LT/138/5/05

Mr. Chet Ram Gupta, aged 70 years, has an experience of over 50 years in various fields. He has done his Junior Basic Training Course. He is the father of Mr. Subhash Gupta and Mr. Sushil Gupta. He started his career in 1961 as a Teacher. He was one of the Promoters of our Company and he laid the foundation of our Company and contributed towards its growth by virtue of his experience. He resigned from the Board of our Company in the year 2005. He served as a Director of Richa Knits Limited for 12 years.

We confirm that the Permanent Account No., Bank Account No. and Passport No. of all the above Promoters will be submitted to BSE where the Equity Shares are proposed to be listed, at the time of filing of this Prospectus with them.



PROMOTERS WHO ARE COMPANIES

The promoters of our company who are Companies are CSB Capital Ltd. & Richa Clothing Pvt. Ltd..

1. M/s. Richa Clothing Pvt. Ltd.

M/s Richa Clothing Pvt. Ltd. was incorporated in the year June 2002 at Gurgaon . It was promoted by Mr. Subhash Gupta and Ms. Shweta Gupta for undertaking the business of importers & exporters, wholesale and retail dealers of and in men's, women's and children's clothing and wearing apparel readymade garments of every kind, nature and description , and to carry on the business of spinners, weavers, manufacturers, ginners, pressers, packers, bleaching, dyeing, printing and selling of yarn, cloth linen and other goods and fabrics.

The company has not commenced any business activity.

Promoters

i. Mr. Subhash Gupta

Mr. Subhash Gupta, aged 48 years, is a promoter-director of the company having more than 23 years of experience in textile industry. He is a Graduate by qualification. His Voter ID.No.is HR/06-52/403371 and his Driving Licence No. is 5337.

ii. Ms. Shweta Gupta

Ms. Shweta Gupta W/o. Mr. Sandeep Gupta aged 28 years is MPM (Master in Personnel Management) and has more than 4 years of experience. Her Voter Id No. is Not Available , Driving Licence No. is 4012/F/96, PAN No. is AOPP3390G, Passport No is E1746810. She is residing at 944, Sector-15, Part-II, Gurgaon-122001

Date of Incorporation	June 7, 2002
Registered Office of the Company	Plot No. 5, Sectors 7, IMT Industrial Area, Gurgaon.
Pan No.	AACCR8303C
Bank A/c No.	0320051000006448 Lord Krishna Bank Global Business Park, M. G. Road, Gurgaon, Haryana.
Registration No. of the Company	05-034906
ROC	Registrar of Companies NCT, Delhi & Haryana Paryavara Bhavan, B- Block, C.G.O. Complex, Lodhi Road, New Delhi- 110 003

Principal activity: To carry on the business of importers & exporters, wholesale and retail dealers of and in men's, women's and children's clothing and wearing apparel readymade garments of every kind, nature and description, and to carry on the business of spinners, weavers, manufacturers, ginners, pressers, packers, bleaching, dyeing, printing and selling of yarn, cloth linen and other goods and fabrics.

Board of Directors as on December 31, 2005:

Sr. No.	Name of the Director	Designation	Shareholding	% of shareholding
1.	Mr. Subhash Gupta	Director	116748	25.78%
2.	Mrs. Shweta Gupta	Director	45938	10.14%

Shareholding Pattern as on December 31, 2005:

Sr. No.	Name of the Shareholders	No. of Shares	% of Shareholding
1.	Promoter Directors	162686	35.92
2.	Relatives	208232	45.98
3.	Others	82000	18.10
	Total	452918	100.00

RICHA KNITS LIMITED

Brief Financials:

(Amount Rs. In Lacs)

Particulars	2002-03	2003-04	2004-05
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	(0.17)
Equity Share Capital (Rs. 10/- each)	16.19	45.29	45.29
Share application money	31.02	NIL	NIL
Reserves & Surplus (excluding revaluation reserves)	NIL	NIL	(0.17)
Earning Per Share (Rs.)	NIL**	NIL**	(0.038)
Book Value/ Share (Rs.) (Face value Rs. 10/-)	28.35	9.75	9.71
Net Worth	45.89	44.15	43.98

** The company has not generated any profit as no business activity has been commenced

There has been no change in the name of the company and no change in the registered office of the company since incorporation.

The company during the financial year 2004-05 sold land and buildings for a consideration of Rs.1,12,00,000 to the issuer company on the book value and received 755000 shares of Issuer company, as part consideration for the land sold. The balance consideration was adjusted against the security deposit of Rs 9,75,000/-, and payment of Rs 14,12,764/- made by the Issuer Company directly to the HSIDC and the balance of Rs 12,62,236 in cash to Richa Clothing (P) Ltd.

There have been no amalgamation/ takeover since its incorporation, neither it has any subsidiary.

The Company is not enjoying any credit facility from any Bank/ Financial Institution and there are/were no past delay/ defaults to any Bank/ Financial Institution for any borrowing taken by them in past.

The Company has not become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 or is under winding up.

The company has not given any guarantee for loans taken by others from Banks/Financial institutions. The Assets of the Company are not mortgaged to any Banks/ Financial Institutions or lender and are free from all lien.

There has not been any change in the authorized and paid up capital of the company from the date of last audited balance sheet till date (i.e. between 31st March 2005 till date) either by way of fresh issue of shares.

For details on litigations and disputes etc. relating to Richa Clothing Pvt. Ltd., please refer to the section titled " Legal and Other Information" beginning on page no. 115 of this Prospectus.

2. CSB Capital Ltd.

The Company was originally incorporated on August 17, 2001 under the name CSB Infotel Limited and it obtained the certificate of commencement of business on September 6, 2001 from Registrar of Companies, N.C.T. of Delhi & Haryana. The company was promoted by Mr. Ajay Sanghi, Mr. Raj Kumar Gupta, Mr. Jaiwant Bery, Mr. Nomita Bery, Mr. Pran K. Chaudhary, Mr. Amrit Kumar Sanghi, Ms. Ritu Sanghi. The first directors of the Company were Mr. Ajay Sanghi, Mr. Jaiwant Bery and Mr. Pran K. Chaudhary while Mr. Partho Chaudhary joined the Board on 04.10.2001.

The main objects of the Company at the time of incorporation were:

1. To carry on the business of information and technologies, internet services, web server, client server, website designer, other internet related services and to provide consultancy, training , data processing, on line trading for shares and other items and to start integrated services digital lan, call centres, business of medical and legal transcription and to set up technology park in India and abroad.
2. To carry on the business of manufacturing, assemble, import and otherwise dealing in computer hardware, software of all kind, acting as registrar, licence or other intermediary for internet, E-Commerce. E-business, internet application and other digital technologies and programme.
3. To carry on the business of operation, managing, manufacturing, processing, licencing or otherwise dealing in communication through satellite, computer, basic telephone and /or cellular, internet, cable and other means of communication.



The company was acquired by our promoters in the year 2004.

Promoters

i. Mr. Chetram Gupta

Mr.Chetram Gupta, aged 70 years has an experience of over 50 years in various fields including Textile industry.

He is one of the promoters of the Company. He has done his Junior Basic Training Course. His Voter ID No.is HR/05/35/078685 and his Driving Licence No.is LT/138/5/05

ii. Ms. Garima Gupta

Ms. Garima Gupta w/o Manish Gupta aged 26 years residing at 944, sector- 15, Part II, Gurgaon- 122 001 is a B-Tech. She is one of the Directors of the company. Her Voter id No. is Not available and her Driving Licence no. is - 3037/F/2004, PAN No. is AIHPG9207C.

The name of the Company was changed from CSB Infotel Limited to CSB Capital Limited on 20.09.2004. The registered office of the company at the time of commencement of business was at 24, Golf Links, New Delhi. The registered office of the company was shifted to its present address at Arihant Plaza, 4th Floor, 3198/15, Sangathrashan, Gali No. 1, Pahar Ganj, New Delhi-110 055 w.e.f 8th April, 2004.

The Company is a Non-Banking Financial Services Company registered with RBI vide Registration no. N-14.03044 dated December 7, 2004 to carry on the business of Non-Banking Financial Services.

Principal activity : Investment, Leasing & Financing

We have changed the object clause of this company to include the activities currently being pursued by the Company viz. investment, leasing, financing.

The Company was originally incorporated on August 17, 2001 under the name CSB Infotel Limited and it obtained the certificate of commencement of business on September 6, 2001 from Registrar of Companies, N.C.T. of Delhi & Haryana. The company was acquired by our promoters in the year 2004.

The name of the Company was changed from CSB Infotel Limited to CSB Capital Limited on 20.09.2004. The registered office of the company at the time of commencement of business was at 24, Golf Links, New Delhi. The registered office of the company was shifted to its present address at Arihant Plaza, 4th Floor, 3198/15, Sangathrashan, Gali No. 1, Pahar Ganj, New Delhi-110 055 w.e.f 8th April, 2004.

The Company is a Non-Banking Financial Services Company registered with RBI vide Registration no. N-14.03044 dated December 7, 2004 to carry on the business of Non-Banking Financial Services.

Principal activity: Investment, Leasing & Financing

We have changed the object clause of this company to include the activities currently being pursued by the Company.

Date of Incorporation	August 17, 2001
Registered Office of the Company	4th Floor, 3198/15, Arihant Plaza, Sangathrashan, Gali No. 1, Pahar Ganj, New Delhi-110 055
Pan No.	AAABC7401M
Bank Current A/c No.	4256 Indian Overseas Bank NIT Faridabad, I C/ 47-48 NIT Faridabad- 121001.
Registration No. of the Company	55-112071
ROC	Registrar of Companies NCT, Delhi & Haryana Paryavara Bhavan, B- Block, C.G.O. Complex, Lodhi Road, New Delhi- 110 003.

Board of Directors as on December 31, 2005:

Sr. No.	Name of the Director	Designation	No of shares	% of Shareholding
1.	Mr. Chet Ram Gupta	Director	366600	36.94%
2.	Ms. Garima Gupta	Director	296400	29.87%
3.	Ms. Shweta Gupta	Director	1500	0.15%

RICHA KNITS LIMITED

Shareholding Pattern as on December 31, 2005:

Sr. No.	Name of the Shareholders	No. of Shares	% of Shareholding
1	Promoter Directors	664500	66.97
2	Relatives	327800	33.03
3	Others	Nil	Nil
	Total	992300	100.00

Brief Financials:

(Rs. In Lacs)

Particulars	2002-03	2003-04	2004-05
Sales & Other Income	NIL	0.70	3.56
PAT	NIL	0.01	(0.04)
Equity Share Capital	8.55	99.2	99.2
Share application money	2.00	NIL	NIL
Reserves & Surplus (excluding revaluation reserves)	NIL	163.89	163.85
Earning Per Share (Rs.)	NIL	0.0013	(0.004)
Book Value/ Share (Rs.) (Face value Rs. 10/)	11.87	26.49	26.49
Net Worth	10.15	262.76	262.81

The Equity shares of the Company are not listed on any Stock Exchange. There have been no amalgamations / takeovers since its incorporation, except as stated above. The Company does not have any subsidiary.

The Company has not become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 or is under winding up.

The Company is not enjoying any credit facility from any Bank/ Financial Institution and there are/were no past delay/ defaults to any Bank/ Financial Institution for any borrowing taken by them in past.

The company has not given any guarantee for loans taken by others from Banks/Financial institutions. The Assets of the Company are not mortgaged to any Banks/ Financial Institutions or lender and are free from all liens.

There has not been any change in the authorized and paid up capital of the company from the date of last audited balance sheet till date either by way of fresh issue of shares to outsiders or preferential allotment of shares.

For details on litigations and disputes etc. relating to CSB Capital Ltd., please refer to the section titled "Legal and Other Information" beginning on page no. 115 of this Prospectus.

We confirm that the Permanent Account number, Bank Account number, the company Registration numbers and the addresses of the Registrar of Companies of all our above promoter companies, will be submitted to the BSE at the time of filing of this Prospectus with them.

Interest of the Promoters

The Promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arriving from their holding directorship in the company. Except as stated on page no. 57 of this Prospectus our Promoters are not interested in any property acquired by our company within two years from the date of this Prospectus.

Except as stated on page no 62 in this Prospectus we have not entered into any contract/ agreements / arrangements during the preceding 2 years from the date of this Prospectus in which the Directors are directly / indirectly interested.

Payment or benefit to Promoters

There is no payment or benefit to be given to the promoters of the Company other than being a shareholder or remuneration as a Director of the Company.

For details of payments or benefits paid to the promoters of our Company, please refer to paragraph Compensation to Directors in the section titled "Our Management" beginning on page no. 65 of this Prospectus.

Relationship between the Promoters, Directors and Key Managerial Personnel

Mr. Chet Ram Gupta is the father of Mr. Subhash Gupta & Mr. Sushil Gupta and there exists a father-son relationship between them. Mr. Sushil Gupta is the younger brother of Mr. Subhash Gupta. Mr. Subhash Gupta is father of Mr. Sandeep Gupta and Mr. Manish Gupta. Mr. Manish Gupta is the younger brother of Mr. Sandeep Gupta. Mrs. Shweta Gupta is the wife of Mr. Sandeep Gupta. Mr. Sunil K. Mangla is son in law of Mr. Chet Ram Gupta.

Except as stated above, there is no relation between any promoters, Director and Key Managerial personnel of the Company.



INFORMATION OF THE GROUP COMPANIES

The following are the brief details of our group companies:

1. M/s. Richa Capital Pvt. Ltd.

Date of Incorporation	January 28, 2005
Registered Office of the Company	BW-58A, SFS Flats, Shalimar Bagh, New Delhi
Pan No.	AACCR9217R
Bank Current A/c No.	201
Registration No. of the Company	55-132492
ROC	Registrar of Companies NCT, Delhi & Haryana Paryavara Bhavan, B- Block, C.G.O. Complex, Lodhi Road, New Delhi- 110 003.

Principal activity: The company has been incorporated as a Non-Banking Financial Company under the Companies Act, 1956 to carry on the business of Non-Banking Financial Services.

The Company has made an application vide letter dated 7.03.2006 to Department of Supervision, Financial Companies Wing, Reserve Bank of India for certificate of Registration to commence / carry on the business of a Non-Banking & Financial Company.

Board of Directors:

1. Mr. Manish Gupta
2. Mrs. Usha Gupta

Shareholding Pattern:

Sr. No.	Name of the Shareholder	No. of Shares held	% of Shareholding
1.	Promoter & Family members	490800	32.38
2.	Others	1025000	67.62
	Total	1515800	100.00

Brief Financials:

(Amount Rs. In Lacs)

Particulars	2004-05	28.02.06 (audited)
Sales & Other Income	NIL	NIL
PAT	(0.12)	(0.01)
Equity Share Capital (Rs.10 each)	47.58	151.58
Share Application Money	8.00	---
Reserves & Surplus (excluding revaluation reserves)	40.33	144.02
Earning Per Share (Rs.)	(0.026)	---
Book Value/ Share (Rs.)	18.48	19.50
Net Worth	87.91	295.60

The shares of Richa Capital Pvt. Ltd. are not listed on any Stock Exchange. There have been no amalgamations/ takeovers since its incorporation, neither it has any subsidiary.

There has not been any change in the authorized and paid up capital of the company from the date of last audited balance sheet till date either by way of fresh issue of shares to outsiders or preferential allotment of shares.

The company is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995.

For details on litigations and disputes etc. relating to Richa Capital Pvt. Ltd., please refer to the section titled "Legal and Other Information" beginning on page no. 115 of this Prospectus.

RICHA KNITS LIMITED

2. M/s. Richa Processing Mills (P) Limited

Date of Incorporation	January 11,2005
Registered Office of the Company	BW-58A, SFS flats, Shalimar Bagh, New Delhi
Pan No.	AACCR9926K
Bank A/c No.	4201
Registration No. of the Company	55-1926
ROC	Registrar of Companies NCT, Delhi & Haryana Paryavara Bhavan, B- Block, C.G.O. Complex, Lodhi Road, New Delhi- 110 003

Principal activity : To carry on the business of manufacturers, producers, processors, importers, exporters, buyers, sellers of and dealers in all kinds of fibres, fabrics, knitting and textile and hosiery goods.

Board of Directors:

1. Mr. Subhash Gupta
2. Mr. Sunil Mangla

Shareholding Pattern as on December 31, 2005:

Name of the Shareholders	No. of shares held	% of shareholding
Mr. Subhash Gupta	5000	50
Mr. Sunil Mangla	5000	50
Total	10000	100

Brief Financials:

(Rs. In Lacs)

Particulars	2004-05
Sales & Other Income	Nil
PAT	Nil
Equity Share Capital (Rs. 10 each)	1.00
Share Application Money	23.70
Reserves & Surplus (excluding revaluation reserves)	Nil
Earning Per Share (Rs.)	Nil
Book Value/ Share (Rs.)	(3.56)
Net Worth	(0.36)

Note: Since it is the first year of operation of the company and the company has not commenced any business activity during the year, Profit & Loss Account for the year ended 31st March, 2005 has not been prepared.

The shares of M/s. Richa Processing Mills (P) Limited are not listed on any Stock Exchange. There have been no amalgamations/ takeovers since its incorporation, neither it has any subsidiary.

There has not been any change in the authorized and paid up capital of the company from the date of last audited balance sheet till date (i.e. between 31st March 2005 till date) either by way of fresh issue of shares to outsiders or preferential allotment of shares.

The Company is not enjoying any credit facility from any Bank/ Financial Institution and there are/were no past delay/ defaults to any Bank/ Financial Institution for any borrowing taken by them in past.

The company is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995.

For details on litigations and disputes etc. relating to M/s Richa Processing Mills Pvt. Ltd., please refer to the section titled "Legal and Other Information" beginning on page no. 115 of this Prospectus.



3. Richa & Company, a Partnership Firm

A deed of partnership was entered into between Mr. Subhash Gupta and Mr. Avnish Gupta on 26th June 2002. The Head Office of the firm is at Plot No 5, Sector-7, IMT Manesar, district Gurgaon.

Principal Activity:

The firm has entered into a lease agreement with Richa Knits Limited under the terms of which it receives a monthly lease rental of Rs 2000/-

The Lease Agreement was entered into on 1st April 2004 for a period of 30 years beginning from 1st August 2004 to 1st August 2034, at a monthly lease rental of Rs.2000/-. The agreement was time-bound for a period of 30 years and could be terminated by giving 3 months' notice by the lessee. The Agreement was terminated w.e.f. 1st April 2005 by the Lessee.

Partners & Shareholding Pattern

Sr No	Partners	% Share
1	Shri Subhash Gupta	65%
2	Shri Avnish Gupta	35%
	Total	100%

Brief Financials:

(Rs. In Lacs)

Particulars	2003-04	2004-05
Sales & Other Income	NIL	0.16
PAT	*NIL	0.13
Partners Capital	11.01	11.14
Reserves & Surplus (excluding revaluation reserves)	NIL	NIL

4. Chet Ram Gupta & Sons (HUF)

Date of Formation: 10.04.1990

Office: 1265, Sector - 19, Faridabad

Principal Activity: Earning interest on Loans & Investments

Name of Karta: Mr. Chet Ram Gupta

The brief financials of the firm for the past three Financial Years are as follows:

(Rs. in lacs)

Particulars as on March 31	2003	2004	2005
Capital	7.03	7.81	8.67
Interest Income	0.88	0.85	0.96
Income after Tax	0.81	0.79	0.88

5. Sushil Gupta & Sons (HUF)

Date of Formation: 6.02.03

Office: 1265, Sector - 19, Faridabad

Principal Activity: Earning interest on Loans & Investments

Name of Karta: Mr. Sushil Gupta

The brief financials of the firm for the past three Financial Years are as follows:

(Rs. in lacs)

Particulars as on March 31	2003	2004	2005
Capital	1.34	1.34	1.34
Interest Income	0.04	-	-
Income after Tax	0.04	-	-

RICHA KNITS LIMITED

6. Subhash Gupta & Sons (HUF)

Date of Formation: 9.06.1999

Office: 1265, Sector - 19, Faridabad

Principle Activity: Earning interest on Loans & Investments

Name of Karta: Mr. Subhash Gupta

The brief financials of the firm for the past three Financial Years are as follows:

(Rs. in lacs)

Particulars as on March 31	2003	2004	2005
Capital	15.01	15.73	16.44
Interest Income	0.72	0.70	0.79
Income after Tax	0.69	0.67	0.74

Disassociations during last 3 years

By Company

Richa Filling Station

Richa Knits started the business of Indian Oil Petrol Pump as a division under the name and style of M/S Richa Filling station situated at Stone, NH-8, Village Siddharwadi, Towards Jaipur Highway, District Gurgaon, Haryana since 16.9.04 which was subsequently converted into a Partnership firm by inducting Mr. Satish Kapoor as partner w.e.f 1st April, 2005 vide Partnership deed dated 1st June 2005. The share of Richa Knits Limited in the firm was 65%. The main business of the firm was to run the Indian Oil filling station or such other business as decided by parties from time to time. In order to focus on the textile business, Richa Knits Ltd Management decided to hive off its share of the business in the partnership firm and accordingly the Partnership firm was dissolved on 1st August, 2005 between the above stated parties. It was mutually agreed among the partners that the retiring partner i.e. Richa Knits Limited should be paid a sum of Rs. 20.03 lacs within one year from the date of execution of the dissolution deed. As per the agreement the company shall receive the money before July 2006. In order to concentrate on our core business we have sold our entire investment in M/s Richa Filling Station.

Common Pursuits and Nature of Interest

The main object clause of the Memorandum of Association of our group companies viz. M/s. Richa Processing Mills (P) Limited and Richa Clothing Pvt. Ltd. permit them to undertake the business of processing and dyeing, and readymade garments. In future, if they get into the business of processing and dyeing, and readymade garments that may lead to conflict of interest between us and our group entities.

The Promoters of the company have initiated steps to change the object clause of the promoter company viz. Richa Clothing Pvt. Limited to avoid any conflict of interest.



RELATED PARTY TRANSACTIONS

For the detail of such transaction, please refer to the section titled 'Financial Statements' beginning from page no. 100 of this Prospectus.

CURRENCY OF PRESENTATION

Throughout this Prospectus, all figures have been expressed in lacs, unless otherwise stated. Unless the context otherwise requires, all references to one gender also refers to another gender and the word "lac" or "lakhs" or "lakh" means "100 thousand", the word "crore" means "100 lacs" and the word "billion (bn)" means "100 crores". In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off. In the section titled "Industry", some figures have been expressed in billions.

All references to "India" contained in this Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US\$" or "U.S. Dollars" are to United States Dollars, the official currency of the United States of America.



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. The Company has not declared or distributed any dividend on Equity shares of the Company since incorporation.

SECTION V - FINANCIAL INFORMATION OF THE COMPANY

FINANCIAL STATEMENTS OF THE COMPANY

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

The Board of Directors
Richa Knits Limited
Plot No. 4 & 5, Sector 7 IMT Manesar,
Gurgaon

Subject: Your Proposed Public Issue

Dear Sirs,

We have examined the financial information of the Richa Knits 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),
- 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 Initial Public Offer (IPO).

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 and 2006, (**Annexure I**) and accompanying statement of restated Profit & Loss of the company for the financial year(s) ended March 31, 2002, 2003, 2004, 2005 and 2006 (**Annexure II**) as prepared by the company and approved by the Board of Directors. These Statements reflect 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 adjustments, regrouping as in our opinion are appropriate and more fully described in the Notes appearing in (**Annexure III**) to this report.
2. Based on our examination of these summary statements we confirm that:
 - The impact arising on account of changes in accounting policies adopted by the company has been adjusted with the retrospective effect in the attached summary statements.
 - The previous year adjustments have been made in the summary statements in the years to which they relate.
 - The impact of qualifications in auditors report wherever applicable has been adjusted in the attached summary statements.
 - The impact of extra-ordinary items have been considered while preparing the statement.
3. The Company has not declared/paid any dividend in respect of the accounting years ended on March 31, 2002, 2003, 2004, 2005 and 2006 as mentioned in (**Annexure V**) to this report.
4. 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. Accounting Ratios as appearing in **Annexure VI** to this Report.
 - ii. Capitalization statements as at March 31, 2006 as appearing in **Annexure VII** to this report.
 - iii. Statement of tax shelters as appearing in **Annexure VIII** to this report.
 - iv. Details of secured loans as appearing in **Annexure IX** to this report.
 - v. Details of Unsecured loans as appearing in **Annexure X** to this report.
 - vi. Details of Debtors as appearing in **Annexure XI** to this report.
 - vii. Details of Loans & Advances as appearing in **Annexure XII** to this report.



- viii. Details of Contingent liabilities as appearing in **Annexure XIII** to this report.
- ix. Details of Capital Commitment as appearing in **Annexure XIV** to this report
- x. Details of Related party, Relationship & Transaction and significant transaction with related parties as appearing in **Annexure XV** to this report.
- xi. The principal terms of secured loans and assets charged as securities and principle terms of unsecured loans as appearing in **Annexure XVI** to this report
- xii. Details of other Income as appearing in **Annexure XVII** to this report
- xiii. Cash Flow Statement as appearing in **Annexure XVIII** to this report.

In our opinion the financial information of the Company as stated above read with significant accounting policies attached in **Annexure IV** to this report, after making adjustments/restatements and regroupings as considered appropriate and has been prepared in accordance with Part II of schedule II of the Companies Act, 1956 and the Guidelines issued by SEBI.

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 to be used, referred to or distributed for any other purpose without our prior written consent.

Thanking you,

For Tayal & Co.
Chartered Accountants
R.A.Gupta
Partner
Membership No. - 80997

Place: Faridabad

Date: 13th June , 2006

RICHA KNITS LIMITED

ANNEXURE - I

SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS RESTATED

(Rs. In Lacs)

Particulars		Financial Years ended March, 31				
		2002	2003	2004	2005	2006
A	Fixed/Intangible Assets					
	Gross Block	578.02	669.65	901.86	1,410.44	2765.95
	Less : Depreciation	57.97	89.88	129.90	186.33	270.39
	Net Block	520.05	579.77	771.96	1224.11	2495.56
B	Capital Work in progress	-	0.14	-	239.21	5.00
C	Investments	-	-	-	-	-
D	Current Assets, Loans and Advances :					
	Inventories	43.44	78.32	214.45	307.59	1054.12
	Sundry Debtors	109.09	239.66	330.89	451.22	743.20
	Cash and Bank Balances	26.62	20.58	29.77	146.20	35.42
	Loans and Advances	7.85	54.79	142.58	223.82	383.79
	Total	187.00	393.35	717.69	1,128.83	2216.53
E	Liabilities and Provisions:					
	Secured Loans	334.95	456.03	528.71	1,298.78	2286.08
	Unsecured Loans	49.48	56.73	45.86	57.02	138.84
	Current Liabilities and Provisions	86.80	89.78	374.63	277.11	428.29
	Deferred Tax Liability	-	41.00	62.93	96.97	164.70
	Total	471.23	643.54	1,012.13	1,729.88	3017.91
F	Networth (A+B+C+D-E)	235.82	329.72	477.52	862.27	1699.18
G	Represented By					
	1. Share Capital	137.80	137.80	143.37	218.87	809.94
	2. Share Application Money	3.57	5.57	7.20	102.20	0.00
	3. Reserves	102.20	192.11	331.12	580.76	980.49
	Total	243.57	335.48	481.69	901.83	1790.43
H	Miscellaneous Expenditure to the extent not written off or adjusted	7.75	5.76	4.17	39.56	91.25
I	Net worth (G-H)	235.82	329.72	477.52	862.27	1699.18

Note: The Above statement should be read with the notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure III and IV to the report.



ANNEXURE -II

SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT AS RESTATED

(Rs. In Lacs)

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
A. Income					
Sale of Products					
- Knitted Fabrics & Garments	264.93	399.04	677.80	681.85	2054.18
- Exports (Garments/Fabrics)	–	141.71	207.29	537.92	683.93
- Retail Outlet - IOC Job Work/Processing	–	–	–	332.73	218.53
- Knitting & Processing Charges	346.58	679.79	662.10	938.48	1094.55
Total	611.51	1,220.54	1,547.19	2,490.98	4051.19
Other Incomes	4.52	13.78	13.10	50.78	50.31
Increase/Decrease in Inventories	17.01	21.19	39.94	86.46	444.88
Total	633.04	1,255.51	1,600.23	2,628.22	4546.38
B. Expenditure					
Raw Material Consumed	337.37	659.98	832.58	1,432.83	2645.95
Stores Consumed	6.41	14.15	16.82	14.10	22.52
Power & Fuel	91.61	155.09	152.35	217.37	298.50
Personnel Expenses	44.13	80.54	102.29	176.41	345.88
Other Manufacturing Expenses	13.37	63.67	78.14	148.17	164.95
Administrative expenses	31.78	52.29	77.45	87.91	151.76
Selling & Distribution Expenses	5.22	33.03	61.33	171.69	145.37
Excise Duty	–	–	43.45	38.85	–
Interest	20.51	32.70	40.15	89.32	135.74
Bank charges	0.83	4.08	8.92	9.05	16.68
Forex Loss	–	–	1.97	–	–
Total	551.23	1,095.53	1,415.45	2,385.69	3927.35
Net Profit Before Depreciation, Tax & Prior Period Items (A-B)	81.81	159.98	184.78	242.53	619.03
Depreciation	27.41	69.13	78.52	102.68	92.58
Net Profit Before Tax & Prior Period Items	54.40	90.85	106.26	139.85	526.45
Provision for Income Tax					
- Current Tax	4.20	10.30	12.90	17.80	45.00
- Deferred Tax	–	19.00	21.93	34.04	67.73
- Fringe Benefit Tax	–	–	–	–	1.35
Tax Paid/Provision Written Back for earlier year	0.06	0.08	1.40	0.12	(0.66)
Net Profit Before Extra Ordinary Items	50.14	61.47	70.03	87.89	413.03
Extra Ordinary Items	–	–	–	–	–
Net Profit after Extra Ordinary Items before adjustments (A)	50.14	61.47	70.03	87.89	413.03

RICHA KNITS LIMITED

ADJUSTED PROFIT AND LOSS ACCOUNT (AS PER SEBI GUIDELINES)

(Rs. In Lacs)

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
Net Profit before Adjustments	50.14	61.47	70.03	87.89	413.03
Adjustments for					
Change in Method of Depreciation (B)	9.58	37.09	38.50	46.16	–
Total Impact of Adjustments	9.58	37.09	38.50	46.16	–
Tax Impact of Adjustments	(0.60)	0.60	–	–	–
Total of Adjustments after Tax impact	8.98	37.69	38.50	46.16	–
Restated Net Profit after adjustments	59.12	99.16	108.53	134.05	413.03
Add : Balance Brought Forward from Previous year	43.08	102.20	179.36	287.89	421.94
Less: Deferred Tax Liability	–	22.00	–	–	–
Balance carried forward to Summary of Assets & Liabilities	102.20	179.36	287.89	421.94	834.97

Note: The above statement should be read with the Notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure III & IV to the report.

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 year ended 31.3.2002 to 31.3.2006. 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:

Depreciation of IMT UNIT

This year the company has decided to provide for depreciation on SLM since inception as against WDV method adopted upto 31.03.2005. As a result the depreciation for the year is lowered by Rs. 113,29,415 /-. Further due to change in depreciation method earlier previous years depreciation amounting to Rs (1,31,33,066 /-) are written back to Profit & Loss Account. As a consequence reserve & surplus of the company are higher by Rs (1,31,33,066 /-) in total.

3. Material Regroupings

a) Upto the period ended 31.03.2005, Deferred tax liability was shown as part of net worth. During the period ended 31.03.2006, the company has changed its classification and accordingly deferred tax liability is now shown under the head Liability and Provisions. Details of deferred tax liability for the financial year ended 31.03.2003, 31.03.2004, 31.03.2005, 31.03.2006 has been regrouped and disclosed accordingly.

b) Upto the period ended 31.03.2005, the company was showing gross turnover (inclusive of excise duty) only in the profit and loss account. During the period ended 31.03.2006 the company changed its presentation & excise duty now shown under heading expenditure in the profit & loss account. The summary statement of Profit & Loss account as restated for the financial year ended 31.03.2002, 31.3.2003, 31.03.2004, 31.03.2005, 31.03.2006 has been regrouped and disclosed accordingly.

c) Upto the period ended 31.03.2005, share application money was grouped under the head Current Liabilities & Provisions. During the period ended 31.03.2006 share application money is regrouped under Shareholders Fund. The summary statement of Assets & Liabilities as restated for the financial year ended 31.03.2002, 31.3.2003, 31.03.2004, 31.03.2005, 31.03.2006 has been regrouped and disclosed accordingly.

4. Current Tax Impact of adjustments

Current tax impact of adjustments relates to tax effect on adjustments made for restatement of the financial statements. The company has filed income tax returns, wherein the tax liability was computed under the regular provisions of income



tax act. Hence the tax effects have been recomputed, at the MAT rate applicable to these respective years for adjustments, which have altered the book profit for those years. Accordingly the tax effect of recomputation at the MAT rate is increase in provision for tax of Rs.60000 in year 2002 & set off against provision for tax of Rs.60000 in year 2003 (Under section 115JA & 115JB, of Income tax Act 1961).

ANNEXURE - IV

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

A. SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF ACCOUNTING:

- a) The Financial statements have been prepared under the historical cost convention, unless stated otherwise, on a going concern basis, and in accordance with the generally accepted accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956 as adopted consistently by the Company, to the extent applicable.
- b) The Company has entered in to partnership with Sh. Satish Kumar to run the Indian Oil Co. Outlet wide partnership dated 01/06/2005. Later on the said partnership was dissolved on 01/08/2005 w.e.f. 01/08/2005 and all the Assets and Liabilities given to Sh. Satish Kumar with the right to run Indian Oil Company outlet to Sh. Satish Kumar wide dissolution deed dated 01/08/2005. There shall not be any effect in the going concern of the company.
- c) The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

II FIXED ASSETS AND DEPRECIATION

Fixed assets are capitalised at acquisition cost, including directly attributable cost (if any) for bringing the assets to its working condition for intended use.

Expenditure on renovation/modernization relating to existing fixed assets is added to the cost of such assets as it increases its performance significantly.

DEPRECIATION

(a) Faridabad Unit :-

Depreciation on fixed assets is provided on written down value (W.D.V) method at the rates in the manner prescribed in schedule XIV to the companies Act, 1956. Depreciation on plant & machinery is being charged @13.91%.

(b) IMT Unit :-

This year the company has decided to provide for depreciation on SLM since inception as against WDV method adopted upto 31.03.2005. As a result the depreciation for the year is lowered by Rs. 1,13,29,415/-. Further due to change in depreciation method earlier previous years depreciation amounting to Rs. 1,31,33,066 /- are written back to Profit & Loss Account. As a consequence reserve & surplus of the company are higher by Rs. 1,31,33,066 /- in total.

III INVENTORY

Inventories are valued at lower of cost or net realizable value. In case of raw materials, packing material, stores and spares, the cost includes duties and taxes (net of cenvat/vat, wherever applicable) and is arrived on FIFO basis. Finished goods & WIP cost includes the cost of raw materials, an appropriate share of fixed and variable production overheads on the basis of standard cost method. Obsolete, defective and unserviceable stocks are provided for wherever required.

IV EMPLOYEES' RETIREMENT BENEFITS

The Company is making regular contribution to PF and other statutory funds and the contribution is charged to P & L Account. No provision has been made in accounts with respect of liability for further gratuities and leave encashment payable to the employees of the company, since the amount is not material. It is being debited to P & L account on actual payment.

V REVENUE RECOGNITION

The income & expenditure are accounted for on accrual basis except leave encashment and gratuity which are accounted for on cash basis. Sales are recognized when goods are supplied and are recorded inclusive of excise duty from customer but exclude trade discounts and rebates. Export incentives receivable in cash are recognized as income on exports being made. Export sales include goods invoiced against confirmed orders/LC

RICHA KNITS LIMITED

VI DEFERRED REVENUE EXPENDITURE

Pre-operative expenditure are being amortised over a period of 5 years.

VII TAXES ON INCOME:

- a) Current tax is determined on the amount of tax payable in respect of taxable income for the year.
- b) Deferred tax has been recognized considering that timing differences being the differences between taxable incomes and accounting income that originate in one accounting period and are capable of reversal in one or more subsequent periods.

VIII GOVERNMENT GRANTS

Subsidy/Grant receivable on the total cost of new project implemented at Manesar from Textile up- gradation funds allotted by Ministry of Textiles for modernization of textile industry to meet post quota regime. It is recognized in the current financial year and treated as capital reserve.

(Rs. In Lacs)

Outstanding Balance as on	31.3.2003	31.3.2004	31.3.2005	31.03.2006
	12.15	43.22	158.82	364.38

IX TRANSACTIONS IN FOREIGN EXCHANGE

Transaction in foreign currency is recorded at the exchange rate prevailing on the date of transaction. Monetary items denominated in foreign currency at the year end are translated at year end rates which is likely to be realized from, or required to disburse at the balance sheet date. The exchange difference arising on settlement of monetary items at the rate different from those at which they were initially recorded are recognized as income or expense in the year in which they arise except exchange differences on liability incurred for acquisition of fixed assets from out side India which are capitalized / de-capitalized .

X PURCHASE OF RAW MATERIAL

Cost of Purchase less CENVAT Credits constitute purchase price and includes duties, Freight inward and other cost directly attributable to such purchase in the year in which they are accounted, whether the expenditure is immediate or deferred

XI EXCISE DUTY

Excise duty in respect of finished goods produced by the company accounted for at the time of removal of goods from the factory for sale. The accounting treatment has no impact on profit for the year.

XII SALES/ TRANSFER

Inter-unit transfers of finished goods for captive consumption are valued at market price. The value of such inter-unit transfers is included in the materials consumption of the consuming units.

XIII PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation is a result of past events and it is probable that there will be outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

XIV EXPENDITURE DURING CONSTRUCTION PERIOD

In respect of new projects, all expenses including interest incurred up to the date of commencement of commercial production are capitalized. In respect of substantial expansion of business at existing location only direct costs are capitalized together with interest on the funds related to them up to the date of commercial production.

XV MISCELLANEOUS EXPENDITURE

Miscellaneous Expenditure includes

1) Deferred revenue expenditure incurred	Rs. 81,07,523 /-
2) Preliminary expenses.	Rs. 10,17,244 /-
	<u>Rs. 91,24,767 /-</u>

Preliminary expenses and deferred revenue expenditure are amortized over a period of 5 years.



XVI BONUS SHARE:-

The Company has declared bonus share in the ratio of 1:1, to the existing shareholders in the Extra ordinary General Meeting of the company held on dt. 29.12.2005 as fully paid up by capitalization of previous years profits.

B. NOTES ON ACCOUNTS

1. DIRECTORS' REMUNERATION

	(Rs. In lacs)		
	31.3.2004	31.3. 2005	31.03. 2006
Salary & Allowance	10.68	10.80	19.40
Contribution to Provident Fund	0.32	0.28	0.22
Perquisites	2.09	3.18	1.67

- Amount of borrowing cost capitalized to fixed assets during the period ended 31.03.2006 is Rs.35.20 lacs (Previous year Nil)
- All the current Assets, Loans and Advances, in the opinion of the board, have a value on realization which in the ordinary course of business shall at least be equal to the amount, at which it is stated in the Balance Sheet.
- Computation of Net Profit in accordance with section 198/349 of the Companies Act, 1956 has not been given as no commission is payable to Managing/Whole time Director.
- Substantial portion of the inventory of Finished Goods & WIP relates to firm export orders on hand.
- Sundry debtors and sundry creditors are subject to confirmation of respective parties.
- The outstanding dues (not more than 30 days beyond the credit period) to Small Scale Industrial (Name of SSI Units-D.S.Plastics,Ganpati Packaging, Global Knits, Sachin Thread Industries, Rahul Udyog, Dynamic Packaging Industries,Sunrise Embroidery Pvt. Ltd., Sudhir Shashi Embroidery, Shiv Dyeing, Natraj Packaging) undertakings are as under:

	(Rs. in Lac)					
Particulars	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005	31.03.2006
Dues to SSI (not more than 30 days beyond the credit period)	-	1.84	10.20	2.90	19.72	8.80

8. DEFERRED TAX LIABILITY

Major component of deferred tax liability, arising on account of timing Difference is depreciation charged on fixed assets:

	(Rs. In lacs)			
Particulars	31.3.2003	31.3.2004	31.3.2005	31.03.2006
Deferred Tax Liability (Net)	41.00	62.93	96.97	164.70

9. AUDITOR'S REMUNERATION

	(Rs. in lacs)		
	31.3. 2004	31.3. 2005	31.03. 2006
Audit Fee	0.70	1.30	1.30
Tax Audit Fee	0.10	0.20	0.20
Income Tax Matters	0.11	0.11	0.33
Total*	0.91*	1.61*	1.83*

*Exclusive of service Tax

RICHA KNITS LIMITED

10. SEGMENT INFORMATION:

a) Primary Segment Reporting by Business Segment:

Based on the guidelines in Accounting Standard on Segment Reporting (AS-17) issued by the ICAI, Company's primary business segments are

- Manufacture in textiles. The Textile Business incorporate the product groups namely: Dyeing & Processing of Woven and Knitted Fabrics and Processing and Dyeing of Yarn and Manufacture of Knitted fabric & Readymade Garments and Sewing Threads, which mainly have similar risks and returns.
- Retail Outlets IOC : Trading in products of Indian Oil Corporation.

b) Secondary Segment Reporting (By Geographical Segments):

The following is the distribution of the Company's consolidated sales by geographical segment, regardless of where the goods were produced.

(Rs. in lacs)

Particulars	31.3. 2004	31.3. 2005	31.03. 2006
(i) Sales to Overseas Market*	207.29	537.92	683.93
(ii) Sales to Domestic Market	1339.90	1953.06	3367.26

* Exclusive of Export Incentives

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

11. CALCULATION OF EARNING PER SHARE

Particulars	31.3.2003	31.3.2004	31.3.2005	31.03.2006
A Profit Attributable to the Equity Shareholders (Rs Lacs)	99.16	108.53	134.05	413.03
B i) Number of Equity shares Outstanding at the year end	13,77,941	14,33,681	21,88,681	80,99,362
2 Weighted average number of Equity Shares Outstanding (Basic)	13,77,941	14,04,440	16,65,352	36,68,299
3 Share Application Money	55,740	67,776	98,411	–
4 Weighted average number of Equity Shares Outstanding (Diluted)	14,33,681	14,72,216	17,63,763	36,68,299
C1 Basic EPS	7.20	7.57	6.12	5.09
2 Weighted Average EPS	7.20	7.72	8.05	11.26
3 Diluted EPS	6.91	7.37	7.60	11.26

12. The company has purchase Land at Alwar, Rajasthan for the new project for Rs 54.76 lakhs. The same has been registered in the name of the company. Since the land is agricultural land, the company will make an application to convert the status of the land to non agricultural land before using the same for setting up the new project. Additional agricultural land amounting to Rs 62 lakhs purchased by the company has not yet been registered in the name of the company.

13. Previous years' figures have been regrouped / rearranged wherever considered necessary to make them comparable with the current year's figures.

ANNEXURE V

RATES OF DIVIDEND PAID

The company has not paid any dividend during the 5 years ended 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005, and 31st March 2006.



ANNEXURE - VI

STATEMENT OF ACCOUNTING RATIOS

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
Earnings per Share (EPS) (Rs.)	4.29	7.20	7.57	6.12	5.09
Return on Networth (%)	25.07	30.07	22.73	15.55	24.30
Net Asset Value (NAV) Per Share (Rs.)	17.11	23.93	33.30	39.39	20.98
Equity Shares Outstanding at the end of the year	13,77,941	13,77,941	14,33,681	21,88,681	80,99,362

Notes :

The Ratios have been computed as below:

Earning per Share (Rs.) $\frac{\text{Net Profit attributable to Equity Shareholders}}{\text{No. of Equity Shares outstanding during the year}}$

Return on Net worth* (%) $\frac{\text{Net profit After Tax}}{\text{Net Worth* at the end of the year}}$

Net Asset Value per Share (Rs.) $\frac{\text{Net Worth* at the end of the year}}{\text{No. of Equity Shares outstanding during the year}}$

* (Net worth has been computed excluding Deferred Tax Liability)

ANNEXURE - VII

CAPITALISATION STATEMENT

(Rs. in lacs)

	Pre Issue as on 31st March 2006	Adjusted for Present issue** Rs 30
Debt		
Short Term Debt (A)*	138.84	138.84
Long Term Debt (B)	2286.08	2286.08
Total Debt (C=A+B)	2424.92	2424.92
Shareholder's Funds		
Share Capital	809.94	1709.94
Reserves as restated	980.49	2780.49
Total	1790.43	4490.43
Less: Miscellaneous Expenditure not yet written off	91.25	537.25
Total Shareholders' Funds (D)	1699.18	3953.18
Long Term Debt/Total Shareholders Fund (B/D)	1.34	0.58
Total Debt/ Total Shareholder's Fund (C/D)	1.43	0.62

* As informed by Management, short term debts are debts repayable within one year.

** Share Capital & Reserves (Post Issue) can be calculated only on conclusion of the IPO Process.

RICHA KNITS LIMITED

ANNEXURE - VIII

STATEMENT OF TAX SHELTERS

(Rs. in lacs)

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
Profit Before Tax as per Books (A)	54.40	90.85	106.26	139.85	526.45
Tax Rate (%)	35.70	36.75	35.875	36.5925	33.66
Tax at actual rate on Book Profits	19.42	33.39	38.13	51.17	177.20
Adjustments:					
Permanent Differences					
U/s 80IB	–	(4.58)	(10.71)	(8.02)	(48.27)
U/s 80G	–	–	–	–	–
Other Adjustments:	0.31 (0.27) (0.48)	(0.27) (0.27) 0.28	0.23 (0.27)	0.10 (0.38)	(0.12) (2.88) 0.34
Total Permanent Differences (B)	(0.44)	(4.57)	(10.75)	(8.30)	(50.93)
Timing Differences					
Difference between Depreciation as per Books and as per Income Tax Act, 1961	(42.46)	(54.32)	(59.55)	(89.58)	(342.40)
Provision for expenses not allowed as per I.T. Act, 1961 u/s 43B	(0.42)	0.02 (0.29)	–	–	–
Other Adjustments	0.29	–	–	–	–
Total Timing Differences (C)	(42.59)	(54.59)	(59.55)	(89.58)	(342.40)
Net Adjustments (B+C)	(43.03)	(59.16)	(70.30)	(97.88)	(393.33)
Tax Saving Thereon	15.36	21.74	25.22	35.82	132.39
Profit as per Income Tax Returns (D) = (A-B-C)	11.37	31.69	35.96	41.97	133.12

Notes:

1. The figures for all the years are as per the Income Tax Returns filed with the Income Tax Department except for the FY 2005-06.



ANNEXURE IX

DETAILS OF SECURED LOANS

(Rs. in lacs)

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
From Financial Institutions					
- In Foreign Currency	-	-	-	-	-
- In Indian Rupees	-	-	-	8.91	-
- Technical Upgradation					
Interest accrued and due					
From Banks					
- Term Loan	229.52	265.62	224.30	773.97*	1074.51
- Other Term Loans	44.24	80.41	23.88	101.37*	117.80
- Working Capital Loans	61.19	110.00	280.53	414.53*	1093.77
From Body Corporates					
- Term Loans					
Total	334.94	456.02	528.71	1298.78	2286.08

* Security & Guarantee:

Primary : Hypothecation of present and future stocks, plant & machinery and book debts.

Collateral: Equitable mortgage of factory land and building, house of one Director, and personal guarantee of director's and of Smt. Geeta Devi. The detailed security and guarantee has been mentioned hereinabove in annexure XVI.

ANNEXURE - X

STATEMENT OF UNSECURED LOANS OUTSTANDING AS AT 31.03.2006

(Rs. in lacs)

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
From Directors	7.52	12.16	8.96	4.60	4.38
From Friends, Relatives & Shareholders	39.72	44.57	33.37	49.35	49.46
Fixed Deposits	-	-	3.53	3.07	-
Inter Corporate Deposits	2.24	-	-	-	-
Promoter & Promoter Group Companies	-	-	-	-	85.00
Total	49.48	56.73	45.86	57.02	138.84

Note: The unsecured loans will be repaid on demand only.

RICHA KNITS LIMITED

ANNEXURE -XI

STATEMENT OF DEBTORS

(Rs. in lacs)

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
Unsecured					
Debts Outstanding Over Six Months					
- Considered Good	–	15.94	13.93	23.02	38.23
- Considered Doubtful	–	–	–	–	–
Less: Provision for Doubtful debts	–	–	–	–	–
Others	109.09	223.72	316.96	428.20	704.97
	109.09	239.66	330.89	451.21	743.20

ANNEXURE XII

DETAILS OF LOANS & ADVANCES

(Rs. in lacs)

Particulars	31.3.2002	31.3.2003	31.3.2004	31.3.2005	31.3.2006
Adv. Against capital goods	–	7.61	11.24	52.50	2.93
Adv. To trade creditors	3.50	0.45	7.72	2.09	4.77
Balance in cenvat a/c	–	3.64	24.69	17.60	17.61
Duty drawback / DEPB receivable	–	4.18	1.08	7.59	22.48
Capital subsidy receivable	–	12.15	43.22	115.60	321.16
Other Advances	0.61	1.27	0.51	3.54	19.08
Security Deposits	2.35	16.99	25.39	17.01	18.89
TDS (Net of Provision)	1.39	2.18	2.85	2.77	(27.86)
Tuff Subsidy Receivable	–	6.32	5.42	2.96	4.72
Value Added Tax	–	–	–	2.16	–
Advance for Export Quota	–	–	20.45	–	–
TOTAL	7.85	54.79	142.58	223.82	383.78



ANNEXURE XIII

CONTINGENT LIABILITIES

(Rs. In lacs)

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
a) Bank Guarantee issued by the Banks	14.42	1.50	14.60	30.60	20.60
b) Bills Discounted	–	–	–	–	–
c) Outstanding Letter of Credit (Net of margin of Rs. Lacs Previous year Rs. Lacs)	NIL	NIL	NIL	NIL	15.41
d) Export Obligation (amount of duty saved)	415.92	415.92	639.92	85.28	–
e) Custom Duty which may arise if obligations for exports not fulfilled against import of raw materials & machinery	14.42	14.42	67.70	34.36	–
f) Disputed Liability towards Income Tax	–	–	–	–	–
g) Disputed Liability towards Sales Tax	–	–	–	–	–
h) Disputed Liability towards Local Area Development Tax	–	–	–	–	–
i) Corporate Guarantee given to banks	–	–	–	–	–
j) Value of assets taken on lease, future obligations	NIL	4.64	1.84	7.97	–
TOTAL	444.76	436.48	724.06	158.21	36.01

ANNEXURE XIV

DETAILS OF CAPITAL COMMITMENTS

(Rs. In lacs)

Particulars	Financial Years ended March, 31				
	2002	2003	2004	2005	2006
Estimated amount of Contract remaining to be executed on capital account and not provided for (Net of Advances)	NIL	25.00	21.40	173.96	1.92
TOTAL	–	25.00	21.40	173.96	1.92

RICHA KNITS LIMITED

ANNEXURE - XV

RELATED PARTY INFORMATION

i) Relationships:

Particulars	Name of Party			
	Financial year ended March 31,			
Nature of Relationship	2003	2004	2005	2006
Subsidiaries	—	—	—	
Associates	—	—	—	
Key Managerial Personnel	1. Sh.Sushil Gupta 2. Sh. Chet Ram Gupta 3. Sh. Sandeep Gupta 4. Smt. Geeta Devi	1. Sh.Sushil Gupta 2. Sh. Chet Ram Gupta 3. Sh. Sandeep Gupta 4. Smt. Geeta Devi	1. Sh.Sushil Gupta 2. Sh. Chet Ram Gupta 3. Sh. Sandeep Gupta 4. Sh.Subhash Gupta	1. Sh.Sushil Gupta 2. Sh.Subhash Gupta 3. Sh. Sandeep Gupta 4. Sh.Manish Gupta
Relatives of Key Managerial Personnel	1. Sh. Subhash Gupta 2. Sh.Manish Gupta 3. Smt. Shweta Gupta 4. Smt. Usha Gupta 5. Sh. Sunil Mangla 6. Sh. Narendra Mittal	1. Sh. Subhash Gupta 2. Sh.Manish Gupta 3. Smt. Shweta Gupta 4. Smt. Usha Gupta 5. Sh. Sunil Mangla 6. Sh. Narendra Mittal 7. Smt Garima Gupta	1 Smt. Geeta Devi 2. Sh.Manish Gupta 3. Smt. Shweta Gupta 4. Smt. Usha Gupta 5. Sh. Sunil Mangla 6 Smt.Kamlesh Mangla 7. Smt. Sewati Devi 8. Smt Garima Gupta	1. Smt. Geeta Devi 2. Smt. Shweta Gupta 3. Smt. Usha Gupta 4. Sh. Sunil Mangla 5. Smt.Kamlesh Mangla 6. Smt. Sewati Devi 7. Sh. Chet Ram Gupta 8. Smt Garima Gupta
Enterprises over which Key Managerial Personnel (KMP) or their relatives have significant influence	1. Richa Clothing (P) Ltd.	1. Richa Clothing (P) Ltd.	1. M/s Richa Capital (P) Ltd. 2. Richa Processing (P) Ltd. 3. Richa Clothing (P) Ltd. 4. Richa & Co.	1. M/s Richa Capital (P) Ltd. 2. CSB Capital Ltd. 3. Richa Clothing (P) Ltd. 4. Richa Processing (P) Ltd. 5. Richa & Co. 6. Richa Filling Station

Note : Related Party relationship is as identified by the Company and relied upon by the auditors.

(ii) Transactions carried out with related parties referred in (i) above, in ordinary course of business

For the financial year 2002-2003

Particulars	Subsidiary Companies	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which KMP & their relatives have significant influence	(Rs. in lacs)
						Grand Total
Rent Free accommodation (Rent paid)	—	—	1.19	0.77	—	1.96
Remuneration Int. on Unsecured Loan	—	—	6.60	3.90	—	10.59
Unsecured Loans at the end of year	—	—	—	2.49	—	2.49
Sale/Jobwork Purchase/Jobwork	—	—	17.79	18.94	—	36.73
Outstanding Receivables	—	—	—	—	—	—
Payable	—	—	17.79	18.94	—	36.73



For the financial year 2003-2004

Particulars	Subsidiary Companies	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which KMP & their relatives have significant influence	Grand Total
Rent Free accommodation (Rent paid)	–	–	3.77	0.84	–	4.61
Remuneration	–	–	6.60	4.68	–	11.28
Int. on Unsecured Loan	–	–	0.85	0.93	–	1.78
Balance of Unsecured Loans at the end of year	–	–	8.96	23.18	–	32.14
Security Deposit	–	–	–	–	9.75	9.75
Sale/Jobwork	–	–	–	–	–	–
Purchase/Jobwork	–	–	–	–	–	–
Outstanding						
Receivables	–	–	–	–	9.75	9.75
Payable	–	–	8.96	23.18	–	32.14

For the financial year 2004-2005

Particulars	Subsidiary Companies	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which KMP & their relatives have significant influence	Grand Total
Rent Free accommodation (Rent paid)	–	–	3.18	0.84	–	4.02
Remuneration	–	–	10.80	1.88	–	12.68
Lease Rental	–	–	–	–	0.16	0.16
Share Capital	–	–	–	–	75.50	75.50
Land & Building Purchased	–	–	–	–	112.00	112.00
Security Deposit	–	–	–	–	(9.75)	(9.75)
Int. on Unsecured Loan	–	–	1.75	0.27	–	2.02
Unsecured Loans at the end of year	–	–	18.80	18.15	–	36.95
Sale/Jobwork	–	–	–	–	–	–
Purchase/Jobwork	–	–	–	–	–	–
Outstanding						
Receivables	–	–	–	–	–	–
Payable	–	–	18.80	18.15	–	36.95

RICHA KNITS LIMITED

For the financial year 2005-2006

Particulars	Subsidiary Companies	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which KMP & their relatives have significant influence	Grand Total
Rent Free accommodation (Rent paid)	-	-	3.13	-	-	3.13
Remuneration	-	-	18.35	1.05	-	19.40
Richa Filling Station, Sale of Partnership Rights	-	-	-	-	20.03	20.03
Int. on Unsecured loan	-	-	0.72	1.64	-	2.36
Unsecured Loans at the end of year	-	-	18.04	25.80	85.00	128.84
Sale/Jobwork	-	-	-	-	-	-
Purchase/Jobwork	-	-	-	-	-	-
Outstanding						
Receivables	-	-	-	-	10.03	10.03
Payable	-	-	18.04	25.80	85.00	128.84

ANNEXURE - XVI

STATEMENT OF SECURED LOANS OUTSTANDING AS AT MARCH 31, 2006

(Rs. In Lakhs)

Sl. No.	Particulars of Loan	Bank / Financial Institution	Nature of Loan	Sanctioned Amount	Amount utilized	Amount Outstanding	Rate of Interest p.a. (%) *	Repayment of Terms	Security Offered
1.	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005	Indian Overseas Bank	Term Loan (Original limit Rs. 239 lacs)	137.66		108.70	BPLR -1.25% (PRESENTLY 9.75%) Interest Charge - Monthly	74 Monthly Installments of Rs. 3.57 lacs w.e.f 30.09.02 and last instalment of Rs. 3.52 lacs	Refer Note-1 Margin: Machinery -30% Vehicles-25%
2.	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005	Indian Overseas Bank	Term Loan (Original limit Rs. 175 lacs)	97.26		76.84	BPLR -1.25% (PRESENTLY 9.75%) Interest Charge- Monthly	60 Monthly Installments with 6 months moratorium	Refer Note-1 Margin: 25%
3.	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005	Indian Overseas Bank	Term Loan (Original limit Rs. 925 lacs)	925.00	924.97	888.97	BPLR -1.25% (PRESENTLY 9.75%) Interest Charge - Monthly	Repayable in 6 years with Qtly installments (interest service monthly) EMI During 1st Year - Rs. 6.00 lacs,	



Sl. No.	Particulars of Loan	Bank / Financial Institution	Nature of Loan	Sanctioned Amount	Amount utilized	Amount Outstanding	Rate of Interest p.a. (%) *	Repayment of Terms	Security Offered
								2nd and 3rd Year - Rs. 9.00 lacs, 4th 5th & 6th Year Rs. 18.00 lacs with last installment of 6th Year Rs. 7.00 lacs	Refer Note-1 Margin: 50% for Land & Building and 25% for Machinery/ misc. fixed assets.
4.	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005	Indian Overseas Bank	Letter of Credit (Inland) DA 60 days	50.00		17.12	Commission as per rules.	Not Applicable	Refer Note-1 Margin: 10%
5.	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005	Indian Overseas Bank	Letter of Guarantee	50.00 (Enhanced from Rs. 35 lacs)			Commission as per rules.		Refer Note-1 Margin: Performance 10% Financial - 20%
6.	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005	Indian Overseas Bank	Forward Purchase Contract	400.00					
7.	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005	Indian Overseas Bank	Forward Sales Contract	350.00					
8.	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005	Indian Overseas Bank	Cash Credit (Hypo. Of stocks & receivable)	800.00		1093.77 (including adhoc limit)	BPLR -1.25% presently @9.75%		Refer Note-1 Margin: Stocks: 25%
(a)	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005	Packing Credit	200.00 Enhanced (from Rs. 127 lacs)			—	As applicable for export advance		Margin: 25%
(b)	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005		FDDBP under confirmed orders/LC (Foreign Bill purchase)	300.00 enhanced (from Rs. 170 lacs)		92.35	As applicable for export advance		LC Bill - NIL NON LC - 10%
(c)	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005		OCC-DLF Gurgaon Branch	10.00		—	BPLR -1.25%		Margin : 25%
(d)	Sanctioned letter dated 3rd October 2005 w.e.f. 30.09.2005		DBP (I) under LC	20.00		—	BPLR -1.25%		Margin : NIL
9.		ICICI Bank Ltd	Vehicle Loan	6.14		2.44	8.12%	23 EMI of Rs.0.27 lacs starting from 06.01.05 & ending on 6.11.06	Hypothecation of vehicle

RICHA KNITS LIMITED

Sl. No.	Particulars of Loan	Bank / Financial Institution	Nature of Loan	Sanctioned Amount	Amount utilized	Amount Outstanding	Rate of Interest p.a. (%) *	Repayment of Terms	Security Offered
10.		Kotak Mahindra Prime Limited.	Vehicle Loan	2.81		2.59	8.10%	35 EMI of Rs. 0.09 lacs starting from 15-01-06 & ending on 15-11-08	Hypothecation of vehicle
11.		HDFC Bank Ltd.	Vehicle loan	10.96		3.30	8.2588%	Repayment in 35 EMI of Rs. 0.34 lacs ending on 02-01-2007	Hypothecation of vehicle
			TOTAL			2286.08			

Note:-1 Term Loans & working capital facilities are secured by hypothecation of stocks, book debts, plant & machinery, furniture & fixture & equitable mortgage of the properties mentioned below.

(Rs. in lacs)

SI No.	Nature of the property & owner	Value FMV	Value FSV	Date of Valuation
1.	EM of factory land & Building at I-16, DLF Industrial Area Faridabad	74.00	59.00	03-11-2003
2.	EM of Factory Land & Building at Plot No. 5 Sector-7, IMT Manesar, Gurgaon	563.00	451.00	14-03-2005
3.	EM of Factory Land & Building at Plot No. 4, Sector-7, IMT Manesar, Gurgaon	439.00	351.00	14-03-2005
	Total (a)	1076.00	861.00	

Further, The limits are guaranteed by the existing promoter directors in their personal capacity, namely.

Sl. No.	Name of Director	Age	Relationship
1.	Sh. Sushil Gupta	40	Director
2.	Sh. Sandeep Gupta	27	Director
3.	Smt. Geeta Devi	41	Property owner

The house of one Director is also provided as collateral

* Rate of interest & or periodicity of charging is subject to change from time to time as per Bank's directions and without notice, Commission, Exchange, Postage etc. will be charged as per Bank norms.

** Loans outstanding balances include interest accrued & due as on 31.03.2006.



Principal terms of unsecured loans

(Rs. In Lacs)

Unsecured Loans	Nature of Loan	Loan Outstanding As on 31.03.2006	Rate of Interest	Repayment Schedule
Loan from Directors	Short term	4.38	NIL	On Demand
Friends & Relatives & shareholder (Interest bearing)	Short term	18.82	12%	On Demand
Friends & Relatives & shareholder (Non Interest bearing)	Short term	115.64	NIL	On Demand
	TOTAL	138.84		

ANNEXURE - XVII

STATEMENT OF OTHER INCOME

(Rs. In Lacs)

Particulars	Financial Years ended March,31				
	2002	2003	2004	2005	2006
Cash Discount	—	1.87	1.20	0.91	2.24
Duty drawbacks (DEPB)	—	6.77	9.67	45.04	40.93
Foreign Exchange Fluctuation (net)	—	0.86	—	1.20	(2.95)
Interest	0.85	1.05	0.86	2.63	6.78
Misc. Receipts	2.30	1.89	0.14	—	0.00
Profit on sale of Fixed Assets	0.47	—	—	0.09	2.88
Refund of Sales Tax	—	0.38	—	—	—
Rental Income	0.90	0.90	0.90	0.92	0.43
Scrap (sales)	—	0.06	0.31	—	—
Short & Excess	—	—	0.03	—	—
Total	4.52	13.78	13.10	50.78	50.31

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ANNEXURE - XVIII

STATEMENT OF CASH FLOWS FROM THE RESTATED FINANCIAL STATEMENTS

	2002	2003	2004	2005	2006
A CASHFLOW FROM OPERATING ACTIVITIES					
Net Profit after tax and before/ prior period/ extraordinary items	50.14	61.47	70.03	87.89	413.03
Adjustment for :					
Depreciation	27.41	69.13	78.52	102.68	92.58
Expenses amortised	1.99	1.99	1.59	3.35	17.94
Provision (Retirement Benefits)	-	-	-		
Interest and financial charges	20.51	32.70	40.15	89.32	135.74
Profit/Loss on sale of Fixed Assets	(0.47)	0.05	-	(0.09)	(2.88)
Profit/Loss on sale of Investment	-	-	-	-	-
Provision for Tax/Tax for earlier years	4.26	29.38	36.23	51.97	113.42
Interest income	-	-	-	-	(0.25)
Income from Investment	(1.75)	(1.95)	(1.76)	(0.92)	(6.53)
Exchange Fluctuation	-	(0.86)	-	-	(2.95)
Operating Profit before Working Capital Changes	102.09	191.91	224.76	334.20	760.10
Adjustment for :					
(Increase)/Decrease in trade and other Receivables	(44.67)	(162.83)	(147.57)	(92.95)	(323.15)
(Increase)/Decrease in Inventories	(25.58)	(34.88)	(136.13)	(93.14)	(746.53)
Increase/(Decrease) in Trade payable	35.73	2.58	105.54	47.78	184.68
Cash Generated from operations	67.57	(3.22)	46.61	195.88	(124.90)
Direct Taxes	(5.36)	(4.16)	(11.65)	(12.90)	(18.50)
Cash Flow before Prior Period Items	62.21	(7.38)	34.96	182.98	(143.40)
Prior Period Items (Net of Depreciation)	-	-	-	-	
Net Cash (Used in) From Operating Activities	62.21	(7.38)	34.96	182.98	(143.40)
B. CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of fixed assets (including capital work in progress)	(361.35)	(141.51)	(56.40)	(850.39)	(1118.00)
Sale/Damage of Fixed Assets	2.42	0.09	-	0.43	7.14
Pre-operative Expenses	(9.16)	-	-	(38.74)	(69.63)
Interest Income	0.85	1.05	0.86	-	0.25
Income from Investments	0.90	0.90	0.90	0.92	6.53
Net Cash (Used in) / from investing activities	(366.34)	(139.47)	(54.64)	(887.78)	(1173.71)



	2002	2003	2004	2005	2006
C. CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from Borrowings	312.38	190.47	149.10	905.40	987.29
Repayment of Borrowings	–	(19.82)	(87.29)	(133.08)	–
Proceeds from issue of Share Capital	22.39	–	5.57	–	270.00
Capital Subsidy		–	–	43.22	
Share Application Money	(22.36)	2.00	1.63	95.00	–
Receipts of Unsecured Loans	20.04	–	–	–	81.83
Repayment of Unsecured Loans	–	–	–	–	–
Interest Paid	(20.51)	(32.70)	(40.15)	(89.32)	(135.74)
Exchange Fluctuation	–	(0.86)	–	–	2.95
Net Cash (Used in)/from Financing Activities	311.94	140.82	28.86	821.22	1206.33
Net Increase(decrease) in cash and cash equivalents (A+B+C)	7.81	(6.04)	9.18	116.43	(110.78)
Cash and Cash equivalents at the beginning of the year	18.81	26.62	20.58	29.77	146.20
Cash and cash equivalents at the end of the year	26.62	20.58	29.77	146.20	35.42

Notes:

1. Cash and Cash Equivalents represent Cash and Bank Balances.
2. Previous year figures have been regrouped/rearranged wherever consider necessary.

MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The investors should read the following discussion of the financial conditions and results of operations together with the audited financial statements of the Company, each for the financial years 2005-06, 2004-05, 2003-04, 2002-03 and 2001-02 including the notes thereto and the reports thereon, which appear in the section titled "Financial Information of the Company" beginning on the page no. 86 of this Prospectus.

The financial statements have been prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and restated, as described in the report of our Statutory Auditor viz. M/s Tayal & Company dated 1st March 2006 in the section titled "Financial Information of the Company" on page no. 86 of this Prospectus.

The fiscal year of the Company ends on March 31st of each year, so all references to a particular fiscal year are to the twelve month period ended 31st day of that year.

OVERVIEW OF THE BUSINESS

Our Company is primarily operating in the textile sector with three divisions Knitting, Dyeing & Processing and garmenting. In the financial year 2004-05 our company has launched its own AVOCADO Brand of Apparel in the domestic markets by establishing its own Exclusive Business Outlets (EBO's) through Dealers and Distributors Network in 7 states of Northern India. The Company has its Knitting, Dyeing & Processing and Garment unit at Gurgaon and one additional Dyeing & Processing unit at Faridabad. Our company commenced its business by establishing a small unit of Fabric Dyeing & processing at Faridabad in 1993. Our Company today has become a multi product, multi locational textile unit catering to both domestic and export markets.

We are an integrated company having presence in entire value chain of textile industry i.e. starting from the manufacturing and Processing of knitted fabric to the manufacture of Readymade Garments.

Our company has the following products/operations, namely:

1. Manufacturing of knitted grey fabric from yarn. The fabric manufactured by us is partly used for our in-house consumption and partly sold as grey fabric to other export and domestic manufacturing of knitted garment.
2. Dyeing and Processing: We undertake job work for dyeing and processing work for fabric manufactured by others and manufactured in our Knitting Division.
3. Export of knitted garments: Starting from last 3 years, we have made a cumulative export of Rs.15.69 crores till 31.03.2006 of knitted garments.
4. Avo Cado for Domestic Market: We have launched our own Brand Avo Cado last year by establishing our own EBO's at Faridabad, Gurgaon and Jaipur and setting up a Network of over 100 Dealers and Distributor. We currently have 3 operational EBO's and 3 additional are expected to be operational by October 2006 (2 in Delhi and 1 in Merrut). We plan to have at least 10 EBO's operational within next 12 months.

All expenses related to launching, marketing and expansion of garments under our AVOCADO Brand have been funded by us out of our own resources and we do not plan to fund these operations from the proceeds of this Initial Public Offer.

FACTORS AFFECTING THE FUTURE RESULTS OF OPERATIONS

- The Capacity of the Company to successfully commissioning of the expansion project at the scheduled time;
- Company's failure to identify evolving fashion trends and create new designs or changes in consumer preferences;
- Non- availability of skilled labour force or any dispute between the labour and the management;
- Changes in Government Policies relating to Textile Sector;
- Fluctuation in Exchange Rates; and
- Aptitude of the Company to continuously operate optimally.



ANALYSIS OF RESULTS FROM OPERATIONS

Particulars	31.3.2003 12 months		31.3.2004 12 months		31.3.2005 12 months		31.3.2006 12 months	
	Rs Lacs	%	Rs Lacs	%	Rs Lacs	%	Rs Lacs	%
Net Operational Income	1,220.54	98.88%	1,503.74	99.14%	2,452.13	97.97%	4,051.19	98.77%
Other Income	13.78	1.12%	13.10	0.86%	50.78	2.03%	50.31	1.23%
Total	1,234.32	100.00%	1,516.84	100.00%	2,502.91	100.00%	4,101.50	100.00%
Raw Material consumed	659.98	53.47%	832.58	54.89%	1,432.82	57.25%	2,645.95	64.51%
Net Cost of Raw Material	638.79	51.75%	792.64	52.26%	1,346.36	53.79%	2,201.07	53.67%
Manufacturing Expenses*	232.91	18.87%	247.31	16.30%	379.64	15.17%	485.97	11.85%
Gross Profit	362.62	29.38%	476.89	31.44%	776.91	31.04%	1,414.46	34.49%
Employee Cost	80.54	6.53%	102.29	6.74%	176.41	7.05%	345.88	8.43%
Administrative Expenses	52.29	4.24%	77.45	5.11%	87.91	3.51%	151.76	3.70%
Selling & Distribution Expenses	33.03	2.68%	61.33	4.04%	171.69	6.86%	145.37	3.54%
Other Expenses**	4.08	0.33%	10.89	0.72%	9.05	0.36%	16.68	0.41%
Depreciation	69.13	5.60%	78.52	5.18%	102.68	4.10%	92.58	2.26%
Operating Profit	123.55	10.01%	146.41	9.65%	229.17	9.16%	662.19	16.15%
Interest	32.70	2.65%	40.15	2.65%	89.32	3.57%	135.74	3.31%
Profit Before Tax	90.85	7.36%	106.26	7.01%	139.85	5.59%	526.45	12.84%
Provision for Tax								
- Current Tax	10.30	0.83%	12.90	0.85%	17.80	0.71%	45.00	1.10%
- Deferred Tax	19.00	1.54%	21.93	1.45%	34.04	1.36%	67.73	1.65%
- Fringe Benefit Tax	-	0.00%	-	0.00%	-	0.00%	1.35	0.03%
Profit After Tax (PAT)	61.55	4.99%	71.43	4.71%	88.01	3.52%	412.37	10.05%
Less/(Add) Tax paid/Provision Written back for earlier year	0.08	0.01%	1.40	0.09%	0.13	0.01%	(0.66)	-0.02%
Net Profit Before Extraordinary Items	61.47	4.98%	70.03	4.62%	87.88	3.51%	413.03	10.07%
Extraordinary Items	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Net Profit after Extra ordinary items before adjustments	61.47	4.98%	70.03	4.62%	87.89	3.51%	413.03	10.07%
Adjustments as per SEBI Guidelines	37.69	3.05%	38.50	2.54%	46.16	1.84%	-	0.00%
Net Profit as per SEBI Guidelines	99.16	8.03%	108.53	7.16%	134.05	5.36%	413.03	10.07%

* Manufacturing expenses include Stores Consumed, Power & Fuel and other manufacturing expenses.

**Other expenses include Bank Charges & Forex Loss.

Our Company's gross revenue for the year ended March 31st, 2006 was Rs. 4101.50 Lacs with a Profit after Tax of Rs. 413.03 Lacs as compared to the previous year, when the gross revenue was Rs. 2502.91 Lacs with a Profit after Tax of Rs. 134.05 lacs.

**COMPARISON OF FINANCIAL YEAR ENDED MARCH 31, 2004 WITH FY ENDED
MARCH 31, 2003**

The Company showed better use of available capacity as the production increased further from 1952 MT to 2057 MT with same installed capacity as compared to the previous Financial Year. Sales too showed an upward trend as they grew from 1932 MT in FY 2002-03 to 2042 MT in the Financial Year 2003-04.

Operational Income

The Operational Income (net of excise duty) recorded an increase of 23.20% with Rs. 1503.74 Lacs for the year ended on March 31, 2004 as against Rs. 1220.54 Lacs for the year ended March 31, 2003. This enhancement is attributable to better utilization of available capacities.

Raw Material

The consumption of raw material grew by 26.15% as compared to the previous year on account of increase in input requirement for the enhanced amount of production. As a percentage of operational income it increased marginally from 54.07% in 2003 to 55.37% in 2004 due to unusual increase in the prices of main raw material

Manufacturing Expenses

As is the case with other inputs the manufacturing expenses too increased from Rs. 232.91 Lacs in FY 2003 to Rs. 247.31 Lacs in the FY 2004 recording a rise of 6.18%. The rise in the manufacturing cost is mainly attributable to the increase in the cost of Power and Fuel and more expenditure on Jobwork availed during the year.

Employee Cost

The employee's cost increased radically from Rs. 80.54 lacs in FY 2002-03 to Rs. 102.29 lacs in the FY 2003-04 reflecting an increase of 27.00% over last year's amount. The cost was increased due to increase in utilized capacity of garment for export and improved capacity utilization in Dyeing & Processing of garment.

Administrative Expenses

Administrative expenses too grew from Rs. 52.29 lacs in financial year 2002-03 to 77.45 lacs in the financial year 2003-04. As a percentage of total income administrative expenses grew from 4.2% in the financial year 2002-03 to 5.1% in the financial year 2003-04. The increase is mainly on account of preparation for new launches in Export and Domestic Markets higher insurance expenses etc.

Selling & Distribution Expenses

As company's export sales grew by over 45% and fabric and garment sales grew by a whopping 69.85% hence the clearing and forwarding charges, expenses on overseas sales promotion as well as increase in sales tax resulted in an hike of 85.67% in the selling and distribution expenses as compared to the last financial year.

Depreciation

Depreciation increased by 13.58% to Rs 78.52 lacs in the FY 2003-04 from Rs. 69.13 lacs in the FY 2002-03. The increase was primarily on account of addition to fixed assets of Rs 232.21 lacs as the company was looking towards further expanding its operations in the coming financial years.

Operating Profits

Operating Profits went up by 18.5% in the financial year 2003-04 as compared to last financial year, profits grew from Rs 123.55 lacs to Rs 146.41 lacs. The increase was mainly on account of better utilization of available capacities and hence improved production.

Interest Expense

Interest expense comprising of interest for working capital and interest on term loans which increased marginally by 22.78% from Rs. 32.70 lacs in the FY 2003 to Rs. 40.15 Lakhs in the FY 2004, due to availment of Term Loans for expansion and improvements.

Income Tax

Provision for tax was Rs. 34.83 Lacs in the FY 2003-04 as compared to 29.30 lacs in the financial year 2002-03. Higher provision for tax is due to higher turnover and profits.



Profit after Tax (PAT)

Profit after tax soared to Rs. 71.43 lacs in the financial year 2003-04 as compared to Rs. 61.55 lacs during the last financial year 2002-03 showing an increase of 16.05%. The increase was mainly on account of reduction in costs, better capacity utilization with improved margins.

COMPARISON OF F. Y. ENDED MARCH 31, 2005 WITH F. Y. ENDED MARCH 31, 2004

Operational Income

The Operational Income (net of excise duty) recorded an increase of 63.07 % with Rs. 2452.13 Lacs for the year ended on March 31, 2005 as against Rs. 1503.74 Lacs for the year ended March 31, 2004. The increased was achieved due to increase in installed capacity by 66.67% from 2400 MT to 4000 MT and correspondingly increase in production by 81.82% from 2057 MT to 3740 MT.

Other Income increased from Rs. 13.10 lacs to Rs. 50.78 lacs mainly due to export incentive Rs. 45.04 lacs.

Raw Material

The cost of raw material has marginally increased by 2.36% in comparison to previous year from 54.89% to 57.25 % on account of increase in consumption of raw material due to increase in production.

Manufacturing Expenses

The manufacturing expenses increased from Rs. 247.31 lacs in FY 2003-2004 to Rs. 379.64 lacs in the FY 2004-2005 recording an increase of 53.51%. The rise in the manufacturing cost is mainly attributable to the increase in activity level and increase in Power and fuel costs. However, the manufacturing expenses as a percentage of operational income has shown a marginal decrease from 16.45% to 15.48% in the FY 2004-2005.

Employee Cost

The employee's cost increased radically from Rs. 102.29 lacs in the FY 2003-2004 to Rs. 176.41 lacs in the FY 2004-2005 reflecting an increase of 72.46% due to increase in capacity utilization. However, as a percentage of total income it increased marginally from 6.74% to 7.05% mainly because of increments awarded and increase in capacity utilization by 81.82% over the previous year.

Administrative Expenses

Administrative expenses were Rs. 77.45 lacs and Rs. 87.91 lacs in the FYs 2003-2004 and 2004-2005 respectively. It had increased by 13.51% in comparison to previous year on account of increase in travel and conveyance expenses and repair & maintenance charges for vehicles. However, as a percentage of total income it decreased marginally from 5.11% to 3.51%.

Selling & Distribution Expenses

Selling & Distribution expenses increased drastically by 179.9% in absolute term in comparison to previous year from Rs. 61.33 lacs to Rs. 171.69 lacs on account of purchase of Garment Quota and increase in freight overseas charges and sales promotion expenses and commission on sales. However, as a percentage of total income it increased marginally from 4.04% to 6.86%.

Depreciation

Depreciation increased by 30.77% to Rs 102.68 lacs in the FY 2004-2005 from Rs. 78.52 lacs in the FY 2003-2004. Depreciation increased mainly due to increase in installed capacity by making addition to Fixed Assets by Rs. 509.02 lacs.

Operating Profits

Operating Profits had shown an increase by 56.53% from Rs. 146.41 lacs in 2003-2004 to Rs. 229.17 lacs in 2004-2005. The increase is attributable mainly to low cotton prices resulting saving in Raw Material cost & growth in Export sales, addition of new retail business.

Interest Expense

Interest expense comprising of interest for working capital and interest on term loans which increased by 122.46% from Rs. 40.15 lacs in the FY 2003-2004 to Rs. 89.32 lacs in the FY 2004-2005, due to increase in term loans and enhancement of working capital limits.

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Income Tax

Tax Expenses comes out to be Rs. 51.84 lacs in the FY 2004-2005 and Rs. 34.83 lacs in the FY 2003-2004. Tax liability has been increased in 2005 mainly because of increase in profitability.

Profit after Tax (PAT)

PAT increased by 25.50% from Rs. 70.03 lacs in FY 2003-2004 to Rs. 87.89 lacs in FY 2004-2005 mainly on account of better utilization of capacity and increase in total sales.

COMPARISON OF F. Y. ENDED MARCH 31, 2005 WITH F. Y. ENDED MARCH 31, 2006

Operational Income

The Operational Income (net of excise duty) recorded an increase of 65.21 % from Rs. 2452.13 Lacs for the year ended on March 31, 2005 to Rs. 4051.19 Lacs for the year ended March 31, 2006. The increase was achieved due to growth in knitted fabric and garmenting turnover from Rs 681.85 lacs to Rs 2054.18 lacs which was possible due to increase in capacity and better capacity utilization.

Other Income reduced from Rs. 50.78 lacs in FY 2004-05 to Rs. 50.31 lacs in 2005-06 mainly due to reduction in export incentive by Government of India.

Raw Material

The cost of raw material has increased from Rs 1432.82 lacs in FY 2004-05 to Rs 2645.95 in FY 2005-06 alongwith the increase in Turnover. In percentage terms, however, raw material consumption has marginally reduced from 53.79% in FY 2004-05 to 53.67% in 2005-06 reflecting the efficiencies in purchase and consumption of raw materials

Manufacturing Expenses

The manufacturing expenses increased from Rs. 379.64 lacs in FY 2004-2005 to Rs. 485.97 lacs in the FY 2005-2006 recording an increase of 28.01%. The rise in the manufacturing cost is mainly attributable to the increase in activity levels. However, the manufacturing expenses as a percentage of operational income has shown a sunstantial decrease from 15.17% in Fy 2004-05 to 11.85% in the FY 2005-06. This improvement was due to savings in the water and power costs and deployment of better technology.

Employee Cost

The employee's cost increased radically from Rs. 176.41 lacs in the FY 2004-05 to Rs. 345.88 lacs in the FY 2005-06 reflecting an increase of 96.07%. However, as a percentage of total income it increased marginally from 7.05% in FY 2004-05 to 8.43% in 2005-06 mainly because of increase in capacity during the year.

Administrative Expenses

Administrative expenses were Rs. 87.91 lacs and Rs. 151.76 lacs in the FYs 2004-05 and 2005-06 respectively. The increase in real terms of 72.63% has taken place with the increase in scale of operations. However, as a percentage of total income it increased marginally from 3.51% to 3.70%.

Selling & Distribution Expenses

Selling & Distribution expenses decreased in real and percentage terms from Rs 171.69 lacs to Rs 145.37 lacs even though volumes increased. The reduction was possible mainly due to removal of quota premiums.

Depreciation

Depreciation increased from Rs 56.52 lacs in FY 2004-05 to Rs 92.58 lacs in FY 2005-06 mainly due to increase in installed capacity.

Operating Profits

Operating Profits had shown an increase by 288% from Rs. 229.17 lacs in 2004-2005 to Rs. 662.19 lacs in 2005-2006. The increase is attributable mainly to better raw material consumption, savings in water and power costs, deployment of better technology, better price realization with larger volume handling capacity and reduced quota premiums.

Interest Expense

Interest expense comprising of interest for working capital and interest on term loans has increased by 51.9% from Rs. 89.32 lacs in the FY 2004-2005 to Rs. 135.74 lacs in the FY 2005-2006, due to enhancement of working capital limits with the growth in operations and turnover.



Income Tax

Tax Expenses have increased from Rs 51.84 lacs in the FY 2004-2005 and Rs. 114.08 lacs in the FY 2005-2006 with the increase in profits.

Profit after Tax (PAT)

PAT increased from Rs. 134.05 lacs in FY 2004-2005 to Rs. 413.03 lacs in FY 2005-2006 mainly on account of increase in capacity leading to growth in revenues, overall improvements in operations and deployment of superior technology.

We have been enjoying good credit standing with our Bankers who have supported us by extending need based financial facilities for purchase of assets and operations whenever required by us. Based on our credit evaluation, we have been assigned a credit rating of A+ by our existing banks representing a very high credit worthiness. This rating is the highest rating given by our bankers to their clients. The above rating is based on various parameters like current ratio, debt to equity ratio, conduct of account, audit report and other parameters such as growth in sales, net profit to sales ratio and documentation etc.. We have been regular in meeting our obligations to Banks and/or Institutions.

In view of the above good standing and constantly improved performance of our company, our Bankers have agreed to extend Rs 33.00 crores to part finance the expansion plans of the company which are to be part financed through the proceeds of this public issue.

Other Matters

Unusual or infrequent events or transactions

To the best of our knowledge, save as described on page no. 108 in this Prospectus, particularly in "Management Discussion and Analysis of Financial Condition and Results of Operations", there are no unusual or infrequent events or transactions that has significantly affected the business of the Company.

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

There are no significant economic changes that materially affected company's operations or are likely to affect income from continuing operations.

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

There are no known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations except as described in the section titled "Risk Factors" on page no. v and in "Management Discussion and Analysis of Financial Condition and Results of Operations" in this Prospectus, to Company's knowledge.

Future changes in relationship between costs and revenues

The Company reasonably does not foresee any factor that may have a material adverse impact on the operation and finances of the Company except factors as given on page no. v of this Prospectus.

Increases in net sales or revenue and Introduction of new products or services or increased sales prices

Increases in revenues are by and large linked to increases in volume of business activity carried out by the Company.

Total turnover of each major industry segment in which the Company operated

The Company currently operates in only one Industry Segment - Textile Industry.

Status of any publicly announced New Products or Business Segment

The Company has not announced any new products or business segment and is inclined to focus and expand on its existing line of operations only.

Seasonality of Business

The range of products of the Company changes according to the seasons therefore the business of the Company is seasonal to that extent.

Dependence on a single or few suppliers or customers

The customer and supplier base is reasonably well spread in the business activities carried on by the Company. The exports of the Company accounts for 16.88% of the total sales of the Company. Our company has well diversified client base in each of its segments namely knitting, dyeing and processing and garmenting.

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Competitive conditions

The company's product is meant for apparel export either directly or indirectly through garment exporters. Hence, the company foresees competition in the quota free regime with the country like, Bangladesh, China, Pakistan and Srilanka etc. These countries have advantageous position in regard to cost efficiency because of the low labour costs. The company proposes to meet this competition by full use of machines and manpower simultaneously by adding value added product for touching the upper medium as well as higher segment of the society. The company also plans to meet the competition by developing latest designs, efficient and timely services and product flexibility in the quantity. We expect that quota free regime has given greater opportunities for the textile segment and our company is well placed to take the advantage of this opportunity and have taken up expansion projects well on time.

Our company is primarily engaged in dyeing & processing of fabric. The fabric knitted by us and received on job work from other manufacturers cater primarily to export market. We have been engaged in dyeing & processing of fabric since inception and have developed adequate strength and techniques for delivery of quality dyed and processed fabric for direct sales to the manufacturers catering to export of garments. By continuously expanding our capacities and consciously reducing the cost of processing, we have attained a very competitive situation vis-à-vis our competitors.

There are very few process houses in North India offering an alternative solution to export oriented clients who are driven by quality parameters as specified by overseas buyers. Our facilities have been improved over a period of time to ensure compliance of quality parameter specified by the buyers in terms of colourfastness, fabric quality and use of quality dyes and chemicals. We have also been able to upgrade our quality control in line with requirement as specified by overseas buyers.

In line with the above and in order to meet the competition, we are expanding our knitting capacity for high end, light weight, fine cotton fabric which is used for high value added top end quality garments.

We also propose to install continuous Batch Processing Machine completely imported to ensure the following :-

1. Reduced water requirement ;
2. Reduced heating requirement from 140° to 40°. As compared to the conventional dyeing process the new process is Energy Efficient.
3. Reduced consumption of dyes and chemicals; and
4. Saving in labour cost etc.,
5. Better and uniform quality of Dyeing & Processing.

It is expected to reduce dyeing & processing cost by about 25% from the existing conventional method being used by other competitors. (Source: Company's analysis based on plant and machinery supplier's literature)

We believe that our cost effective facilities, large scale capacities and emphasis on customer satisfaction and reliability of timely supply and product quality provide us a competitive advantage in many of our products.

Our domestic branded apparel business faces competition from well established brands as well as local brands.

Significant Developments after March 31, 2006 that may affect the future results of operations

No circumstances have arisen since the date of the last financial statement until the date of filing of this Prospectus with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of the Company, or value of its assets, or its ability to pay its liability within next twelve months.

There is no subsequent development after the date of the Auditor's Report, which will have a material impact on the reserves, profits, earnings per share and book value of the Equity Shares of the Company.



SECTION VI - LEGAL AND OTHER INFORMATION

Except as described below or mentioned under the section Risk Factors, there are no outstanding litigations, suits or criminal or civil prosecutions or tax liabilities against the Company, its directors, Promoters or companies promoted by its promoters that would have a material impact on the business of the Company and there are no defaults, non payment or overdues of statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and fixed deposits and arrears of preference shares defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against our Company, our Subsidiary, our Directors and our Promoters, that would have a material adverse effect on the business other than unclaimed liabilities by the company or its directors, its Promoters or companies promoted by its promoters. Further, the directors, promoters or companies promoted by the promoters have not been declared as willful defaulter by Reserve Bank of India, and also have not been debarred from dealing in securities and/or accessing the capital markets by SEBI and no disciplinary action has been taken against them by SEBI or any stock exchanges.

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

I. LITIGATIONS AGAINST OUR COMPANY

(a) Civil Law Matters.

Sr. No.	Case No.	Parties	Place and Court of Institution	Amt. Claimed (Rs. in lacs)	Brief details of the case including the date of next hearing.
1	925/2004	Shivalik Global Limited	Civil Judge, Faridabad	0.91	This is recovery suit filed against us. The case is at the stage of evidence and the next date of hearing is 24.08.2006.
2	4/2005	Lila Wati	Civil Judge, Faridabad	3.5	In this case Lila Wati is mother of Brijesh Kumar who was working with our company and had caught fire in the boiler and consequently he died and therefore a claim petition has been filed against ESIC for Rs.3.5 lacs in which M/s. Richa Knits has been impleaded as a party. The next date of hearing is 20.09.2006 for Plaintiff witness.

(b) Labour Matters.

Sr. No.	Ref. No.	Parties	Place and Court of Institution	Amt. Claimed / Claims Made	Brief details of the case including the date of next hearing.
1	692/2002	Faggu Ram	Labour Court, Faridabad	He wants his duty back with salary arrears.	This case pending before Labour court in this case the petitioner has filed the petition for taking him back on job the next date hearing is 13.12.2006 for evidence of claimant. He was drawing a salary of Rs. 2,500.00 per month

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(c) Criminal Case.

Sr. No.	Ref. No.	Parties	Place and Court of Institution	Amt. Claimed / Claims Made (Rs. in lacs)	Brief details of the case including the date of next hearing.
1	381/2005	New Globe Air Services	Delhi MM Tees Hazari	2.00	This is a criminal complaint under Section 138 of Negotiable Instrument Act, the next date of hearing is 11.09.2006.

(d) Arbitration Matters.

Sr. No.	Respondent Name	Parties	Place and Court of Institution	Amt. Claimed / Claims Made	Brief details of the case including the date of next hearing.
NIL	NIL	NIL	NIL	NIL	NIL

(e) Taxation Matters.

Sr. No.	Ref. No.	Parties	Place and Court of Institution	Tax Amount Involved (Rs. in lacs) (R/Off)	Brief details of the case including the date of next hearing.
NIL	NIL	NIL	NIL	NIL	NIL

f) Contingent liabilities not provided for as on March 31, 2006 - 36.01 Lacs

(g) There are no overdues to banks/financial institutions/Lenders, defaults against banks / financial institutions / lenders, defaults in dues payable to holders of debentures / bonds / fixed deposits / preference shares (including willful default);

LITIGATIONS BY OUR COMPANY

(a) Civil Law Matters.

Sr. No.	Case No.	Parties	Place and Court of Institution	Amt. Claimed (Rs. in lacs) (R.off)	Brief details of the case including the date of next hearing.
1	151/2005	Beauty House	Civil Judge Gurgaon	9.62	This is recovery suit filed by us for recovery of job work and fabric sale. The next date of hearing is 10th October 2006.
2	152/2005	Rangi International	Civil Judge Gurgaon	5.27	This is recovery suit filed by us for recovery of job work charges. The next date of hearing is 15th September 2006.

(b) Labour Matters.

Sr. No.	Ref. No.	Parties	Place and Court of Institution	Amt. Claimed / Claims Made	Brief details of the case including the date of next hearing.
1	NIL	NIL	NIL	NIL	NIL



(c) Criminal Case.

Sr. No.	Ref. No.	Parties	Place and Court of Institution	Amt. Claimed / Claims Made (Rs. in lacs)	Brief details of the case including the date of next hearing.
1	60/2004	Konega International Pvt. Ltd.	JMIC Gurgaon	1.64	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 18th October, 2006
2	61/2004	Mandira Creations	JMIC Gurgaon	4.32	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 18th October, 2006
3	76/2005	S.S. Collection	JMIC Gurgaon	1.87	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 18th October, 2006
4	101/2005	Madhuram & Co	JMIC Gurgaon	4.71	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 18th October, 2006
5	295/2004	Savina Textile	JMIC Gurgaon	6.95	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 2nd September, 2006
6	191/2005	Kunnu Mal & Co.	JMIC Gurgaon	1.25	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 28th November, 2006
7	39/2005	G & J	JMIC Gurgaon	4.5	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 18th October, 2006

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Sr. No.	Ref. No.	Parties	Place and Court of Institution	Amt. Claimed / Claims Made (Rs. in lacs)	Brief details of the case including the date of next hearing.
8	348/2004	Atlantis Global, U.S.A.	JMIC Gurgaon	9.43	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 22nd December, 2006
9	355/2005	RMA International	JMIC Gurgaon	3.55	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 21st December, 2006
10	18/2006	GN Fabric	JMIC Gurgaon	4.51	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 17th October, 2006
11	65/2006	Dharamveer	JMIC Gurgaon	0.26	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 14th September 2006
12	84/2005	Elegance	Gurgaon	9.48	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 25th August 2006
13	398/2003	Himanshu Bhasin	JMIC Gurgaon	2.6	This is a criminal case under section 420 & 406 of IPC for breach of modeling agreement. The next date of hearing 6th October, 2006.
14	572/2001	Samboria Fabric	JMIC Faridabad	0.45	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 13th September, 2006.



Sr. No.	Ref. No.	Parties	Place and Court of Institution	Amt. Claimed / Claims Made (Rs. in lacs)	Brief details of the case including the date of next hearing.
15	179/2002	Priya	JMIC Faridabad	0.75	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 19th September 2006
16	298/2002	Priya	JMIC Faridabad	3.93	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 4th October, 2006
17	262/2001	Neha Overseas	JMIC Faridabad	0.44	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 8th September 2006.
18	541/2004	P.K.G	JMIC Faridabad	0.13	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 28th September, 2006.
19	881/1998	AIG	JMIC Faridabad	0.74	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 1st November, 2006.
20	29/2004	Impulse	JMIC Faridabad	1.76	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 5th December, 2006.
21	182/2004	Hi Fashion	JMIC Faridabad	1.15	This is a criminal complaint under section 138 of Negotiable Instrument Act, initiated by the company for recovery of job work charges and fabric sale dues. The next date of hearing is 19th September, 2006

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(C-i) Past Criminal Cases.

Sr. No.	Ref. No.	Parties	Place and Court of Institution	Court Verdict	Brief details of the case including the date of next hearing.
NIL	NIL	NIL	NIL	NIL	NIL

(d) Arbitration Matters.

Sr. No.	Responder Name	Important dates & information	Brief details of the case including the date of next hearing.		Amt. Claimed/ Claims Made
NIL	NIL	NIL	NIL	NIL	NIL

(e) Taxation Matters.

Sr. No.	Ref. No.	Parties	Place and Court of Institution	Tax Amount Involved (Rs. in lacs) (R/Off)	Brief details of the case including the date of next hearing.
1	Appeal filed on	NIL	NIL	NIL	NIL
2	Appeal filed on	NIL	NIL	NIL	NIL

B. OUTSTANDING DUES TO SMALL SCALE UNDERTAKINGS

There are no outstanding litigations involving our Company in respect of small scale undertaking or any other creditors to whom we owed a sum of Rs. 100,000 or above for a period more than 30 days from the due date.

C. LITIGATION AGAINST OUR DIRECTORS

Our directors have no outstanding litigation towards tax liabilities, criminal/civil prosecution for any offences (irrespective of whether they are stated under paragraph (i) of part 1 of schedule XIII of the Companies Act), disputes, defaults, non-payment of statutory dues, in their individual capacity or in connection with our Company with which the Directors are associated, except as below:

D. LITIGATION AGAINST OUR GROUP COMPANIES/ ASSOCIATES

The Company has following group/ Associate companies:

1. Richa Clothing (P) Ltd.
2. Richa Capital (P) Ltd.
3. Richa Processing (P) Ltd.
4. CSB Capital Ltd.
5. Richa & Co.

There are no litigations against any of these Companies.

The Promoter and Directors of the Company have following HUFs:

1. Chet Ram Gupta & Sons
2. Subhash Gupta & Sons
3. Sushil Gupta & Sons

There are no litigations against any of these HUFs.

E. LITIGATION AGAINST OUR PROMOTERS

There are no litigations against any of our promoters.

F. LITIGATION AGAINST OUR KEY MANAGEMENT PERSONNEL

There are no litigations against any of our Key management Personnel.



MATERIAL DEVELOPMENTS

Apart from the changes mentioned on page no. 114 in this Prospectus, including in the share capital as mentioned in section titled "Capital Structure" of this Prospectus, which have occurred since the date of the last financial statements disclosed (i.e. March 31, 2006) in this Prospectus, the Board of Directors of the Company are not aware of any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

GOVERNMENT APPROVALS /CONSENTS/ LICENSING ARRANGEMENTS

Approvals for the Issue

The Board of Directors has, pursuant to resolutions dated December 5, 2005, authorised the Issue.

The shareholders have, pursuant to a resolution dated December 29, 2005 under Section 81(1A) of the Companies Act, authorised the Issue.

Investment Approvals (FIPB or RBI)

As per Notification No. FEMA 20 / 2000 - RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank, our Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits. However, the allotment / transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

Government Approvals

Our company has received the necessary consents, licenses, permissions and approvals from the Government and various Government Agencies / certification bodies required for our present business and no further approvals are required by us for carrying on the present business except as stated below.

A For the Company:

Sr. No	Nature of Registration/ Licence	Issuing Authority	Registration / Licence No.	Validity
1.	Certificate of Incorporation	Registrar of Companies	05-32108 dt.15.9.1993	–
2.	Fresh Certificate of Incorporation with change in Name from 'Richa Knits Pvt.Ltd.' to "Richa Knits Limited"	Registrar of Companies	05-32108 (CINNo.U17115HR1993PL C32108 dt.28.10.2003	–
3.	Importer Exporter Code	DGFT, Ministry of Commerce, GoI	IEC Code No.0599052163 dt. 2.2.2000	–
4.	Permanent Account Number	Income Tax Department	AAACR7943J	–
5.	Tax Deducted & Collection Account Number	Income Tax Department	RTKR02174E	–
6.	Service Tax Registration	Central Excise Department	D-III/ST/R-II/GTA/536/2005	–
7.	Manufacturer Exporter	Apparel Export Promotion Council	No. 47450 dt.7.2.2001	31.03.2010
8.	TIN for Haryana Value Added Tax	Haryana General Sales Tax Department	06771208394	–
9.	SIA approval	SIA, Ministry of Industry	No. 2280/SIA/AMO/2006 DATED 28.04.06	–



B. For Manesar Unit : Factory at Plot No.4 & 5, IMT Manesar, Gurgaon, Haryana

Sr. No	Nature of Registration/ Licence	Issuing Authority	Registration / Licence No.	Validity
1.	Licence for Factory situated at Plot No.4, 7 IMT Manesar, Gurgaon	Industrial Safety & Health Department, Govt.of Haryana	GGN/R-237/2430	31.12.2006
2.	Licence for Factory situated at Plot No.5, 7 IMT Manesar, Gurgaon	Industrial Safety & Health Department, Govt.of Haryana	CGN/R-219/3705	31.12.2006
3.	SSI Registration Certificate	General Manager District Industries Centre	050239112	–
4.	Manufacturing activities of Excisable goods	Central Excise Department	AAACR7943JXM001	Until surrendered/ revoked/ suspended
5.	Employees Provident Fund code	Regional PF Commissioner, Haryana, Faridabad	HR/GGN/25376 dt.15.4.2002	–
6.	ESIC Certificate, for Manesar Units	ESIC	Code No.13/37512/19	–
7.	Import & storage of fuel	Chief Controller of Explosives	No. HN- 2134	2.12.2006
8.	Certificate for use of Boiler No.HA994 at Manesar Unit	Chief Inspector of Boilers, Haryana	No.HA-994	17.01.2006
9.	Pollution Control Certificate under water/Air/H.W.M.Act for plot no.5	Haryana State Pollution Control Board	No. HSPCB/ Consent / 2006/2408	31.03.2010
10.	Pollution Control Certificate Under Water/Air Act for plot no. 4	Haryana State Pollution Control Board	No.HSPCB/Consent/166	31.03.2007
11.	Sanction of power load of 600 KVA	Haryana State Electricity Board	ILS-88	–
12.	No Objection Certificate for fire safety arrangement	Fire Station Officer, Haryana Fire Service	10/06	7.02.2007
13.	No Objection certificate for Installation of 2 DG Sets of 360 kva	Electrical Inspectorate Under Indian Electricity Rules, 1956	2156	–

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C. For Faridabad Unit at 1-16, DLF Industrial Area, Faridabad, Haryana

Sr. No	Nature of Registration/ Licence	Issuing Authority	Registration / Licence No.	Validity
1.	Licence for Factory situated at 1-16, DLF Industrial Area, Faridabad	Industrial Safety & Health Department, Govt.of Haryana	FBD/R-79/9915	31.12.2007
2.	SSI Registration Certificate	Directorate of Industries, Government of Haryana	051214264	–
3.	ESIC Certificate for Faridabad Unit	ESIC	Code No.13/37519/19	–
4.	Certificate for use of Boiler No.HA1030 at Faridabad Unit	Chief Inspector of Boilers, Haryana	No.1572	21.9.2006
5.	Sanction of power load of 68.922 KVA	Haryana State Electricity Board	DL41-0029	–
6.	Manufacturing activities of Excisable goods	Central Excise Dept.	AAACR7943JXM002	Until surrendered/ revoked/ suspended
7.	Employees Provident Fund code	Regional PF Commissioner, Haryana, Faridabad	HR/FD-7638	–
8.	Pollution Control Certificate under Water/Air/H.W.M.Act	Haryana State Pollution Control Board	No.HSPCB/Air Consent/356 No. HSPCB/Water Consent/354	31.03.2007 31.03.2007
9.	Test Certificate for Synchronous Generator	Inspection & Testing Engineer as per Indian Specification Standards	Ref. No. G-69/123	–

D. For Plot No. 75, Sector-7, IMT Manesar Gurgaon -121050 (India)

The Company has set up the Avo-Cado unit in the year 2005

E. Licences under Shops & Establishment Act for EBOs:

Sr. No	City & Location	Registration No.	Date of Licence	Validity
1.	Faridabad - Ansal Crown Plaza, FB-10, Sector 15-A, Faridabad, Haryana	R.No.999/L.I.-10/Fbd/	21.2.2006	31.3.2008
2.	Gurgaon - S-112, Sahara Mall, MG Road, Gurgaon	R.No.252	17.2.2006	31.3.2008

F. Applied for, not yet renewed

Sr. No	Issuing Authority	Status	Nature of Licence/Registration
A	For the Company:		
1.	Chief Inspector of Boilers, Haryana	Applied for renewal on 17.1.2006	Renewal Certificate for use of Boiler No.HA-994 at Manesar Unit (expired on 17.1.2006)
2.	Provident Fund	Applied for	
3.	ESIC	Applied for	



G. Not yet applied

Sr. No	Issuing Issuing Authority	Nature of approval
1.	Factory Licence	Licence for new Factory unit for Avo-Cado set up at Plot No.75, 7 IMT Manesar, Gurgaon

Government approvals / Licensing arrangements Required for the proposed units at Alwar, Rajasthan and HSIDC, Phase VI, Udyog Vihar, Gurgaon, Haryana

1. For the proposed Processing & Dyeing unit at village Tapukara, District Alwar, Rajasthan and for Knitted Garments Unit at HSIDC, Phase VI, Udyog Vihar, Gurgaon, Haryana, the Company shall require the following important licenses / approvals / certificates:
 - a) Licence under Factories Act, 1948
 - b) Pollution Control Certificate from the Pollution Control Authorities
 - c) Sanction of Power load from the Electricity Board Authorities
2. For the expansion of the Exclusive Business Outlets the following Licences/approvals/certificates shall be required on or before the commencement of operations:
 - i. Shops & Establishment Licence issued by the Municipal authority of the place where the EBO would be set up.
 - ii. In the States and Union Territories where the Company does not presently have an EBO, the Company shall also apply for, and obtain, all approvals and licences viz. Central Sales Tax and State Sales Tax and/or VAT and other registrations/approvals on or before commencement of operations in those areas.

It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

SECTION VII - OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Present Issue of Equity Shares has been authorized by shareholders vide a Special Resolution passed at the Extra Ordinary General Meeting of our Company held on December 29, 2005 under Section 81(1A) of the Companies Act, 1956. The Board of Directors of our Company had approved the present Issue of Equity Shares vide a resolution passed at their meeting held on December 5, 2005.

Prohibition by SEBI

Neither the Company, nor its Promoters, its directors, any of its Group Companies, and the companies or entities with which directors of the Company are associated, as directors or promoters, have been prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or directions passed by SEBI.

None of the Promoters, their relatives, the Company or the Promoter Group Companies are detained as willful defaulters by RBI/ government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

The Listing of any securities of the Issuer has never been refused at anytime by any of the Stock Exchanges in India.

Eligibility for the Issue

Our Company is an unlisted Company and this Issue is being made in terms of clause 2.2.2 (a) (ii) & (b) (i) of SEBI (DIP) Guidelines, 2000, wherein:

- a). The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded.
- b). The minimum post-issue face value capital of our Company shall be Rs. 10 Crores.

Our project has been appraised by Indian Overseas Bank and the project is having more than 50% participation by the appraising Bank.

Further, our post-issue face value capital shall be Rs. 1709.93 Lacs .

Our Company undertakes that the number of allottees in the proposed Issue shall be atleast 1,000; otherwise, we shall forthwith refund the entire subscription amount received. In case of delay, if any, in refund, we shall pay interest on the application money at the rate of 15% per annum for the period of delay.

SEBI DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGER, KJMC GLOBAL MARKET (INDIA) LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 2000, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER M/S KJMC GLOBAL MARKET (INDIA) LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 14, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- (1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE;**



- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.
- (3) WE CONFIRM THAT:
- A. THE 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;
 - C. THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
 - D. BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND
 - E. WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS, IF ANY TO FULFILL THEIR UNDERWRITING COMMITMENTS.
- (4) WE CERTIFY THAT A WRITTEN CONSENT FROM THE SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS A PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING OF THE PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTIONS 60 AND 60B OF THE COMPANIES ACT.

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER, RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER (MERCHANT BANKER), ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS.

DISCLAIMER FROM THE ISSUER AND THE LEAD MANAGER

Our Company, its Directors and the Lead Manager accepts no responsibility for statements made otherwise than in this Prospectus or in the advertisement or any other material issued by or at instance of the Company and that anyone placing reliance on any other source of information, including our website www.richknits.com , would be doing so at his or her own risk.

The Lead Manager accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Lead Manager viz. KJMC Global Market (India) Limited and the Company dated 30th December, 2005.

All information shall be made available by the Lead Manager and the Company to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at collection centres or elsewhere.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India (including Indian nationals resident in India), who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized 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 authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to NRIs on non-repatriable basis and FIIs registered with SEBI. This Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into

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whose possession this Prospectus comes into is required to inform himself 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 Gurgaon 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 Prospectus has been filed with SEBI for observations and SEBI has given its observations and the final Prospectus has been filed with RoC as per the provisions of the Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in 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, the Designated Stock Exchange)

As required, a copy of this Prospectus has been submitted to Bombay Stock Exchange Ltd., to use BSE's name in this Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. BSE has given vide its letter no. List/smg/sm/2006 dated 24th April, 2006, permission to the Company to use BSE's name in this Prospectus as one of the stock exchange on which our further securities are proposed to be listed. The BSE has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

BSE does not in any manner:

- i) warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or
- ii) warrant that the Company's securities will be listed or will continue to be listed on the respective exchanges; or
- iii) take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of the Company;

and it should not for any reason be deemed or construed that this Prospectus has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

"The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this offer document 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 the offer document 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 make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect."

FILING

A copy of this Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai - 400021.

A copy of the Prospectus, along with the material contracts and documents required to be filed under section 60 of the Companies Act, 1956 having been attached thereto, would be delivered for registration to the Registrar of Companies, NCT of Delhi and Haryana, B-Block, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi - 110003.

LISTING

The Equity Shares to be issued through this Prospectus are proposed to be listed on BSE and listing application will be made to BSE for permission to list the Equity Shares and for an official quotation of the Equity Shares of our Company.

Bombay Stock Exchange Ltd. will be the Designated Stock Exchange.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Prospectus and if such money is not repaid within eight days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from the expiry of 8 days, be jointly and severally liable to repay the money with interest prescribed under Section 73 of the Companies Act 1956.



The Company with the assistance of the Lead Manager shall ensure that all steps for the completion of necessary requirements for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven days of finalisation of the Basis of Allotment for the Issue.

Advertisement Regarding Issue Price And Prospectus

A statutory advertisement will be issued by us after the filing of the prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the Draft Prospectus and the Prospectus will be included in such statutory advertisement.

IMPERSONATION

As a matter abundant caution, attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, 1956 which is reproduced below:

"Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

CONSENTS

Consents in writing of: (a) our promoters viz. Mr. Sushil Gupta, Mr. Subhash Gupta, Mr. Chet Ram Gupta, Mr. Manish Gupta, Richa Clothing Pvt.Ltd. & CSB Capital Ltd., have been obtained for inclusion of their subscription of 15 lac equity shares in promoters contribution subject to lock-in (b) our Directors, the Company Secretary, Compliance Officer, the Auditors, Bankers to the Company; and (c) Lead Manager to the Issue and Bankers to the Issue, Registrars to the Issue and Legal advisors to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Prospectus with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi, as required under Sections 60 of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of a copy of this Prospectus, for registration with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi.

M/s Tayal & Company, our Statutory Auditors, have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Prospectus and also tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of delivery of this Prospectus for registration with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi..

EXPERT OPINION

Our Company has not obtained any expert opinions related to the present Issue, except the opinion of the M/s Tayal & Co., Statutory Auditors of the Company, M/s Tayal & Co., Chartered Accountants on the tax benefits available to the investors and Sandeep Gosain, Legal Advisors to the Issue.

PUBLIC ISSUE EXPENSES

The expenses for this Issue includes issue management fees, selling commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated at Rs. 225 Lakhs and will be met out of the proceeds of the present issue. The details of fee payable are estimated as follows:

(Rs. In lacs)

Activity	Amount	% of Total Issue expenses	% of the Issue size
Issue Management and underwriting	120.36	53.49	4.46
Registrars fees	20.00	8.89	0.74
Printing & Distribution of Issue Stationery	22.50	10.00	0.83
Advertising and Marketing expenses	15.00	6.67	0.56
Brokerage and Selling commission	33.75	15.00	1.25
Other expenses (Legal advisors, Auditors, Tax Auditors)	13.39	5.95	0.50
Total	225.00	100.00	8.33

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Fees Payable to the Lead Manager

The total fees payable to the LMs including for the Issue will be as per the Memorandum of Understanding executed between the Company and the LMs, dated December 30, 2005, copy of which is available for inspection at the Registered Office of the Company.

Fees Payable to the Registrar

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between the Company and the Registrar to the Public Issue dated February 7, 2006, copy of which is available for inspection at the Registered Office of the Company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

Underwriting commission, brokerage and selling commission

The underwriting Commission, if any will be payable not more than 1.5 % of the amount underwritten by the respective underwriters.

Brokerage for the Issue will be paid not more than 1.5% of the Issue Price of the Equity Shares by Richa Knits Limited on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the Broker column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers / Agents codes on the application form, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter. The Company, at its sole discretion, may consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by the Company.

Others

The total fee payable to the Legal Advisor, Auditor & Tax Auditor will be as per their respective engagement letters.

Previous Public and Rights Issues

The Company has not made any public or rights issue since its inception.

Previous Issues of Shares Otherwise than for Cash

The Company has issued shares for consideration other than for Cash details of which have been provided on page no. 14 under the heading Capital Structure in this Prospectus.

Commission and Brokerage paid on Previous Issues

The Company has not made any public or rights Issue since its inception and has not paid any commission or brokerage.

Particulars in regard to our Company and other listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956 which made any capital Issue during the last three years

There are no Companies within the meaning section 370 (1) (B) of the Companies Act, 1956, which made any capital Issue during the last three years.

PROMISE VIS-A-VIS PERFORMANCE

(A) LAST THREE ISSUES MADE BY OUR COMPANY

Our Company has not made any issue of equity shares to the public prior to the present Public Issue.

(B) LAST ISSUE OF THE LISTED VENTURES OF PROMOTER GROUP

There is no Listed venture in our Promoter Group.

Outstanding Debentures, Bonds, Redeemable Preference Shares or other Instruments

Our Company has not issued any Redeemable Preference shares and debentures, bonds or other instruments since incorporation.

Stock Market Data for our Equity Shares

This being the first Public Issue of our Company, no Stock Market Data is available.



Mechanism for Redressal of Investor Grievances

The Company has appointed Intime Spectrum Registry Limited as the Registrar of the Issue, to handle the investor grievances in co-ordination with Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and Bank branch where the application was submitted. The Company will monitor the work of the Registrar to ensure that the grievances are settled expeditiously and satisfactorily.

Disposal of Investor Grievances

M/s. Intime Spectrum Registry Limited, the Registrar to the Issue, will handle investor grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with Registrar to the Issue in attending to the grievances of the investors. The Company assures that the Board of Directors, in respect of the complaints, if any, to be received, shall adhere to the following schedules:

Sr. No.	Nature of Complaint	Time Taken
1.	Non-receipt of refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address notification	Within 7 days of receipt
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details

The Company has appointed Mr. Sanjeev Sharma, Company Secretary of the Company, as Compliance Officer who would directly deal with SEBI with respect to implementation /compliance of various laws, regulations and other directives issued by SEBI and matters related to investor Complaints. The investor may contact the Compliance Officer in case of any pre issue/ post issue related problems. The Compliance Officer can be contacted at the following address:

Richa Knits Limited

Plot No.5, Sector-7,
IMT Manesar,
Gurgaon - 122 050
Haryana, India
Email: investors@richaknits.com

Changes in Auditors

There has been no change in the Auditors of the Company during the last three years.

Capitalization of Reserves or Profits (during the last five years)

The Company has not capitalized its profits or reserves at any time except as stated in the section titled "Financial Information of the Company" beginning on page no. 86 of this Prospectus.

Revaluation of Assets (during the last five years)

The Company has not revalued its assets during the last five years.

SECTION VIII - ISSUE RELATED INFORMATION

1. TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, Memorandum and Articles of the Company, the terms of this Prospectus, Application Form, and other terms and conditions as may be incorporated in the Letters of Allotment/Equity Share Certificates or other documents 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 Equity Shares offered from time to time by SEBI, Government of India, Stock Exchanges, RBI, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

i. Authority of the Issue

Present Issue of Equity Shares has been authorized by shareholders vide a Special Resolution passed at the Extra Ordinary General Meeting of our Company held on December 29, 2005 under Section 81(1A) of the Companies Act, 1956. The Board of Directors of our Company had approved the present Issue of Equity Shares vide a resolution passed at their meeting held on December 5, 2005.

ii. Ranking of Equity Shares

The Equity Shares to be issued shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank pari passu in all respects with the existing Equity Shares of the Company including rights in respect of dividends. Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment.

iii. Mode of payment of Dividend

The declaration and payment of dividend will be recommended by the Board of Directors of our Company and our shareholders, at their discretion, and will depend on a number of factors, including but not limited to the our earnings, capital requirements and overall financial condition.

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

iv. Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being issued at the Price of Rs. 30/- per Equity Share. The Issue Price is 3 times of the face value. At any given point of time there shall be only one denomination for the Equity Shares of the Company.

The price has been approved by a resolution passed by the Board of Directors at their meeting held August 25, 2006.

v. Rights of the Equity Shareholder

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

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

For a detailed description of the main provisions of the Articles of Association of the Company dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of Articles of Association of the Company" stated on page no. 147 of this Prospectus.

vi. Marketable Lot

In terms of Section 68 B of the Companies Act, the Equity shares of the Company shall be allotted only in dematerialised form.



As trading in the Equity Shares is compulsorily in dematerialized form, the market lot is one Equity Share. Allotment of Equity Shares will be done in multiples of one Equity Share, subject to a minimum allotment of 180 Equity Shares.

vii. Nomination Facility to the Investor

In accordance with Section 109A of the Act, the sole or first applicant, along with other joint applicants may nominate any one person with whom, in the event of the death of the sole applicant or in case of joint applicants, death of all applicants as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, becoming entitled to the Equity Shares by reason of death of the original holder(s), shall in accordance with Section 109A of the Act, be entitled to the same advantage to which he/she would be entitled if he/she were the registered holder of the Equity Shares. 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 Shares in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity shares by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made on a prescribed form available on request at the Registered Office of the Company or the Registrar. In accordance with Section 109B of the Act, any person who becomes a nominee by virtue of the provisions of the Section 109A of the Act, shall upon production of such evidence as may be required by the Board, elect either:

- a) To register himself or herself as holder of Equity Shares or
- b) To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to elect either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied within a period of 90 days, Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirement of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

viii. Minimum Subscription

If we do not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the issue, 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 as prescribed under Section 73 of the Companies Act.

ix. Arrangement for Disposal of Odd Lots

The Company's share will be traded in dematerialized form only and therefore marketable lot is one (1) share. Therefore, there is no possibility of odd lots.

x. Restrictions, if any, on Transfer and Transmission of Shares and on their Consolidation/Splitting

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer section titled "Main Provisions of the Articles of Association of the Company" stated on page no 147 in this Prospectus.

xi. Withdrawal of the Issue

We, in consultation with the Lead Manager, reserve the right not to proceed with the issue at anytime after the Issue Opening date but before allotment, without assigning any reason thereof.

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2. ISSUE PROCEDURE

ISSUE STRUCTURE

The present Issue of 90 Lacs Equity Shares of Rs.10/- each at a price of Rs. 30/- for cash aggregating to Rs. 2700 lacs including Promoters participation of 15,00,000 Equity shares. The Net size of the issue is 75,00,000 shares out of which 7,50,000 Equity shares (10% of the issue size) is to be compulsorily allotted to QIBs. Reservations of 7,50,000 shares and 3,75,000 Equity shares have been made for NRIs/ FIIs and Employees respectively.

	QIBs	NRIs/ FIIs	Eligible Employees	Non-Institutional Investors	Retail Individual Investors
Number of Equity Shares	Not less than 7,50,000 Equity shares	Upto 7,50,000 Equity shares	Upto 3,75,000 Equity shares	Upto 2812500 Equity Shares	Not less than 2812500 Equity Shares
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate	Proportionate
Mode of Allotment	Compulsorily in demat form	Compulsorily in demat form	Compulsorily in demat form	Compulsorily in demat form	Compulsorily in demat form
Trading Lot	One Equity share	One Equity share	One Equity share	One Equity share	One Equity share
Minimum application size	180 Equity shares and in multiples of 180 Equity shares thereafter	180 Equity shares and in multiples of 180 Equity shares thereafter	180 Equity shares and in multiples of 180 Equity shares thereafter	180 Equity shares and in multiples of 180 Equity shares thereafter	180 Equity shares and in multiples of 180 Equity shares thereafter
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, Venture Capital funds registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 25	NRIs / FIIs applying on repatriation basis	Eligible Employees (as defined in Prospectus)	Resident Indian Individuals, HUF (in the name of Karta) companies, corporate bodies, NRIs, societies and Trusts	Individuals, including NRIs and HUFs (in the name of Karta) applying for Equity shares such that the application amount does not exceed Rs. 1,00,000/- in value.



	QIBs	NRIs/ FIIs	Eligible Employees	Non-Institutional Investors	Retail Individual Investors
	crores and Pension funds with a minimum corpus of Rs. 25 crores in accordance with applicable law.				
Terms of Payment	100 % on application	100 % on application	100 % on application	100 % on application	100 % on application
Face Value	Rs. 10/- per Equity share fully paid up	Rs. 10/- per Equity share fully paid up	Rs. 10/- per Equity share fully paid up	Rs. 10/- per Equity share fully paid up	Rs. 10/- per Equity share fully paid up
Issue Price	Rs. 30/- per Equity share	Rs. 30/- per Equity share	Rs. 30/- per Equity share	Rs. 30/- per Equity share	Rs. 30/- per Equity share

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

The reservation is not available for employees who are promoters.

Undersubscription, if any, in the Reservation Portion for Employees and NRIs/ FIIs will be added back to the Net Offer to Public, and the undersubscription can be met with spill over from any other category at the discretion of our company, in consultation with the Lead Manager.

i. Principal Terms and Conditions of the Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, Memorandum and Articles of the Company, the terms of this Prospectus, Application Form, and other terms and conditions as may be incorporated in the Letters of Allotment/Equity Share Certificates or other documents 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 Equity Shares offered from time to time by SEBI, Government of India, Stock Exchanges, RBI, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

ii. Reservations

- 1) Reservation on competitive basis has been made in the Public Issue for:
 - NRIs and/or FIIs, applying on repatriation basis for 7,50,000 Equity Shares,
 - Permanent Employees of our Company for 3,75,000 Equity Shares,
- 2) Reservation on competitive basis shall mean reservation wherein allotment of Equity Shares is made in proportion to the shares applied for by the concerned reserved categories.
- 3) Person(s) belonging to NRIs and/or FIIs Category shall not make an application in the 'Net Issue to the Public' category.

The reservation is not available for employees who are promoters.

iii. Application Forms

Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English, as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so made. The prescribed application forms will have the following colours:

S. No.	Category	Colour of Application Form
1	For Indian Resident Public including NRI's/ FII's applying on non- repatriation basis	White
2	For Qualified Institutional Buyers (QIBs)	Green
3	For Non-Resident Indians (NRI's) / Foreign Financial Institutions (FII's) applying on repatriation basis	Blue
4	Employees	Pink

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iv. Application may be made by:

- (a) Indian Nationals, who are resident in India and are Adult Individuals and are not lunatic, in single name or joint names (not more than three)
- (b) Hindu Undivided Families through the Karta of the Hindu Undivided Family
- (c) Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares
- (d) Indian Mutual Funds registered with SEBI
- (e) Indian Financial Institutions & Banks
- (f) Indian Venture Capital Funds / Foreign Venture Capital Funds registered with SEBI subject to the applicable RBI Guidelines and Approvals, if any.
- (g) State Industrial Development Corporations
- (h) Insurance Companies registered with Insurance Regulatory and Development Authority
- (i) Provident Funds with minimum corpus of Rs.2500 Lacs
- (j) Pension Funds with minimum corpus of Rs.2500 Lacs
- (k) Trusts or Societies registered under the Societies Registration Act, 1860 or any other applicable Trust Law and are authorised under its constitution to hold and invest in Equity Shares of a Company, Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India
- (l) Permanent and Regular employees of the Company
- (m) Non-Resident Indians (NRIs) on repatriation / non-repatriation basis
- (n) Foreign Institutional Investors (FIIs) on repatriation / non-repatriation basis

v. Applications not to be made by:

- a) Minors
- b) Partnership firms or their nominees
- c) Foreign Nationals (except NRIs)
- d) Overseas Corporate Bodies (OCBs)

vi. Applications by Hindu Undivided Families (HUF)

Applications may be made by Hindu Undivided Families (HUF) through the Karta of the (HUF) and will be treated at par with individual applications.

vii. Minimum and Maximum Application Size

Applications should be for minimum of 180 Equity Shares and in multiples of 180 Equity Shares thereafter. An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public. In the case of reserved categories, a single applicant in the reserved category can make an application for a number of Equity Shares, which exceeds the reservation.

Under existing SEBI Guidelines, a QIB applicant can not withdraw its application after the issue closing date.

viii. Option to Subscribe

As on the date of this document, there are no pending options to subscribe to Equity Shares or convertible instruments pending conversion into Equity Shares of any kind. The investor shall have the option to subscribe to Equity Shares to be dealt with in a depository. The investor shall have the option to either to receive the security certificates or to hold the Equity Shares in demat form with a depository.

ix. Availability of Prospectus and Application Forms

The Memorandum Form 2A containing the salient features of the Prospectus together with Application Forms and copies of the Prospectus may be obtained from the Registered Office of the Company, Lead Manager to the Issue, Registrar to the Issue, Underwriter to the issue, and at the collection centres of the Bankers to the Issue, as mentioned on the Application Form.



NRIs / FIIs / Indian Mutual Funds & Indian and Multilateral Development Financial Institutions and other eligible QIB's can obtain the Application Form from the registered office of the Company.

x. Applications under Power of Attorney

In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds; a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.

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 Application Form subject to such terms and conditions as it may deem fit.

xi. Instructions for Applications by Permanent Employees of our Company

Reservation on competitive basis has been made in the Public Issue to the permanent employees of the Company. Reservation on competitive basis shall mean reservation wherein allotment of shares is made in proportion to the shares applied for. For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of our Company, who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Application Form. The reservation is not available for employees who are promoters

1. Application must be made only:
 - a) On the prescribed Application Form (Pink in colour) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made;
 - b) For a minimum of 180 Equity Shares and in multiples of 180 Equity Shares thereafter in single name or joint names (not more than three), however first applicant should be permanent / regular employee of the Company.
2. Eligible Employees, as defined above, should mention the following at the relevant place in the Application Form, in addition to other details contained therein: Employee Number
3. A single applicant in the reserved category can make an application for a number of shares that are being issued to employees in terms of this issue. Payment should be made in cash or by cheque/Bank Draft drawn on any bank (including a Co-operative Bank) which is situated at and is a Member or Sub-member of the Banker's Clearing House located at the place where the application is submitted.
4. A separate cheque or Bank draft shall accompany each application form. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/ Postal Orders will not be accepted.
5. All Cheques or Bank Drafts must be payable in the favour of "Name of the Bank - A/c Richa Knits Limited - Public Issue - Employees" and crossed "Account Payee Only".
6. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Manager to the Issue or to the Registrars to the Issue.
7. No receipt will be issued for the application money. However, Bankers to the Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.
8. All Cheques/Bank Drafts accompanying the application form should contain the Application Form Number on the reverse of the instrument.
9. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.
10. Applicants residing at places where designated branches of the Banker to the Issue are not located may submit/mail their applications at their sole risk along with Demand Draft payable at Mumbai only payable to "Name of the Bank - A/c Richa Knits Limited - Public Issue - Employees" to Registrar to the Issue.
11. Application by Eligible Employees can also be made in the "Net Issue to the Public" Portion and such Applications shall not be treated as multiple Applications.

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12. Unsubscribed portion in any reserved category may be added to any other reserved category. The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the Net Issue to the Public.

xii. Instructions for Applications by NRIs/FIIs (on Repatriable Basis):

1. As per Notification No. FEMA 20 / 2000 - RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank, the Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits.
2. However, the allotment / transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.
3. In case of application by NRIs 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 Subscribers applying on a repatriation basis. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to NRE or FCNR account.
4. In case of application by FIIs on repatriation basis, the payment should be made out of funds held in Special Non-Resident Rupee Account along with documentary evidence in support of the remittance like certificates such as FIRC, bank certificate etc. from the authorised dealer. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to Special Non-Resident Rupee Account.
5. Duly filled Application Forms by NRIs / FIIs will be accepted at designated branches of the Bankers to the Issue at Mumbai and New Delhi only.
6. Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges / commission. In case of applicants who remit their application money from funds held in NRE / FCNR accounts, such payments shall be credited to their respective NRE / FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. Our Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
7. Applicants in this category may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

xiii. Instructions for Applications by Qualified Institutional Buyers

- Application by Qualified Institutional Buyers shall be made only in the prescribed Application Form i.e. Green colour form marked "QIBs".
- Allocation has been made in the public issue for the QIBs in terms of clause 2.2.2 (a) (ii) & (b) (i) of SEBI (DIP) Guidelines, 2000 as amended from time to time
- In case of Mutual funds, a separate application must be made in respect of each scheme of a Mutual Fund registered with SEBI and such applications will not be treated as multiple applications. The applications made by the Asset Management Company or Trustee / Custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.
- Eligible Qualified Institutional Buyers should apply in this Public Issue based on their own investment limits and approvals.
- Application must be for minimum of 180 Equity Shares and shall be in multiples of 180 Equity Shares thereafter.
- A separate single cheque / bank draft must accompany each application form.



- The maximum application size in this category can be of 7,50,000 Equity Shares, full allotment shall be made to QIBs to the extent of their demand.

If the number of shares applied for in this category is greater than 7,50,000 Equity Shares, the allotment shall be made on a proportionate basis subject to a minimum of 180 Equity Shares. For the method of proportionate basis of allotment, please refer paragraph "Basis of Allotment" on page 143 of this Prospectus

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

xiv. Terms of Payment of all Categories

The application must be for a minimum of 180 equity shares and thereafter in multiples of 180 shares. The equity shares of Rs.10/- each are issued at a price of Rs. 30/- per equity share and terms of payment are as under:

	Towards Principal	Towards Premium	Total Amount Payable
On Application	5.00	10.00	15.00
On Allotment	5.00	10.00	15.00
Total	10.00	20.00	30.00

In case of allotment of shares, any excess amount paid on application shall be adjusted towards amount due on allotment and the balance amount if any, shall be refunded by the Company to the applicant(s).

Partly paid-up Shares

Partly paid up shares will not be listed on the Stock exchanges.

xv. General Instructions for Applicants

Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so made.

1. Thumb impressions and signatures other than in English/ Hindi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.
2. Bank Account Details of Applicant
The name of the Applicant, Depository Participant's name, Depository Participant's Identification (DPID) number and the Beneficiary number provided by the Depository must be mentioned by the applicant correctly in the Application Form at the appropriate place. The Registrar will obtain the Demographic details such as Address, Bank account details and occupation from the depository participants. The refunds, if any, will be printed with the Bank details as given by the Depository participant.
3. Applicants should write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.
4. Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non-Resident Ordinary (NRO) Account. The relevant bank certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.

xvi. Payment Instructions

1. Payments should be made in cash or cheque or bank draft drawn on any Bank (including a Co-operative Bank), which is situated at and is a member or a sub-member of the Bankers' "Clearing House", located at the Centers (indicated in the Application Form) where the Application is accepted. However, if the amount payable on application is Rs. 20,000/- or more, in terms of section 269SS of the Income-Tax Act, 1961; such payment must be effected only by way of an account payee cheque or bank draft. In case payment is effected in contravention of the conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon.

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2. Money orders, postal orders, outstation cheques or bank drafts, cheques / draft drawn on Banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected.
3. A separate cheque / bank draft must accompany each application form.
4. All cheques / bank drafts accompanying the application should be crossed "A/c Payee Only" and made payable to the Bankers to the Issue and drawn marked: "Name of the Bank - A/c Richa Knits Limited"

Category of application	Cheques/ Bank draft favouring
Indian Public including eligible NRIs applying on Non-repatriation basis	"Name of the Bank - A/c Richa Knits Limited - Public Issue"
QIBs	"Name of the Bank - A/c Richa Knits Limited - Public Issue - QIB"
NRIs/FII on Repatriation basis	"Name of the Bank - A/c Richa Knits Limited - Public Issue - NR"
Permanent Employees	"Name of the Bank - A/c Richa Knits Limited - Public Issue - Employees"

for e.g "ICICI Bank - A/c Richa Knits Limited - Public Issue".

5. Investors will not have facility of applying through stockinvest instruments as RBI has withdrawn the stockinvest scheme vide notification no.DBOD.NO.FSC.BC.42/ 24.47.001/2003-04 dated 5/11/2003.

xvii.Submission of Completed Application Forms:

All applications duly completed and accompanied by cash/ cheques/ bank drafts shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Application(s) should not be sent to the office of the Company or the Lead Manager to the Issue.

Applicants residing at places where no collection centers have been opened may submit / mail their applications at their sole risk along with application money due there on by Bank Draft to the Registrar to the Issue, superscribing the envelope "Richa Knits Limited - Public Issue" so as to reach the Registrar on or before the closure of the Subscription List. Such bank drafts should be payable at Mumbai only. Our Company will not be responsible for postal delays and loss in transit.

Our Company will not entertain any claims, damage or loss due to postal delays or loss in transit. No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed application form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each application form. Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

xviii.Other Instructions

a. Joint Applications in case of Individuals

Applications may be made in single or joint names (not more than three). In case of Joint Applications, refund, pay orders, dividend warrants etc. if any, will be drawn in favour of the first applicant and all communications will be addressed to the first applicant at her/his address as stated in the application form.

b. Multiple Applications

An applicant should submit only one application form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same.

NRIs / FIIs applying on a repatriation basis shall not make an application in the public category and such applications made in both the categories i.e. reserved category and Public Category shall be treated as multiple applications. Our Company reserves the right to accept or reject, in absolute discretion, any or all multiple applications. Unless our Company specifically agrees in writing with or without such terms and conditions as deemed fit, a separate cheque/ draft must accompany each application form.

c. PAN / GIR Number

Where application(s) is/are for Rs.50,000 or more, the applicant or in the case of a applicant in joint names, each of the applicants, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted



that Applicants should not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground. In case the Sole/First applicant and Joint applicant(s) is/are not required to obtain PAN, each of the applicant(s) shall mention "Not Applicable" and in the event that the sole applicant and/or the joint applicant(s) have applied for PAN which has not yet been allotted each of the applicant(s) should mention "Applied for" in the Application Form. Further, where the applicant(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Applicant and each of the Joint Applicant(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Applicants are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

d. Right to Reject the Applications

Our Company and the Lead Manager reserve the right to reject any application without assigning any reason therefor in case of QIBs. In case of Non-Institutional Applicants and Retail Individual Applicants, we have a right to reject applications based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Applicant's address at the Applicant's risk.

e. Grounds for Technical Rejections

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:-

- i. Amount paid does not tally with the amount payable for the value of Equity Shares applied for;
- ii. Age of first applicant not given;
- iii. 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;
- iv. NRIs, except eligible NRIs and Non-Residents;
- v. Applications by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
- vi. PAN not stated if Application is for Rs. 50,000 or more and GIR number given instead of PAN;
- vii. Copy of PAN card or PAN allotment letter is not enclosed if the application is for more than Rs.50,000/-.
- viii. Applications for number of Equity Shares, which are not in multiples of 180 ;
- ix. Category not ticked;
- x. Multiple Applications as defined in this Prospectus;
- xi. In case of Application under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- xii. Applications accompanied by stockinvest/money order/postal order/cash (wherever applicable);
- xiii. Signature of sole and/or joint Applicants missing;
- xiv. Application Form does not have the Applicant's depository account details;
- xv. Application Form is not delivered by the Applicant within the time prescribed as per the application Form, Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and the Application Form;
- xvi. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Applicants (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
- xvii. Applications for amounts greater than the maximum permissible amounts prescribed by the regulations.

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xviii. Applications by OCBs; and

xix. Applications by U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act;

f. Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) An Agreement dated April 15, 2006 between our Company, NSDL and Intime Spectrum Registry Ltd., Registrar to the Issue; and
- b) An Agreement dated April 28, 2006 between our Company, CDSL and Intime Spectrum Registry Ltd., Registrar to the Issue.
 - An applicant has the option of seeking allotment of Equity Shares only in electronic form. However, the allottee has an option to hold shares in physical mode. After the allotment in the present issue, allottees may request their respective DPs for rematerialisation of shares if they wish to hold shares in physical form. Applications without relevant details of his / her Depository account are liable to be rejected.
 - An applicant applying for shares must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
 - The Applicant must necessarily fill in the details (including the Beneficiary Account No. and DP ID No.) in the Application Form.
 - Equity shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP).
 - For subscription in electronic form, names in the share application 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.
 - The Registrar to this Issue will directly send non-transferable allotment letters/refund orders to the applicant.
 - Incomplete/incorrect details given under the heading 'Request for Shares in Electronic Form' in the application form shall be treated as an invalid application and shall be liable to be rejected.
 - The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/her DP.
 - It may be noted that the electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. BSE, where the Equity Shares of our Company are proposed to be listed is connected to NSDL and CDSL.
 - One time cost of dematerialisation of shares would be borne by the Company. The one time cost refers to the demat charges for the shares opted for in this Issue by an investor in electronic form. Subsequent charges for dematerialisation of physical shares held by the investors would have to be borne by the investor.

g. Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment / share certificates / credit of securities in depositories beneficiary account / refund orders, etc., Investors may contact Compliance Officer or Registrar to the Issue.

For further instructions regarding application for the Equity Shares, investors are requested to read the application form carefully.

Disposal of Applications and Application Money

No receipt will be issued for the application money. However, the bankers/collection centre to the issue and/or their branches receiving the applications will acknowledge the receipt of the applications by stamping and returning to the applicant the acknowledgment receipt at the bottom portion of each application form.

The Company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. The company further agrees that it shall pay interest @ 15% per annum if the allotment letters/refund



orders have not been dispatched to the applicants within 30 days from the date of the closure of the issue or if in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner. However applications received after the closure of issue in fulfillment of underwriting obligations, if any, to meet the minimum subscription requirement shall not be entitled for the said interest.

Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference

- I. Direct Credit- For investors having their Bank account with the Escrow Bankers the refund amount would be credited directly to their Bank account with the Escrow banker.
- II. RTGS - Investors desirous of taking direct credit of refund through RTGS will have to provide the IFSC code in the Application form.
- III. ECS - Payment of refund would be mandatorily done through ECS for applicants having an account at any of the 15 centers where clearing houses for ECS are managed by Reserve Bank of India, namely Ahmedabad, Bangalore, Bhubneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, 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 nine-digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf, from the depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centers named hereinabove.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in III hereinabove.

For all the other applicants, the refund orders would be despatched "Under Certificate of Posting" for refund orders less than Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above."

The company further agrees that it shall pay interest @15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the issue as above.

The Board of Directors reserves, at its sole, absolute and unqualified discretion, the right to reject any application in full or in part without assigning any reason. If an application is rejected in full, the whole of the application money will be refunded to the applicant and in case of Joint applications, to the first named applicant. Where an application is rejected in part, the excess application money will be refunded to the applicant in accordance with the SEBI (DIP) Guidelines 2000 as amended from time to time.

The Company undertakes to make available to the Registrars to the issue, adequate funds for allotment letters/share certificates to be sent by registered post. The sums received in respect of the Public Issue will be kept in separate Bank account(s) and the issuer will not appropriate the funds unless approval of the Designated Stock Exchange i.e. BSE is obtained for allotment and no utilisation shall be made till listing and trading approval is obtained from BSE where the shares are proposed to be listed.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced 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."

INTEREST ON EXCESS APPLICATION MONEY

Payment of interest at rate of 15% per annum on the excess application money, after adjusting the amount due on allotment and unpaid calls will be made to the applicants, if the refund orders are not dispatched within 30 days from the date of closure of the subscription list.

BASIS OF ALLOTMENT

In the event of the Present Issue of Equity Shares being oversubscribed, allotment shall be made on a proportionate basis and the basis of allotment will be finalized in accordance with the SEBI Guidelines and in consultation with BSE (Designated Stock Exchange). The Executive Director/Managing Director of BSE along with the Lead Manager and the Registrar to the Issue

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shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the following guidelines:

i. Proportionate Allotment Procedure

Allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size i.e. 180 Equity Shares.

ii. Reservation for Retail Individual Investor

The above proportionate allotments of Equity Shares in an Issue that is oversubscribed shall be subject to the reservation for Retail individual investors as described below:

- a. 7,50,000 (10%) Equity Shares shall be compulsorily allotted to eligible QIBs.
- b. 7,50,000 (10%) Equity Shares are reserved for allotment on competitive basis to NRIs and/or FIIs, applying on repatriation basis.
- c. 3,75,000 (5%) Equity Shares are reserved for allotment on competitive basis to Permanent Employees of our Company. The reservation is not available for employees who are promoters
- d. Unsubscribed portion in any reserved category may be added to any other reserved category. The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the Net Issue to the Public.
- e. A minimum 50% of the Net Issue to the Public shall initially be made available for allotment to Retail Individual Investors, as the case may be.
- f. The balance Net Issue to the Public shall be made available for allotment to:
 - I. individual applicants other than retail individual investors, and;
 - II. other investors including Corporate bodies/ institutions irrespective of the number of shares, applied for.
- g. Spill over from QIBs' category, shall, at the sole discretion of our Company in consultation with the Lead Manager, be allowed to meet under-subscription, if any, in categories for Non- Institutional Investors and Retail Individual Investors.
- h. Further, unsubscribed portion in either of Non-Institutional Investors or Retail Individual Investors category shall be added to the other category interchangeably.

The drawal of lots (where required) to finalize the basis of allotment, shall be done in the presence of a public representative on the Governing Board of BSE (designated stock exchange). The basis of allotment shall be signed as correct by the Executive Director/Managing Director of BSE (designated stock exchange) and the public representative in addition to the Lead Manager, our Company and the Registrar to the Issue.

LETTERS OF ALLOTMENT OR REFUND ORDERS

The Company shall give credit to the Beneficiary Account with Depository Participants within two (2) working days of finalisation of the basis of allotment of Equity Shares. The Company shall arrange to credit the accounts of the applicants through Electronic mode in the case of applicants residing in specified centres and shall dispatch refund orders, if any, of value up to Rs.1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first applicant's sole risk. The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue. In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made within 30 days from the Issue closing date
- Arrange to credit refunds to applicants residing in specified centres through Electronic Clearing Service and in all other cases dispatch of refund orders will be done within 30 days from the Issue closing date.
- The company further agrees that it shall pay interest @ 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the issue or if in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner.



- Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days of closure of the issue, giving details of the bank where refunds are credited alongwith amount and expected date of electronic credit of refund.

The Company will provide adequate funds required for despatch of refund orders or allotment advice to the Registrar to the Issue. Save and except refunds effected through the electronic mode i.e Direct Credit, RTGS, ECS, refunds will be made by cheques, pay orders or demand drafts drawn on the Collection Bank(s) and payable at par at places where applications are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the applicants.

Further, adequate funds for the said purpose shall be made available to the Registrar by the Company.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS / REFUND ORDERS

"The company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. The company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 30 days from the date of the closure of the issue. However applications received after the closure of issue in fulfillment of underwriting obligations, if any to meet the minimum subscription requirement, shall not be entitled for the said interest."

ACCESS TO THE FUNDS:

Subscription received against this issue would be kept in a separate bank account and the Company will not have access to these funds so collected until it has received approval for allotment from BSE and listing and trading permission is received from BSE where listing is proposed in terms of this Prospectus.

UNDERTAKING BY THE COMPANY:

The Company undertakes:

- a) that the complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily.
- b) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within seven working days of finalisation of basis of allotment.
- c) that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.
- d) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days of closure of the issue giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- e) that the promoters' contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in pro rata basis before the calls are made on public.
- f) that the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time.
- g) that no further issue of securities shall be made till the securities offered through this prospectus are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.

UTILIZATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

- a) all monies received out of this Issue of Equity Shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73;
- b) details of all monies utilized out of the Issue referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the purpose for which such monies had been utilized; and
- c) details of all unutilized monies out of the Issue of Equity Shares, if any, referred to in sub-item (a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the form in which such unutilized monies have been invested.

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The Board of Directors of the Company further certifies that:

- a) the utilisation of monies received under promoter's contribution and reservations shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised.
- b) the details of all unutilised monies out of the funds received under promoter's contribution and reservations shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested.

The Company undertakes that it shall not access the money raised in the Issue till finalisation of basis of allotment or completion of offer formalities.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign direct investment in textile Industry is permitted up to 100% under the automatic route.

Subscription by NRIs/FIIs

There is reservation for NRIs and/or FIIs applying on repatriation basis. Further, NRIs applying on non-repatriation basis will be treated on the same basis as Indian Public for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "Qualified Institutional Buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulations under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of our post-issue paid-up capital (i.e., 10% of 17,09,9362 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

The above information is given for the benefit of the Investors. We, the Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Investors are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations.



SECTION IX: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to schedule II of the Companies Act, 1956 and the SEBI Guidelines, the important provisions of the Articles of Association of our Company relating to members voting rights, lien on Equity shares and process for modification of such rights, forfeiture of Equity shares, restrictions, of Equity shares and debentures and on their consolidation and splitting as detailed below:

CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

3. The Authorised Share Capital of the Company shall be such as given in the Clause V of the Memorandum of Association or altered, from time to time, thereat. The Company shall have power to increase, consolidate, subdivide, reduce or otherwise alter its share capital, subject to the provisions of the Act. The minimum paid up capital of the Company will be Rs. Five Lakhs.
4. The Company in General Meeting may, from time to time, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given as the Directors shall determine and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at general meetings of the Company conformity with Sections 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.
5. Except so far as otherwise provided by the conditions of issue I by these presents, any capital raised by the creation of new share shall be considered as part of the existing capital, and shall I subject to the provisions herein contained, with reference tot payment of calls and installments, forfeiture, lien, surrender.] transfer and transmission voting and otherwise.
6. Subject to the provisions of Section 80 of the Act, the Company, shall have the power to issue Preference Shares which are or at the option of the Company are liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.
7. On the issue of Redeemable Preference Shares under the provisions of Article Act 6 hereof the following provisions shall take effect:
 - a) no such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption;
 - (b) no such shares shall be redeemed unless they are fully paid;
 - (c) the premium if any, payable on redemption must have been provided for out of the profits of the Company or the Company's Share Premium Account before the shares are redeemed;
 - (d) Where any such share are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called the 'Capital Redemption Reserve Account,' a sum equal to the nominal amount of the shares redeemed and the provisions of the Act relating to the reduction for the share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.
8. The Company may (subject to the provisions of Section 78, 80, 100 to 105 inclusive of the Act) from time to time by special Resolution, reduce its "capital and any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorised by law, and in particular, capital may be paid off on the footing that it may be called upon again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.
9. Subject to the Provisions of Section 94 of the Act the Company in general meeting may, from time to time, sub-divide or consolidate its shares, or any of them and the resolution whereby any share is sub-divided may determine that, as between the holder of the shares resulting from such sub-division one or more such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the others or other subject as aforesaid the Company in general meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
10. Whenever the capital, by reason the issue of Preference Share or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Section 106 and 107 of the Act, be modified, commuted, affected or abrogated or dealt with by agreement between the Company and any person purporting

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to contract on behalf of that class, provided such agreement is ratified in writing by holders of at least three-fourths in nominal value of the issued shares of the class or is confirmed by a special resolution passed at a separate general meeting or the holders or shares of that class.

SHARES AND CERTIFICATES

11. The Company shall cause to be kept a Register and Index of Members in accordance with Sections 150 and 151 of the Act. The Company shall be entitled to keep in any State or Country.
12. The shares in the capital shall be numbered progressively according to their several denominations, and except in the manner hereinbefore mentioned no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished. J
13. (a) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation whichever is earlier, it is proposed to increase the Subscribed capital of the Company by allotment of further shares, whether out of unissued share capital or out of increased share capital, then such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit, to the capital paid upon these shares to that date- Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than 15 days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given, if he declines to accept the shares offered the Board may dispose of them in such manner as they think most beneficial to the company.

(b) Notwithstanding anything contained in proceeding sub- clause the Company may-
 - i. by a special resolution; or
 - ii. Where no such special resolution is passed, if the votes cast (Whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that general meeting by members who, being entitled so to do, vote in person or where proxies are allowed, by proxy, exceed the vote if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

offer further shares to any person or persons, and such person or persons may or may not include the persons who at the date of the offer, are the holder of the equity shares of the Company.
(c) Notwithstanding anything contained in sub-clause (a) above but subject however, to Section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.
14. Subject to the provisions of these Articles and of the Act, the Shares (Including any shares forming part of any increased capital of the Company) shall be under the control of the Directors, who may allot or otherwise dispose of the same to such persons in such proportion on such terms and conditions and at such times as the Directors think fit and subject to the sanction of the Company in general meeting with full power, to give any person the option to call for or be allotted shares of any class of the Company either (Subject to the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount and such option being exercisable for such time and for. such consideration as the Directors think fit. The Board shall cause to be filed the returns as to allotment for in Section 75 at the Act.
15. In addition to and without derogating from the powers for that purpose conferred on the Board under Article 16 and 17 the Company in general meeting may, subject to the provisions of Section 81 of the Act determine that any shares (Whether forming part of the original capital or of any increased capital of the Company) shall be offered to such person (Whether members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Section 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in general meeting may make any other provision whatsoever for the issue, allotment or disposal of any shares.
16. Any application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register shall, for the purposes of these Articles, be a member.
17. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect, of any shares allotted by them, shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holders of such shares become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly



18. Every member, or his heirs, executors or administrators, shall pay to Company the portion of the Capital represented by his share or shares which may, for the time being remain unpaid thereof in such amounts, at such time or times, and in such manner as the Board shall, from time to time in accordance with the Company's regulations, require or fix for the payment thereof.
19. (a) Every member or allottee of shares shall be entitled without payment, to receive one certificate specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid-up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issues against letters of acceptance or of renunciation or in cases of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Secretary or some other person appointed by the Board for the purpose and two Director or their attorneys and the Secretary or other person shall sign the share certificate, provided that if the composition of the Board permits it, atleast one of the aforesaid two Directors shall be a person other than Managing or a whole time Director. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued, indicating the date of issue.
- (b) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single member, and the certificate of any share, which may be the subject of joint ownership, may be delivered to anyone of such joint owners on behalf of all of them. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupee One. The Company shall comply with the provisions of Section 113 of the Act.
- (c) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipments or other material used for the purpose.
20. (a) No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the cages on the reverse for recording transfers have been duly utilised, unless the certificate in lieu of which it is issued is surrendered to the Company.
- (b) When a new share certificate has been issued in pursuance of clause (a) of this Article it shall state on the face of it and against such counterfoil to the effect that it is "issued in lieu of share certificate no..... sub-divided/replaced/on consolidation of shares".
- (c) If a share certificate is lost or destroyed, a new certificate in lieu thereof shall be issued only with the prior consent of the Board and on such term, if any, as to evidence and indemnity as to the payment of out-of-pocket expenses incurred by the Company investigating evidence, as the Board thinks fit.
- (d) When a new share certificate has been issued in pursuance of clause (c) of this Article, it shall state on the face of it or counterfoil to the effect that it is 'duplicate issued in lieu of share certificate No.....-.....'. The word 'Duplicate' shall be stamped or punched in bold letters across the face of the share certificate. {
- (e) Where a new share certificate has been issued in pursuance of clause (a) or clause (c) of this Article, particulars of every such share certificate shall be entered in Register of Renewed and Duplicate Certificates indicating against the names of the persons to whom the certificate is issued, the number and date of issue of the share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members by suitable cross reference in the 'Remarks' column.
- (f) All blank forms to be issued for issue of share certificates shall be printed and printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine numbered and the forms and the blocks, engraving, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the Secretary or such other person as the Board may appoint for the purpose; and the Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board.
- (g) The Managing Director of the Company for the time being or, if the Company has no Managing Director, every Director of the Company shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates except the blank forms of share certificates referred to in sub Article (f).
- (h) All books referred to in sub-Article (g) shall be preserved in good order permanently.
21. If any share stands in the names of two or more persons, the person first named in the Register shall as regards receipt of dividends, bonus or service or notices and all or any other matter connected with the Company, except voting at

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meetings, and the transfer of the shares, be deemed the sole holder thereof but the joint-holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such share and for all incidents thereof according to the Company's regulations.

22. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise any equitable, contingent, future or partial interest in any share, or (except only as is by these Article otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles In the person from time to time registered as the holder thereof but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more person or the survivors of them.
23. None of the funds of the Company shall be applied in the purchase of any share of the Company, and it shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the Company or in its holding Company save as provided by Section 77 of the Act.

UNDERWRITING AND BROKERAGE

24. Subject to the provision of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures in the Company, or procuring, or agreeing to procure, subscriptions (whether absolute or conditional) for any shares or debentures in the Company, but so that the commission shall not exceed in the case of shares five percent of the price at which the shares are issued and in the case of debentures two and a half per cent of the price at which the debentures are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid share or the other.
25. The Company may pay a reasonable sum for brokerage,

INTEREST OUT OF CAPITAL

26. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any work of building, or the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 Of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provisions of plant.

CALLS

27. The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as it thinks fit upon the members in respect of all money unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by installments.
28. Fifteen day's notice in writing of any call shall be given by the Company specifying the time, place of payment, and the person or persons to whom such call shall be paid.
29. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board.
30. A call may be revoked or postponed at the discretion of the Board.
31. The joint-holders of share shall be jointly and severally liable to pay ail calls in respect thereof.
32. The Board may, from time to time at its discretion, extend the time fixed for the payment of any call and may extend such time as to all or any of the members who from, residence at a distance or other cause, the board may deem fairly entitled to such extension save as a matter of grace and favour.
33. If any member fails to pay any call due from him on the day appointed for the payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board not exceeding 18 per cent per annum but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.
34. Any Sum, which by the terms of issue of a share becomes payable oh allotment or at fixed date, whether on account of the nominal value of the share or by way of premium shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.



35. On the trial or hearing of any action or suit brought by the Company against any member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the member in respect of whose shares the money is sought to be recovered, appears entered on the Register of Members as the holder, at or subsequently to the date at which the money is sought to be recovered is alleged to have become due on the shares in respect of which such money's sought to be recovered; that the resolution making the call is duly recorded in the Minute Book; and that notice of such call was duly given to the member or his representatives sued in pursuance of these Articles; and that it shall not be necessary to prove the appointment of the Directors who made such call, or that a quorum of Directors was present at the board at which any call was made nor that the meeting at which any call made was duly convened or constituted nor any matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.
36. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member to the Company in respect of his shares either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.
37. (a) The Board may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of the amounts of his respective shares beyond the same, actually called up and upon the moneys so paid in advance, or upon so much thereof. from time to time and at any time thereafter as exceeds the amount of the calls then made upon and due respect of the shares on account of which such advances are made, the Board may pay or allow interest, at such rate as the member paying the sum in advance and the Board agree upon. The board may agree to repay at any time any amount so advanced or at any time repay the same upon giving to the member three months notice in writing. Provided that moneys paid in advance of calls on any shares may carry interest but shall not confer a right to dividend or to participate in profits.
- (b) No member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.
- 37A. The Company will not give any person the option or right to call of any shares without the sanction of share-holders in general meeting.

LIEN

38. The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with other) and upon the proceeds of sale thereof for all money (whether presently payable or not) called or payable at a fixed time in respect of such shares, and no equitable interest in any share shall be created except upon the footing and upon the condition that Article 22 hereof is to have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, in such shares.
39. For the purpose of enforcing such lien the Board may sell the shares subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their members to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until such period as aforesaid shall have arrived, and until notice in writing of the intention to sell shall have been served on such member or his representatives and default shall have been made by him or them in payment, fulfillment or discharge of such debt, liabilities or engagements for fourteen days after such notice.
40. The net proceeds of any such 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 shares before the sale) be paid to the persons entitled to the share at the date of the sale.
- 40A. Notwithstanding anything contained in these Articles, the Board of Directors may, when and if thought fit, buy back such of the Company's own shares or other securities as it may think proper subject to such limits, upon such terms & conditions and subject to such approvals as may be provided by law.

FORFEITURE OF SHARES

41. If any member fails to pay any call or installment of a call on or before the day appointments for the as aforesaid, the Board may at any time thereafter, during such time as the call or installment remains unpaid, give notice to him 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.

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42. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment thereon at such rate not exceeding 18 per cent per annum as the Directors shall determine from the day in which such call or installment ought to have been paid and expense as aforesaid are to be (laid. The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or installment is payable, will be liable to be forfeited.
43. If the recruitments of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at any time there after before payment of calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture, shall include all dividends declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.
44. When any share shall have been so forfeited notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.
45. Any share so forfeited shall(be deemed to be the property of the Company, and may be sold, re-allotted or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit,
46. Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture, until a payment, at such rate not exceeding 18 percent per annum as the Board may determine and the Board may enforce the payment thereof if it think fit.
47. The forfeiture of a share shall involve extinction at the time of the forfeiture, of all interest in all claims and demand against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly save.
48. A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claimed to be entitled to the shares.
49. Upon any sale after forfeiture or for enforcing a lien purported exercise of the power hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register in respect of the share sold, and the purchaser shall not be bound to see the regularity of the proceedings, or to the applications of the purchase money, and after his name has been entered in the Register in respect of such shares the validity of the sale not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
50. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate certificate or certificates in respect of the said shares to the person or persons entitled thereto.
51. The Board may at any time before any share so forfeited shall have been sold, reallocated or otherwise disposed of, annual the forfeiture thereof upon such conditions as it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES

52. In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.
53. The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer of or transmission of any share held in material form.
54. Subject to the provisions of the Act and these Articles, no transfer of shares in, or debentures of the Company shall be registered, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any of the transferee has been delivered to the Company along with the certificate as in existence, along with the letter of allotment of the shares or debentures. The transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof. Shares of different classes shall not be included in the same instrument of transfer.



55. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act and any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and of the registration thereof.
56. 1) The Board may, subject to the right of appeal conferred by Section 111 of the Act, at its own absolute and uncontrolled discretion and without assigning any reason, decline to register or acknowledge any transfer of any shares in the Company to any person of whom it does not approve and in particular, may so decline in any case in which the Company has a lien upon the shares or any of them. The registration of a transferee but so far only as regards the share or shares in respect of which the transfer is so registered and not further or otherwise and not so as to debar the Board from declining to register any subsequent or other transfer or other shares applied for in the name of such transferee.
- 2) Registration of a transfer shall not be refused on the ground of the transferor being, either alone or jointly with any other person or persons indebted to the Company on any account whatsoever, except a lien on shares.
57. Without in any way derogating from the power conferred on the Board, as hereinabove stated, the Board shall be entitled to refuse an application for transfer of less than 100 Equity Shares of the Company subject however to the following exceptions:
- i.) Transfer of Equity Shares made in pursuance of any provisions of law or statutory order or an order of a competent court of law.
- ii.) Transfer of the entire holding of Equity Shares by an existing Equity Shareholder of the Company holding less than 100 Equity Shares provided that the total holding of the transferee(s) will not be less than 100 Equity Shares after the said transfer.
- iii.) Transfer of more than 100 Equity Shares in the aggregate in favour of the same transferee under two or more transfer deeds out of which one or more relate (s) to the transfer of less than 100 Equity Shares. Provided that where a person is holding Equity Shares in lots higher than the market trading unit and sells the market trading unit, the remaining Equity Shares even though less than 100 in number shall be permissible to stand in his own name.
- iv.) Transfer of Equity Shares held by an equity shareholder which are less than 100 and a shareholder pleads a case of hardship. In such cases transfer may be effected at the discretion of the Board.
58. No transfer shall be made to a person of unsound mind.
59. 1) An application for the registration of a transfer of shares may be made either by the transferor or by the transferee.
- 2) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.
- 3) For the purpose of clause (2) hereof notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.
- 4) If the Company refuses to register the transfer of any share or transmission of right therein, the Company shall within one month from the date on which the instrument of transfer or the intimation of transmission as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be.
- 5) Nothing in these Articles shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares of the Company has been transmitted by operation of law.
60. Every instrument of transfer duly executed and stamped shall be left at the office for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Company may require to probe the title of the transferor or his right to transfer the shares.
61. All instruments of transfer which are registered shall be retained by the Company; but any instrument of transfer. Transfer to which the Board declines to register shall on demand be returned to the person depositing the same. The Board may cause to be destroyed all transfer deeds lying with the Company after such period not being less than six years as it may determine.
62. The Board may after giving not less than seven day's previous notice by advertisement as required by Section 154 of the Act, close the Register of Members or the Register of Debenture Holders for any period or periods not exceeding in the aggregate, 45 (Forty five) days in each year, but not exceeding 30 (Thirty) days at any one time.

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63. In the case of death of any one or more of the persons, named in the Register of Members as joint shareholders of any share, the survivors shall be the only persons recognised by the Company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estate of a joint shareholder from any liability to the Company on shares held by him jointly with other person.
64. Subject to Article 80, the heir, executor or administrator of a deceased shareholder shall be the only person recognised by the Company as having any title to his shares and the Company shall not be bound to recognise such heir, executor or administrator unless such heir, executor or administrator shall have first obtained probate or letters of administration or succession certificate,
65. Subject to the provisions of the Act and these Articles, any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of any member, or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence as the Board thinks sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him and registered as such holder, provided nevertheless, that if such person shall elect to have his nominee registered he shall testify the election by executing to his nominee an instrument of transfer of the share in accordance with the provisions herein contained and until he does so he shall not be freed from any liability in respect of the share.
66. The Board shall subject to the provisions of Article 71, thereof, have the same right to refuse to register a person entitled by transmission to any share, or his nominee, as if he were the transferee named in any ordinary transfer prescribed for registration.
67. Every transmission of share shall be verified in such manner as the Board may require and if the Board so desires, be accompanied by such evidence as may be thought necessary and the Company may refuse to register any such transmission until the same be so verified or requisite evidence produced or until or unless an indemnity be given to the Company with regard to such registration which the Board at its absolute discretion shall consider sufficient provided nevertheless, that there shall not be any obligation on the Company or the Board to accept any indemnity.
68. A Transfer of share in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member be as valid as if he had been a member at the time of the execution of the instrument of transfer.
69. The certification by the Company of any instrument of transfer of shares in or debentures of the Company shall be taken as a representation by the Company to any person acting on the faith of the certification that there have been produced to the company such documents as on the face of them shown a prima facie title to the shares or debentures in the transferor named in the instrument of transfer, but not as a representation that the transferor has any title to the shares or debentures.
70. The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer or transmission of shares made or purporting to be made by any apparent legal owner thereof as shown or appearing in the Register of members to the prejudice of persons having or claiming any equitable right, title or interest to or in the same shares, notwithstanding that the Company may have had notice of such equitable right, title or interest, or notice prohibiting registration of such transfer and may have entered such notice or referred thereto in any book of the Company, and the Company shall not be bound or required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability, whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some books of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

COPIES OF MEMORANDUM AND ARTICLES OF ASSOCIATION TO BE SENT TO MEMBERS

71. Copies of the Memorandum and Articles of Association of the Company and other documents referred to Section 39 of the Act shall be sent by the Company to every member at his request within seven days of the request on payment of the sum of Rupee One of each copy.

BORROWING POWERS

72. Subject to the provision of Section 292 and 293 of the Act the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the company provided however, where the moneys, to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the company in General Meeting.



73. Subject to the provisions of Article 71 hereof, the payment or re- payment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respect as the Special Resolution shall prescribe including by the issue of 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; and debentures, debenture-stock and other securities may be made assignable free from any equities between the company and the person to whom the same may be issued.
74. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into share of any denomination, and with any privileges and condition as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at general meeting, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of general meeting by a Special Resolution.
75. The Board shall cause a proper Register to be kept in accordance with the provision of Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company; and shall cause the requirements of Section 118,125 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with by the Board.
76. The company shall, if at any time it issues debentures keep a Register and Index of Debenture-holder in accordance with Section 152 of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Debenture holders resident in that State of Country.

SHARE WARRANTS

77. The company may issue share warrants subject to, and in accordance with the provision of Section 114 and 115 and accordingly the Board may in its discretion. With respect to any share which is, fully paid upon application in writing signed by the persons registered as holder of the share, and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identity of the person signing the application, and on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.
78. (1) The bearer of a share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition of calling a meeting of the Company, and of attending and voting and exercising the other privileges of a member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the share included in the deposited warrant.
- (2) Not more than one person shall be recognised as depositor of the share warrant.
- (3) The Company shall, on two day's written notice, return the deposited share warrant to the depositor.
79. (1) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other privileges of a member at a meeting of the Company or be entitled to receive any notice from the Company.
- (2) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the share included in the warrant; and he shall be member of the Company.
80. The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

81. The Company in general meeting may convert any paid-up shares into stock, and when any shares shall have been converted into stock, the several holders of such stock may thenceforth transfer their respective interest therein, or any part of such Interest, in the same manner and subject to the same regulations as, and subject to which shares from which the stock arose might have been transferred, if no such conversion had taken place, or as near thereto as circumstances will admit. The Company may at any time reconvert any stock into paid-up shares of any denomination.
82. The holders of stock shall, according to the amount of stock held by them, have same rights, privileges as regards dividends, voting at meetings of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage/ except participation in the dividends and profits of the Company, and in the assets on winding-up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

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82A.i) Definitions:

For the purpose Of this Article :

"Beneficial Owner" means a person whose name is as such with a Depository;

"Depository" means a Company formed and registered the Companies Act, 1956. and which has been granted a Certificate of Registration under the Securities Exchange Board of India Act. 1992;

"Depositories Act" means the Depositories Act, 1996 or any statutory modification or reenactment thereof;

ii) Dematerialisation/ Rematerialisation of Securities:

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize/rematerialize securities and to offer securities in the dematerialized pursuant to the Depositories Act.

iii) Options for Investors:

Every person subscribing to securities offered by company shall have the option to receive security certificate or to hold the securities with the depository. Such a person who ;is the beneficial owner of the securities can at any time opt out of depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and with time prescribed, issued to the beneficial owner the required Certificate of Securities.

If a person opts to hold his/her security with a depository, the Company shall intimate such depository the details of allotment of the security and on receipt of the information the depository shall enter in its record the name of the allottee as the beneficial owner of the securities.

iv) Securities in fungible form:

All securities held by a Depository shall be dematerialized and shall be in fungible form. No certificate shall be issued for the securities held by the Depository

v) Transfer of Securities:

Nothing contained in these Articles shall apply to transfer of securities held in Depository.

vi) Allotment of Securities:

Where the securities are dealt with in a Depository the Company shall intimate the details of allotment of relevant securities to the Depository on allotment of such securities.

vii) Service of Documents :

Notwithstanding anything to the contrary contained in the Act or these Articles, where securities are held in a depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or disc.

viii) Distinctive numbers of Securities held in a Depository:

Nothing contained in the Act or this Article regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a Depository.

ix) Register and Index of Beneficial Owners:

The Register and Index of beneficial owners maintained by a Depository under the Depositories Act shall be deemed to be a Register and Index of members and other security holders.

x) Rights of Depository and Beneficial Owners:

As a registered owner, Depository shall not have any voting rights or any other rights in respect of the securities held by it. Every person whose name is entered as the beneficial owner of shares in the records of the Depository shall be deemed to be a member of the Company. Every beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities, which are held by the Depository.

Provided further that notwithstanding anything to the contrary contained in these Articles, the shares and securities issued and / or held in electronic medium in fungible form, will be governed by the provisions of the Depository Act 1996.



82B.i) Every shareholder or debenture holder of the Company may at any

time, nominate, in the prescribed manner, a person to whom his/her shares in or debentures of the Company shall vest in the event of his/her death. .

- ii) Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company as the case may be, shall vest in the event of death of all the joint holders.
- iii) Notwithstanding anything to the Contrary contained in any other law or these Articles for the time being in force or in any desposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports. to confer on any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or the debenture holder or, as the case may be, on the death of joint holders, become entitled to all the rights in such shares/debentures or as the case may be all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied, cancelled in the prescribed manner.
- iv) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his/her death, during the minority.

82C.i) A nominee upon production of such evidence as may be required by the Board and subject, as hereinafter provided, elect, either -

- a) to be registered himself as holder of the share or debenture, as the case may be; or
- b) to make such transfer of the share or debenture, as the case may be; as the deceased shareholder or debenture holder, Could have made;
- ii) If the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder as the case may be;
- iii) a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the share or debenture except that he shall not, before being registered as a member in respect of his share of debenture, be entitled in respect of it to exercise any right conferred by membership in relation to the meetings of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, within 90 days the board may thereafter withhold payment of all dividends, bonus or other monies payable or rights occurring in respect of the share or debenture, until the requirements of the notice have been complied with.

MEETING OF MEMBERS

83. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meeting in that year. All General Meetings other than Annual General Meeting shall be called Extraordinary General Meetings. The first Annual General Meeting shall be held within six months after the expiry of each financial year. provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the office of the Company or at some other place within the city in which the office of the Company is situate as the board may determine and the Notice calling the Meeting shall specify it as the Annual General Meeting. The Company may in anyone Annual General Meeting fix the time for its subsequent Annual General Meetings. Every member of the Company shall be entitled to attend either in person or proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concern him as Auditor. At every Annual General Meeting of the Company, there shall be laid on the table the Directors' Report and Audited Statement of Account, Auditors' Report (if not already incorporated in the audited Statements of Account), the proxy Register with proxies and the Register of Directors shareholdings which later Register shall remain open and accessible during the continuance Of the meeting. The Board \$hall cause to be prepared the Annual List of Members, Summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159,161 and 220 of the Act.

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84. The Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall do so upon a requisition in writing by any member or members holding in the aggregate not less than one-tenth of such of the paid-up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.
85. Any valid requisition so made by members must state the object or objects of the meeting proposed to be called, and must be signed by the requisitionists and to be deposited at the office provided that such requisition may consist of several documents in like form each signed by one or more requisitionists.
86. Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting and if they do not proceed within twenty-one days from the date of the requisition being deposited at the office to cause a meeting to be called on a day not later than forty-five days from the date of deposit of the requisition, the requisitionists, or such of their number as represent either a majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid-up share capital of the Company as is referred to in Section 169(4) of the Act, whichever is less, may themselves call the meeting, but in either case any meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.
87. Any meeting called under foregoing articles by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board.
88. Twenty-one days notice" at least of every General Meeting Annual or Extraordinary, and by whomsoever called specifying the day, place and hour of meeting, and the general nature of the business to be transacted thereat, shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company Provided that in the case of an Annual General Meeting with the consent in writing of all the members entitled to vote thereat and in case of any other meeting, with the consent in writing of all the members holding not less than 95 per cent of such part of the paid-up share capital of the Company as gives a right to vote at the meeting, a meeting may be convened by a shorter notice. In the case of an Annual General Meeting, if any business other than (i) the consideration of the Accounts, Balance Sheet and Reports of the Board of Directors and Auditors, (ii) the declaration of dividend, (iii) the appointment of Directors in place of those retiring, (iv) the appointment of and fixing of the remuneration of the Auditors, is to be transacted, and in the case of any other meeting in any event there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such item of business including in particular the nature of the concern or interest, if any therein of every Director, and the Manager (if any), Where any such item of special business relates to or affects any other Company, the extent of share-holding interest in other company of every Director, and the Manager, if any, of the Company shall also be set out in the statement if the extent of such shareholding interest is not less than 20 per cent of the paid-up share capital of that other Company. Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.
89. The accidental omission to give any such notice as aforesaid to any of the members, or the non-receipt thereof, shall not invalidate, any resolution passed at any such meeting.
90. No General Meeting, Annual or Extraordinary shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices upon which it was convened
91. Five members present in person shall be quorum for a General Meeting,
92. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.
93. If at the expiration of half an hour from the time appointed for holding a meeting of company, a quorum shall not be present, the meeting, if convened by or upon requisition of members, shall stand dissolved, but in any Other case the meeting shall stand adjourned to the same day of the 3rd week or if that day is a public holiday until the next succeeding day which is not a public holiday at the same time and place or to such other day, and at such other time and place in the city or town in which the Office of the Company is for the time being situate, as the Board may determine and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the members present shall be a quorum and may transact the business for which the meeting was called.
94. The Chairman (if any) of the Directors shall be entitled to take the Chair at every General Meeting whether Annual or extraordinary. If there be no such Chairman of the Directors, or, if at any meeting he shall not be present within fifteen minutes of the time appointed for holding such meeting or if he shall be unable or unwilling to, take the Chair, then the Vice-Chairman (if any) of the Director shall be entitled to take the Chair and if there be no such Vice-Chairman or if he be not so present, the members present shall elect another director as Chairman, and if no Director be present or if all the Directors present decline to take the Chair, then the members present shall elect one of their member to be the Chairman.



95. No business shall be discussed at any General meeting except the election Of a Chairman, whilst the Chair is vacant.
96. The Chairman with the consent of the members may adjourn any meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which adjournment took place.
97. At any General meeting, a resolution put to vote of the meeting shall be decided on a show of hands, unless a poll is (before or on declaration of the result of the show of hands) demanded by any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid-up and unless a poll is demanded, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority or lost and an entry to that effect- in the Minute Book of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.
- 97A. Notwithstanding anything contained in these Articles, pursuant to Section 192A of the Companies Act, 1956, the company may, and in the case of the resolution relating to such business as the Central Government may, be notification, declare, to be conducted only by postal ballot (including voting by electronic mode), shall, get any resolution passed by means of a postal ballot (including voting by electronic mode), instead of transacting the business in the General Meeting of the Company Where the company decides to pass any resolution by postal ballot, it shall send a notice by registered post acknowledgement due, or by any other method as may be prescribed by the Central Government in this behalf to all the shareholders, along with draft resolution explaining reasons thereof, and requesting them to send their assent or dissent in writing on a postal ballot, in postage pre-paid envelope to be provided by the company, within a period of 30 days from the date of posting of a letter."
- If a resolution is assented to by a requisite majority of the shareholders by means of postal ballot (including voting by electronic mode), it shall be deemed to have been duly passed at a General Meeting convened in that behalf.
98. In the case of an equality of votes, the Chairman shall both show of hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as member.
99. If a poll is demanded as aforesaid, the same shall be taken at such time (not later than forty-eight hours from the time when the demand was made) and place in the city or town in which their Office of the Company is for the time being situate and either by open voting or by ballot, as the Chairman shall direct- and either at once or after an interval or adjournment, or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which poll was demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.
100. Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed - shall always be a member (not being an officer or employee of the Company) present at the meeting provided such a member is available and willing to be appointed- The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of the scrutineer arising from such removal or from any other cause.
101. Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting forthwith.
102. The demand for a poll except on the question of the election of the Chairman and of an adjournment 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.
103. No member shall be entitled to vote either personally or by proxy at any General Meeting or Meeting of a class of shareholders either upon a show of hands or upon a poll 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.
104. Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every member, not disqualified by the last preceding Articles shall be entitled to be present, and to speak and vote at such meeting, and on a show of hands every member present in person shall have one vote and upon a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company Provided, however, if any, preference shareholder be present at any meeting of the Company save as provided in clause (b) of sub-section (2) of Section 87, of the Act, he shall have a right to vote only on resolutions placed before the meeting which directly affect the rights attached to his preference shares.

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105. On a poll taken at a meeting of the Company a member entitled to more than one vote or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all votes he uses.
106. A member of unsound mind in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian; and any such committee or guardian may, on poll vote by proxy. If any, member be a minor the vote in respect of his share or shares shall be by his guardian, or anyone of his guardian, if more than one, to be selected in case of dispute by the Chairman of the meeting.
107. If there be joint registered holders of any shares, anyone of such persons may vote at any meeting or may appoint another person (whether a member or not) as his proxy but the proxy so appointed shall not have any right to speak at the meeting and if more than one of such joint holders be present at any meeting, that one of the said person so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares but the other or others of the joint holders shall be entitled to be present at the meeting. Several executors or administrator of a deceased member in whose name shares stand shall for purpose of these Article be deemed joint-holders thereof.
108. Subject to the provisions of these Articles votes may be given either personally or by proxy. A body corporate being a member may vote either by a representative duly authorised in accordance with Section 187 of the Act and such representative shall be entitle(d) to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents) that body could exercise if it were an individual member.
109. Any person entitled under Article 65 to transfer any share may vote at any General meeting in respect thereof in the same manner as if he were registered holder of such shares, provided that forty-eight hours at least before the time of holding the meeting of adjourned meeting, as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.
110. Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if Such appoint is corporation under the common seat of such corporation, or signed by an officer or any attorney duly authorised by it and a committee or guardian may appoint such proxy. The proxy appointed shall not have any right to speak at the meetings.
111. An instrument of proxy may appoint a proxy for the purpose of particular meeting specified in the instrument and any adjournment thereof.
112. A member present by proxy shall be entitled to vote only on a poll.
113. The instrument appointing a proxy and the power of attorney their authority (if any), under which it is signed or a notorially certified copy of that power of authority, shall he deposited at the office not later than forty-eight hours before the time for holding the me at which the person named in the instrument proposes to and in default the instrument or proxy shall not be treated as No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.
114. Every instrument of proxy shall as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act. The Company will send proxy forms to shareholders and debenture- holders in ail cases where proposals other than that of a purely routine nature are to the considered, such proxy form being so worded that a shareholder or debenture holder may vote either for or against each resolution.
115. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of any power of attorney under which such proxy was signed, or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death or insanity or revocation or transfer shall have been received at the office before the meeting.
116. No objection shall be made to the validity of any vote, except at any meeting or poll at which such vote shall be tendered, and every vote whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever,
117. The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present on taking of poll shall be the sole judge of the validity of every vote tendered at such poll.
118. (1) The company shall cause minutes of all proceedings of every General Meeting to be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for that purpose with their pages consecutively numbered.
(2) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the same meeting within that period or by a Director duly authorised by the Board for the purpose.



- (3) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (4) The minutes of each meeting shall contain a fair and correct summary of proceeding thereat.
- (5) All appointments of Officer made at any meeting aforesaid shall be include in the minutes of the meeting,
- (6) Nothing herein contained shall require or be deemed to require the includes in any such minutes of any matter which m the opinion of the Chairman of meeting (a) is or could reasonably be regarded as, defamatory of any person or (b) is irrelevant or immaterial to the proceedings, or (c) is detrimental to the interests of the Company. The Chairman of the meeting shall exercise absolute discretion in regard to the inclusion or non-inclusion of any matter the minutes of the aforesaid grounds.
- (7) Any such minutes shall be evidence of the proceedings recorded therein.
- (8) The book containing the minutes of proceedings of General Meetings shall kept at the office of the Company and shall be open during business hour for such periods not being less than two hours in each day as the Director determine, to the inspection of any Member without charge.

DIRECTORS

- 119.(a) Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors (excluding Debenture and Alternate Directors) shall not be less than three nor more than twelve.
- (b) The following shall be the first directors of the Company:
 1. Sh. Sushil Gupta
 2. Sh.Chet Ram Gupta
 3. Smt. Geeta Devi
120. Whenever Directors enter into a contract with any Government, Central, State or Local, any bank or financial institution or any person or persons (hereinafter referred to as "the appointer") for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or for underwriting or enter into any other arrangement whatsoever, the Directors shall have subject to the provisions of section 255 of the Act, the power to agree that such appointer shall have the right to appoint or nominate by a notice in writing addressed to the Company one or more persons, who are acceptable to the Board, as Directors on the Board for such period and upon such conditions as may be mentioned in the agreement and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Directors may also agree that any such Director or Directors may be removed from time to time by the appointer entitled to appoint or nominate them and the appointer may appoint another or other in his or their place and also fill in vacancy, which may occur as a result of any such Director or Directors ceasing to hold that office for any reason whatever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the Directors of the Company including payment of remuneration and traveling expenses to such Director or Directors as may be agreed by the Company with the appointer.
121. If it provided by the Trust Deed, securing or otherwise, in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate a Director of the, Company, then in case of any and every such issue of debentures, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be bound to hold any qualification shares.
122. At the request of the concerned Director the Board may appoint an Alternate Director to act for Director (hereinafter call "the Original Director") during his absence for a period of not less than three months in the State in which the meetings of the Board are ordinarily held. An Alternate Director appointed under the Articles shall not hold office for a period longer than that permissible to the Original Director in which place he has been appointed and shall vacate office if and when the Original Director returns to that State. If the term of office of the Original Director is determined before he so returns to that State, any provisions in the Act or in these Articles for the Automatic reappointment of retiring Director defaulting of another appointment shall apply to the Original Director and not to the Alternate Director.
123. Subject to the provisions of Section 260,261 and 264 of the / the Board shall have power at any time and from time to time appoint any other qualified person to be an additional Director, so that the total number of Directors shall not at any time except the maximum fixed under Article 113. Any such additional Director shall hold office only up to the date of the next Annual General Meeting.

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124. Subject to the provisions of Section 261,264 and 284 (6) of Act, the Board shall have power at any time and from time to appoint any other qualified person to be Director to fill a casual vacancy. Any person so appointed shall hold office only upto date up to which the Director in whose place he is appoint would have held office if it had not been vacated by him.
125. A Director of the Company shall not be bound to hold a qualification share.
126. (1) Subject to the provisions of the Act, a Managing Director and/or Whole time Director(s) of the Company, may be paid remuneration either by way of a monthly payment, fee each meeting or participation in profits or by any or all the modes and/or any other mode not expressly prohibited the Act.
- (2) Subject to the provisions of the Act a Director, who is neither in the whole time employment nor a Managing Director be paid remuneration either:
- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government; or
- (ii) by way of commission if the Company by a sped resolution authorised such payment.
- (3) The fee payable to a Director (including a Managing or Whole time Director, if any) for attending a meeting of the Board Committee thereof shall be a sum as the board may from time to time determine.
127. The Board may allow and pay to any Director, who is not a bonafide resident of the place where the meetings of the Board are ordinarily held and who shall come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation or for traveling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified; and if any Director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled 'to be repaid and reimbursed any traveling or other expenses incurred in connection with the business of the Company.,
128. The continuing Directors may act notwithstanding any vacancy in their body but if I and so long as their number is reduced below the minimum number Article 113 hereof the continuing Directors not being less than two may act for the purpose of increasing the number of Directors to that number or of summoning a General meeting but for no other purpose.
129. Subject to Sections 283 (2) and 314 of the Act the office of a Director shall become vacant if:
- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or
- (b) he applies to be adjudicated an insolvent:
- (c) he is adjudged an insolvent;
- (d) he fails to pay any call made on him in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the date fixed for the payment of such call unless the Central Government has by notification in the Official Gazette removed the disqualification incurred by such failure; or
- (e) he absent himself from three consecutive meetings of the Directors or from all meeting of the Directors for a continuous period of three months whichever is longer, without leave of absence from the Board; or
- (f) he becomes disqualified by an order of the Court under Section 203 of the Act; or
- (g) he is removed in pursuance of Section 284; or
- (h) he (whether by himself Or by any person for his benefit of his account) or any firm in which he is a partner or any private company of which he is director, accepts a loan, or any guarantee or security for a loan, from the Company in contravention of section 295 of the Act; or
- (i) he acts in contravention of Section 299 of the Act: or
- (j) he is convicted by a Court of an offense involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months; or
- (k) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company; or
- (l) he resigns his office by a notice in writing addressed to the Company,.
- 130.(1) A Director or his relative, firm in which such Director or relative is a partner, or any other partner in such firm or a private Company of which the Director is member or director may enter into any contract with the Company for the safe purchase or supply of any goods, materials, or services or for underwriting the subscription of any share in or



debentures of the Company, provided that the sanction of the Board is obtained before or within three months of the date on which the contract is entered into in accordance "with Section 297 of the Act.

- (2) No sanction shall however, be necessary for;
- (a) any purchase of goods and material from the Company, or the sale of goods and material to the , Company, by any such Director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices;
 - (b) any contracts between the Company on one side and any such Director, relative, firm, partner or Private company on the other for sale, purchase or supply of any goods, materials and services in which either the Company or the Director, relative, firm, partner or private company, as the case may be, regularly trade or does business, where the value of the goods and materials or the cost of such services does not exceed Rs. 5,000/- in the aggregate in any year comprised in the period of the contract or contracts.

Provided that in circumstance of urgent necessity, a Director, relative, firm, partner or private Company as aforesaid may without obtaining the consented the board enter into any such contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or the cost of such services exceeds Rs. 5,000/- in the aggregate in any year comprised in the period of the contract if the consent of the board shall be obtained to such contract or contracts at a meeting within three months of the date on which contract was entered into.

131.A Director of the Company who is in any way, whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided Section 299 (2) of the Act; provided that it shall not be necessary for a Director to disclose his concern or interest in any contract or arrangement entered into or to be entered into with any other company where any of the Directors of the Company or two or more of them together holds not more than two per cent of the paid-up share capital in any such Company,

132.A General Notice given to the Board by the Director, to the effect that he is a director or member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contracts or arrangement so made shall be deemed to be a sufficient disclosure. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time by a fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice and no renewal thereof shall be effective unless, either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at first meeting of the Board after it is given.

133.No Director shall as a Director, take any part in the discussion or vote on any contract or arrangement entered into or to entered into by or on behalf of the Company, if he is in any whether directly or indirectly, concerned or interested in contract or arrangement; nor shall his presence count for purpose of forming a quorum at the time of any such discuss or vote; and if he does vote, his vote shall be void; provided however that nothing herein contained shall apply to

- (a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or big sureties and or surety for the Company;
- (b) any contract or arrangement entered into or to be enter into with a public company or private company which subsidiary of a public company in which the interest of the Director consists solely:
 - (i) in his being ;-
 - (a) a director of such company, and
 - (b) he holder of not more than shares of such number or value therein as is requisite to quality him for appointment as a Director thereof, having been nominated as such director by the Company.
 - (ii) in his being a member holding not more than 2% its paid up share capital.

134.The Company shall keep a Register in accordance with Section 301 (1) and shall within the time specified in Section 301 (2) enter therein such of the particular as may be relevant having regard the application thereto of Section 297 or Section 299 of the Act the case may be. The Register aforesaid shall also specify, relation to each Director of the Company the names of the bodies corporate and firms of which notice has been given by him

Article 132.The Register shall be kept at the office of the Company and shall be open to inspection at such office, and extracts may be taken there from and copies therefore may be required by any member of the Company to the same extent, in the same manner, and on payment of the same fee as in the case of the Register of Member of the Company and the provisions of Section 163 of the Act shall apply accordingly.

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135. A Director may be or become a director of any company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any benefits received as director or share-holder of such company except in so far as Section 309(6) or Section 314 of the Act may be applicable.
136. At every Annual General Meeting of the Company, one-third of such of the Directors for time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. The Debenture Director, if any, shall not be subject to retirement under this clause and shall not be taken into account in determining the rotation of retirement of the number of Directors to retire.
137. Subject to Section 256(2) of the Act, the Directors to retire by rotation under Article 136 at every General Meeting shall be those who have been longest in office since their last appointment, but as between persons who are to retire, shall, in default of and subject to any agreement among themselves, be determined by lot.
138. A retiring Director shall be eligible for re-election.
139. Subject to Section 258 and 261 of the Act the Company at the General Meeting at which a Director retires in manner aforesaid may fill up the vacated office by electing a person thereto.
140. (a) If the place of the retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.
- (b) If at the adjourned meeting also, the place of the retired Director is not filled up and that meeting also has expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting unless.
- (i) at the meeting or at the previous meeting resolution for the re-appointment of such Director has been put to the meeting and lost;
 - (ii) the retiring director has, by a notice in writing addressed to the Company or its Board, express his unwillingness to be so re-appointed;
 - (iii) he is not qualified or a disqualified for appointment
 - (iv) a resolution, whether special or ordinary, is required for the appointment or re-appointment by virtue any provision of the Act; or
 - (v) the proviso to sub-section (2) of Section 263 of the Act is applicable to the case.
141. Subject to Section 259 of the Act the Company may by Ordinary Resolution, from time to time, increase or reduce the number and may alter their qualifications and the Company may (subject to the provisions of Section 284 of the Act) remove Director before the expiration of his period of office and appoint another qualified person in his stead. The person so appointed shall hold office during such time as the Director in whose place is appointed would have held the same if he had not been removed.

DIRECTORS

142. (1) No person not being a retiring director, shall be eligible for appointment to the office of Director at any General Meeting unless he or some member intending to propose him has not less than fourteen days before the meeting, left at office of the Company a notice in writing under his hand signifying his candidature for the office of director or intention of such member to propose him as a candidate for that office. Such person or the member as the case may be, shall deposit an amount of Five Hundred Rupees which shall be refunded to him or, as the case may be such member, if the person succeeds in getting elected as a Director.
- (2) Every person (other than a director retiring by rotation or otherwise or a person who has left at the office of the Company a notice under Section 257 of the Act signifying his candidature for the office of a Director) proposed as a candidate for the office of a Director shall sign and file with the Company, the consent in writing to act as a Director, if appointed.
- (3) A person other than a Director re-appointed after retirement by rotation or immediately on the expiry of his term of office, or as Additional or Alternate Director, or a person filing a casual vacancy in the office of a Director under Section 262 of the Act (appointed as a Director or re-appointed as an Additional or alternate Director, immediately on the expiry of his terms of office) shall not act as a Director of the Company, unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such director.



- 143.(a) The Company shall keep at its Office a Register containing the particulars of its Director, Managers, Secretaries and other person mentioned in Section 303 of the Act, and shall otherwise comply with the provisions of the said Section in all respects.
- (b) The Company shall in respect of each of its Directors also keep at its Office a Register, as required by Section 307 of the Act, and shall otherwise duly comply with the provisions of the said Section in all respects.
- 144.(a) Every Director (including a person deemed to be a Director by virtue of the Explanation to sub-section (1) of Section 303 of the Act), Managing Director, Manager, or Secretary of the Company shall within twenty days of his appointment to any of the above office in any other body corporate, disclose in the Company the particulars relating to his office in the other body corporate which are required to be specified under sub-section (1) of Section 303 of the Act.
- (b) Every Director and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act, shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section.
145. Subject to the provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any one or more of its number as the Managing Director or Managing Directors or Whole Time Director or Directors (including Technical-Director) of the company.
146. The managing Director shall not exercise the powers to,
- (a) make calls on shareholders In respect of money unpaid on the shares in the Company.
- (b) issue debentures and except to the resolution passed at the Board meeting under section 292 of the Act shall also not exercise the powers to,
- (c) borrow moneys, otherwise than on debentures;
- (d) invest the funds of the Company, and
- (e) make loans
- 147.The Company shall not appoint or employ, or continue the appointment or employment of a person as its Managing or Whole-time Director who-
- (a) is an undischarged insolvent- or has at any time been adjudged an insolvent.
- (b) suspends, or has at any time suspended, payment to his creditors, or makes or has at any time made, a composition with them; or
- (c) is, or has at any time been convicted by a Court of offense involving moral turpitude.
148. A Managing Director shall not, while he continues to the office, be subject to retirement by rotation, in accordance Article 130. If he ceases to hold the office of Director he shall ipso facto, immediately cease to be a Managing Director

PROCEEDING OF THE BOARD OF DIRECTORS

149. The Directors may meet together as a Board for the despatch of business from time to time and shall so meet at least once in every three months and at least four such meeting shall be held in every year. The Directors may adjourn and otherwise regulate their meetings as they think fit.
- 150 Notice of every meeting of the Board shall be given in writing to every Director, at his usual address.
151. Subject to Section 287 of the Act the quorum of a meeting of the Board shall be one-third of its total strength (excluding Directors, if any whose places may be vacant at the time and any fraction contained in that one-third being rounded off as next number one), or two Directors whichever is higher; Provided that where at any time the number of interested director exceeds or is equal to two- thirds of the strength, the number of the remaining Directors, who are not interested, present at the meeting being not less than two shall be the quorum during such time.
152. If a meeting of the Board could not be held for want of a quorum, then the meeting shall automatically stand adjourned to such other date and time (if any) as may be fixed by the Chairman not being later than seven days from the Date originally fixed for the meeting 153. The Secretary shall, as and when directed by the Director to do so, convene a meeting of the Board by giving a notice in writing to every other Director.
154. The Directors may, from time to time, elect from among their number, a Chairman of the Board.
155. Questions arising at any meeting of the Board of Directors shall be decided by majority of votes and in the case of an equality of votes, the Chairman shall have a second or a casting vote.

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156. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles of the company are for the time being vested in or exercisable by the Board generally.
157. Subject to the restriction contained in Section 292 of the Act the Board may delegate any of their power to Committees of the Board consisting of such Member or Members of its body, as it thinks fit and it may from time to time revoke and discharge any such Committee of the Board either wholly or in part and either as to person or purposes, but every Committee of the Board so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such Committee of the board in conformity with such relations and fulfillment of the purposes of their appointment, but not otherwise, shall have the like force and effect as if done by the Board.
- 157A. The Directors shall, subject to the provisions of the Act and in particular to Section 292A, constitute a committee of the Board known as "Audit Committee" which shall consist of not less than three Directors and such number of other Directors as the Board may determine of which two-third of total number of members shall be Directors, other than Managing, Whole time or Executive Directors. The Audit Committee constituted under this Article shall act in accordance with terms of reference to be specified in writing by the Board.
158. The meeting and proceeding of any such committee for the board, consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Article. . |
159. No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the directors, or to all the Members of the Committee (not being less in number than the quorum fixed meeting of the Board or Committee, as the case may be), and to all other directors or Members of the Committee, and has been approved by such of the directors or Members of the Committee or by a majority of them as are entitled to vote in the resolution.
160. All acts done by any meeting of the Board or by Committee of the Board, or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Director or person acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, and was qualified to be Director and had not vacate his office or his appointment had not been terminated; provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.
161. (1) The Company shall cause minutes of all proceeding of every meeting of the Board and Committee thereof to be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for that purpose with their pages consecutively numbered.
- (2) Each page of every book shall be initialed or signed and the last page of the record of proceeding of each meeting in such book shall be dated and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
- (3) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (4) The minutes of each meeting shall contain a fair and correct summary of the proceeding thereat.
- (5) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (6) The minutes shall also contain.
- (a) The names of the Directors present at the meeting and
- (b) In the case of each resolution passed at the meeting the names of the Directors, if any, dissenting from or not concurring in the resolution.
- (7) Nothing contained in Sub-Clause (1) to (6) shall be deemed to require the inclusion in any such minutes of any matter which, in the opinion of the Chairman of the meeting.
- (a) is, or could reasonably be regarded as defamatory any person;
- (b) is irrelevant or immaterial to the proceedings; or
- (c) is detrimental to the interests of the Company.



The Chairman shall be the front judge in case of difference in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this sub-clause, without prejudice to the remedies available under the law.

- (8) Minutes of meetings kept in accordance with the aforesaid provisions shall be evidence of the proceedings recorded therein

162. The Board may exercise all such powers of the company and all such acts and things as are not, by the Act, or any other Act by the Memorandum or by the Articles of the company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions as may be prescribed for the company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made Provided that the Board shall not, except with the consent of the Company in General Meeting.

- (a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking;
- (b) remit, or give time for the repayment of, any debt due by a Director;
- (c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertakings as referred to in clause (a), or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- (d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose:

Provided further that the powers specified in Section 292 of the Act shall subject to these Articles be exercised only at meetings of the Board unless the same be delegated to the extent therein stated; or

- (e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed twenty five thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the financial years immediately preceding, whichever is greater.

163. Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have following powers, that is to say, power

- (1) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
- (2) To pay and charge to the capital account of the company and commission or interest lawfully payable there out under the provisions of Section 76 and 208 of the Act.
- (3) Subject to Section 292, 297 and 360 of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit, and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
- (4) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially, in cash or in shares, bonds, debentures, mortgages, or other securities of the company, and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the company and its uncalled capital or not so charged,
- (5) To secure the fulfilment of any contracts or engagements entered into by the Company by mortgage or charge of the Company and its uncalled capital for the time being or in such manner as they may think fit.
- (6) To accept from any member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.

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- (7) To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purposes; and to execute and do all such deeds and things as may be required in relation to any trust, and provide for re-numeration of such trustee or trustees.
- (8) To institute, conduct, defend, compound or abandon any legal proceeding by or against the Company or its officers, or otherwise concerning the affairs of the company, and also to compound and allow the time for payment or satisfaction of any debts, due and of any claim or demands by or against the company and to refer any differences to arbitration, and observe and perform any awards made thereon.
- (9) To act on behalf of the Company in all matters relating to bankrupts and insolvents.
- (10) To make and give receipts, releases, and other discharges or moneys payable to the Company and for the claims and demands of the Company.
- (11) Subject to the provisions of Sections 292, 295, 369, 370 and 372 of the Act to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such security (not being shares of this Company), or without security and in such manner as they may think fit, and from time to time to vary or realise such investments, save as provided in Section 49 of the Act, all investments shall be made and held in the company's own name.
- (12) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
- (13) To determine from time to time who shall be entitled to sign, on the company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give, the necessary authority for such purposes.
- (14) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company, and to give to any officer or other person employed by the company, a charge such bonus or commission as part of the working expenses of the Company.
- (15) To provide for the welfare of Directors or Ex-Directors or employees and Ex-employees of the Company and their wives, widows and families or the dependents on connections of such persons, by building or contributing to the building of the houses, dwelling or chawls, or by grants of money pension, gratuities, allowances, bonus or other payments, or by creating, and from time to time subscribing or contributing to provident and other associations, institutions, funds or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit; and to subscribe or contribute or otherwise to assist or to guarantee to charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of public and general utility or otherwise.
- (16) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to Depreciation Fund, or to an Insurance Fund, or as a Reserve Fund or Sinking Fund or any special Fund to meet contingencies or to repay debentures or debenture-stocks, or for special dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes including the purposes referred to in the preceding clause, as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest the several sums so set aside or so much thereof as required to be invested, upon such investments (other than shares of the Company) as they may think fit, and from time to time to deal with or vary such investments and dispose of and apply and extend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company, notwithstanding that the matters to which the Board apply or upon which they expend the same, or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the Reserve Fund into such special funds as the Board may think fit, with full power to transfer the whole or any portion of a Reserve Fund or division of a Reserve Fund to another Reserve Fund or division of a Reserve Fund and with power to employ the assets constituting all or any of the above funds including the Depreciation Fund in the business of the Company or in the purchase or repayment of Debentures, debenture stock and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper, not exceeding nine percent per annum.



- (17) To appoint, and at their discretion remove or suspend such general managers, secretaries, assistants, supervisors, clerks, agents, and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties and fix their salaries or emoluments, remuneration and to require security as they may think fit. And also from time to time provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit; and the provisions contained in the four next following general powers conferred by this sub-clause.
- (18) To comply with the requirements of any local law which in their opinion shall in the interests of the Company be necessary or expedient to company, with.
- (19) From time to time and at any time to establish any Local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to be members of such Local Boards, and to fix their remuneration.
- (20) Subject to Section 292 of the Act, from time to time, and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow moneys, and to authorise the Members for the time being of any Local Board, or any of them to fill up any vacancies, and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit, and the Board may at any time remove any person so appointed and may annul or vary any such delegation.
- (21) At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls and excluding also except in their limits authorised by the Board the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of the members of any Local Board, established as aforesaid or in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise" in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such Power of Attorney may contain such powers for the protection or convenience of persons dealing with Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.
- (22) Subject to Section 294 and 297 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company to enter into all Such negotiations and contracts, and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.
- (23) From time to time to make, vary and repeal by laws for the regulation of the business of the Company, its officers and servants.

MANAGEMENT

164. The Company shall not appoint or employ at same time more than one of the following categories of managerial personnel namely:

- (a) Managing Director.
- (b) Manager.

THE SECRETARY

165. The Directors may from time to time appoint, and at their discretion, remove any individual, (hereinafter called "the Secretary") to perform any functions, which by the Act are to be performed by the Secretary and to execute any other purely ministerial or administrative duties, which may from time to time be assigned to the Secretary by the Directors. The Directors may also at any time appoint some person (who need not be Secretary) to keep the registers required to be kept by the Company.

THE SEAL

166. (a) The Board shall provide a Common Seal for the purpose of the Company, and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Board shall provide for the safe custody of the Seal for the time being and the Seal shall never be used except by the authority of the Board or a committee of the Board previously given.

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(b) The Company shall also be at liberty to have an official Seal in accordance with Section 50 of the Act, for use in territory, district or place outside India.

167. Every deed or other instrument, to which the Seal of the Company is required to be affixed, shall, unless the same is executed by a duly constituted attorney, be signed by one Director or by Secretary or some other person authorised by the Board/ Committee for the purpose; provided that in respect of share certificates the Seal shall be affixed in accordance with Article 19 (a)"

DIVIDENDS

168. The profit of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the members in proportion to the amount of capital paid-up or credited as paid-up on the shares held by them respectively.

169. The Company in General Meeting may declare dividends to be paid to members according to their respective rights, but no dividend shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

170. No dividend shall be declared or paid otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act or out of the profits of the Company for previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both; Provided that:

(a) If the Company has not provided for depreciation for any previous financial year or years it shall before declaring or paying a dividend for any financial year, provide for such depreciation out of profits of the financial year or out of the profits of any other previous financial year or years.

(b) If the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profit of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both.

171. The Board may, from time to time, pay to the Members, such interim dividend as in their judgment the position of the Company Justifies.

172. Where capital is paid in advance of calls, such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.

173. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid or dividend as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

174. The Board may retain the dividend payable upon shares in respect of which any person is, under Article 64 entitled to become a Member, or which any person under that Article is entitled to transfer, until such person shall become a member, in respect of such shares or shall duly transfer the same.

175. Anyone of several persons who are registered as the Joint-holders of any share may give effectual receipt for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.

176. No Member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise however, either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

177. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

178. Unless otherwise directed any dividend may be paid by cheque or warrant or by a pay by or receipt having the force of a cheque or warrant or bank order sent through the post to registered address of the member or person entitled or in case of joint-holder, to that one of them first named in the Register in respect of the joint-holdings. Every such cheque or warrant or bank order, shall be made payable to the order of the person to whom it is sent. The Company shall not be liable for non-receipt, lost in transmission, or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any payslip or the fraudulent recovery of the dividend by any other means.



a) Payment of dividend through ECS facility

Provided that the Company can also pay the dividend by crediting it directly to the Bank accounts of the shareholders through Electronic Clearing System of the Banks or any other mode which in the opinion of the Board of Directors is appropriate for the shareholders.

b) Payment of dividend within 30 days

The company shall pay dividend or send the warrant in respect thereof to the shareholder entitled to the payment of the dividend within thirty days from the date of the declaration of the dividend unless.

- a) The dividend could not be paid by reason of the operation of any law, or
- b) A shareholder has given directions to the Company regarding the payment of dividend and these directions cannot be complied with, or
- c) There is a dispute, regarding the right to receive dividend, or
- d) The dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder, or
- e) For any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company

No unclaimed or unpaid dividend shall be forfeited by the Board and the Company shall comply with all the provisions of Section 205A of the Act in respect of unclaimed or unpaid dividend.

c) Transfer of unclaimed/unpaid dividend to Investor Education and Protection fund u/s 205(c)

Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend" of "Richa Knits Ltd.," and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the Unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the "Investor Education and Protection Fund" of Central Government. No claim shall lie in respect of unclaimed/unpaid dividend transferred to "Investor Education and Protection Fund".

No unclaimed or unpaid dividend shall be forfeited by the Board.

179. No unpaid dividend shall bear interest as against the Company

180. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the member, be set off against the calls.

181. (a) The Company in 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 Reserve Fund, or any Capital Redemption Reserve Account, or in the hands of Company and available dividend (or representing premium received on the issue of shares and standing to the credit of the Share Premium Account) be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture- stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares of debentures or debenture-stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum. Provided that a Share Premium Account and a Capital Redemption Reserve Account may, for the purposes of the Article, only be applied in the paying of any unissued shares to be issued to members of the Company as fully paid bonus shares.

(b) General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the company or any investments representing the same or any other undistributed profits of the Company not subject to charge for Income Tax be distributed among the members on the footing that they receive the same as capital.

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- (c) For the purpose of giving effect to any resolution under the preceding paragraphs of this Article 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 such cash payments shall be made to and members upon the footing of the value so fixed or that fraction of less value than Rs. 10/- may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the person entitled to the dividend or capitalised fund as may seem expedient to the Board. Where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Companies Act, 1956, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

182. The Company will not forfeit unclaimed dividend before the claim becomes barred by law and that such forfeiture, when effected, will be annulled in appropriate cases.
183. The Company shall keep at the office or at such other place in Board thinks fit, proper Books of Account in accordance with Section 209 Of the Act with respect to -
- (a) all sums of money received and expended by the Company and the matters in respect of which the receipts and expenditure take place;
 - (b) all sales and purchases of goods by the Company.
 - (c) the assets and liabilities of the Company.

Where the Board decides to keep all or any of the Book of Account at any place other than the office of the Company, the Company shall within seven days of the decision file with the Registrar a notice in writing giving the full address of that other place.

Where the Company has a branch office, whether in or outside India, the Company shall be deemed to have complied with this Article if proper Book of Account relating to the transactions effected at the branch office are kept at the branch office and proper summarised returns, made upto dates at intervals of not more than three months, are sent by the branch office to the company at its office or other place in India at which the Company's Books of Account are kept as aforesaid. The Books of Account shall give a true and fair view of the state of the affairs of the Company or branch office, as the case may be, and explain its transactions. The Books of Account and other books and papers shall be open to inspection by any Director during business hours.

184. The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members not being Directors, and no member (not being a Director) shall have any right of inspecting of any account or books or documents of the Company except as conferred by law or authorised by the Board.
185. The Directors shall from time to time, in accordance with Section 210,211,212,215,216 and 217 of the Act, cause to be prepared and to be laid before the Company in General Meeting, such Balance Sheets, Profit and Loss Accounts and Reports as are required by these section.
186. A copy of every such Profit and Loss Account and Balance Sheet (Including the Auditor's Report and every other document required by law to be annexed or attached to the Balance Sheets), shall at least twenty one days before the meeting at which the same are to be laid before the meeting at which the same are to be laid before the members, be sent to the members of the Company; to holders of debentures issued by the Company (not being debentures which ex-fade are payable to the bearer thereof), to trustees for the holders of such debentures and to all persons entitled to receive notice of General Meeting of the Company.

AUDIT

187. Auditors shall be appointed and their rights and duties regulated in accordance with Section 224 to 233 of the Act.
188. The first Auditor or Auditors of the Company shall be appointed by the Board within one month of the date of registration of the Company and the Auditor or Auditors so appointed shall hold office until the conclusion of the First Annual General Meeting provided that the Company may, at a General Meeting, remove any such Auditor or all of such Auditors and appoint in his or their place any other person or persons who have been nominated for appointment by any member of the Company and of whose nomination notice has been given to the members of the Company not less than fourteen days before the date of the Meeting provided further that if the Board fails to exercise its powers under this Article, the Company in General Meeting may appoint the first Auditor or Auditors.



DOCUMENTS AND NOTICE

- 189.(1) A Document or notice may be served or given by the Company on any member either personally or by sending it by post to him to his registered address or (if he has no registered address in India) to the address, if any, supplied by him to the company for serving documents or notice on him.
- (2) Where a document or notice is sent by post, service of the document or notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document or notice, provided that where a member has intimated to the Company in advance that documents or notices should be sent to him under a certificate of posting or by registered post with or without acknowledge due and has deposited with the Company a sum sufficient to defray the expenses of doing so; service of the document or notice shall not be deemed to be effected unless it is sent in the manner intimated by the member and such service shall be deemed to have been effected in the case of Notice of a meeting at the expiration of forty-eight hours after the letter containing the document or notice is posted and in any other case, at the time, at which the letter would be delivered in the ordinary course of post.
190. When notice is given to its shareholders by advertisement it will advertise such notice in at least one leading daily newspaper.
191. A document or notice advertised in a newspaper circulating in the neighborhood of the office shall be deemed to be duly served or sent on the day on which the advertisement appears on or to every member who has no registered address and has not supplied to the Company an address for the serving of documents on or the sending of notices to him.
192. A document or notice may be served or given by the Company or to the joint-holder named first in the Register of Members in respect of the share.
193. A document or notice may be served or given by the Company on or to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in prepaid letter addressed to them by name or by the title or representatives of the deceased, or assignee of the insolvent or by any like description at the address (if any) supplied for the purpose by the persons claiming to be entitled, or (until any such address has been so supplied) by serving the document or notice in any manner in which the same might have been given if the death or insolvency had not occurred.
194. Documents or notices of every General Meeting shall be served or given in same manner herein-before authorized on or to (a) every member, (b) every person entitled to a share in consequence of the death or insolvency of member, and (c) the Auditor or Auditors for the time being of the Company.
195. Every person who, by operation of law, transfer of other means whatsoever shall become entitled to any share, shall be bound by every document or notice in respect of such share, which previously to his name and address being entered on the Register of members, shall have been duly served on or given to the person from whom he derives his title to such shares.
196. Any documents or notice to be served or given by the Company may be signed by a director or some person duly authorised by the Board of Directors for such purpose and the signature thereto may be written, printed or lithographed.
197. All documents or notices to be served or given by members on or to the Company or any officer thereof shall be served or given by sending it to the Company or officer by post under a certificate of posting or by registered post, or by leaving it at the office.

WINDING UP

198. The liquidator on any winding-up (Whether voluntary, under supervision or compulsory) may, with the sanction of a Special Resolution, but subject to the rights attached to any preference share capital, divide among the contributories in specie any of the assets of the Company and may with the like sanction, vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories as the liquidator with the like sanction shall think fit.

INDEMNITY AND RESPONSIBILITY

199. Every officer or Agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act in which relief, is granted to him by the Court.

SECURITY CLAUSE

- 200.(a) Every Director, Manager, Auditor, Treasurer, Trustee, member of Committee, officer, servant, agent, accountant or other person employed in the business of the Company shall, if so required by the Directors, before entering upon his

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duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.

- (b) No member shall be entitled to visit or inspect any works of the Company without the permission of the Directors or to require discovery of or any information respecting any details of the Company's trading, or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.



SECTION X - 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) 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 the Prospectus, shall be delivered to the Registrar of Companies, Delhi & Haryana, for registration at the time of filing the Prospectus and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company, from 10.00 a.m. to 4.00 p.m. on any working day from the date of the Prospectus until the date of closing of the Issue.

Material Contracts

1. Memorandum of Understanding, dated 30th December, 2005 signed between the Company and KJMC Global Market (India), the Lead Manager to the Issue.
2. Memorandum of Understanding, dated February 6, 2006 signed between the Company and Intime Spectrum Registry Limited, the Registrar to the Issue.
3. Copy of the Tri-partite Agreement dated April 15, 2006 between NSDL, the Company and Intime Spectrum Registry Limited.
4. Copy of the Tri-partite Agreement dated April 28, 2006 between CDSL, the Company and Intime Spectrum Registry Limited.
5. Copy of the Land agreement for the proposed Project.
6. Copy of underwriting agreement dated August 25, 2006 between the Company and KJMC Global Market (India) Limited.

Documents for Inspection

1. Memorandum and Articles of Association of Richa Knits Ltd., as amended from time to time.
2. Certificate of Incorporation of Richa Knits Ltd. dated 15th September 1993.
3. Copy of special resolution passed at EGM dated December 29, 2005 u/s 81 (1A) authorizing the Issue of Equity Shares.
4. Copy of the Board resolution dated August 26, 2006 approving the Prospectus.
5. Extracts of the minutes of the EGM held on December 29, 2005 for appointment and remuneration of Managing Director, Joint. Managing Director, Whole-time Director.
6. Copy of the general Power of Attorney executed by the Directors in favour of Mr. Sandeep Gupta for signing and making necessary changes in the Prospectus and related documents.
7. Copy of application letter dated March 8, 2006 to BSE regarding In-principle approval for Listing.
8. Copies of In-principle approvals from BSE dated April 24, 2006.
9. Copies of Auditors Reports issued by Statutory Auditors of the Company M/s Tayal & Co., Chartered Accountants, dated June 13, 2006 and Certificate dated March 9, 2006 regarding the deployment of funds in relation to the expansion programme till that date.
10. Copy of Tax Benefits Certificate issued by Statutory Auditors of the Company M/s Tayal & Co., Chartered Accountants, dated March 1, 2006.
11. Copy of letter dated August 24, 2006 from Sandeep Gosain, Legal Advisors to the issue for the vetting and approval of the Prospectus.
12. Copy of the letter dated February 27, 2006 received from Indian Overseas Bank appraising the proposed project of our Company and the consent to include their name as appraising Bank.
13. Copy of the in-principle Sanction letter dated February 27, 2006 from Indian Overseas Bank sanctioning Term Loan of Rs. 3300 Lacs to the Company.
14. Copies of quotation obtained and purchase orders placed for plant and machinery.
15. Consent letters from Promoters, Directors, Lead Manager to the Issue, Bankers to the Company, Auditors, Legal Advisors to the Issue, Registrar to the Issue, Company Secretary & Compliance Officer to act in their respective capacities and for inclusion of their names in the Prospectus.

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16. Copies of Annual Reports of the Company for the last 5 accounting periods i.e. FY 2001, FY 2002, FY2003, FY 2004, FY 2005.
17. Copy of Restated accounts of the Company for the last 5 accounting periods i.e. FY 2002, FY2003, FY 2004, FY 2005 and FY 2006.
18. Due Diligence Certificate dated March 14, 2006 issued by Lead Manager to the Issue, KJMC Global Market (India) Limited.
19. Copy of SEBI letter no. CFD/ DIL/ ISSUES / SC/ 69322/2006 dated June 14, 2006
20. Copy of Credit Sanction Advice dated 4th April 2006 from Indian Overseas Bank, N I T Faridabad Branch advising sanction of credit facilities including the Term loan of Rs.3300 lacs to the Company
21. Declaration by Compliance Officer for incorporation of all the SEBI observations wherever applicable.

Any of the Contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of 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, 1956 and other relevant statutes.



SECTION XI - DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this Prospectus are true and correct.

Signed pursuant to the approval of this Prospectus by the Board of Directors of the Company, in its meeting held on August 26, 2006.

SIGNED BY ALL THE DIRECTORS OF RICH KNOITS LIMITED

Mr. Subhash Gupta
Chairman

Mr. Sushil Gupta
Managing Director

Mr. Sandeep Gupta
Joint Managing Director

Mr. Manish Gupta
Whole Time Director

Mr. Neeraj Bajaj
Director

Mr. Subhash Chand Gupta
Director

Date : 29th August, 2006

Place : Gurgaon,

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