

**RED HERRING PROSPECTUS**

Dated: February 6, 2007

*Please read Section 60B of the Companies Act, 1956***100% Book Building Issue**

(The Company was originally incorporated as Abhishek Cotspin Mills Limited on September 1, 1993. Name of the Company was changed to Abhishek Mills Limited w.e.f. November 14, 2005.)

**Registered Office:** Gat No. 148, Tamgaon, Kolhapur-Hupari Road, Taluka Karveer, District Kolhapur, Maharashtra

Telephone: + 91 231 2676191, 2676671 Fax: + 91 231 2676194

Email: abhicots@vsnl.com Website: www.abhishekmills.com

Compliance Officer: Mr. Ramesh K. Chandawarkar

[The Registered Office of our Company was changed from Shiv-Parvati, 17-E, Nagala Park, Kolhapur - 416003 to Nashte Complex, 252, Assembly Road, Kolhapur-416001 w.e.f. November 28, 1994. The Registered Office of our Company was further changed to Shiv-Parvati, 17-E, Nagala Park, Kolhapur-416003 w.e.f. April 1, 1999 and then to the present address w.e.f. December 1, 2005]

**PUBLIC ISSUE OF 41,00,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT AN ISSUE PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING TO RS. [●] LACS (HEREINAFTER REFERRED TO AS 'THE ISSUE'). THE ISSUE COMPRISES 2,05,000 EQUITY SHARES OF RS. 10/- EACH AGGREGATING TO RS. [●] LACS RESERVED FOR EMPLOYEES OF THE COMPANY AND NET ISSUE TO PUBLIC OF 38,95,000 EQUITY SHARES OF RS. 10/- EACH AGGREGATING TO RS. [●] LACS. THE ISSUE WOULD CONSTITUTE 29.27 % OF THE POST ISSUE PAID-UP CAPITAL OF THE COMPANY**

**Price Band: Rs. 95 to Rs. 110 per Equity Share of face value of Rs. 10/- each. The Issue Price would be 9.5 times of the face value at the lower end of the Price Band and 11 times of the face value at the upper end of the Price Band**

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to Bombay Stock Exchange Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Managers and at the terminals of the Syndicate. The Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue to Public shall be allocated on a proportionate basis to Qualified Institutional Bidders. Further, not less than 15% of the Net Issue to Public shall be available for allotment on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to Public shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

#### RISKS IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10/- and the Issue Price is [●] times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager (BRLM) on the basis of assessment of market demand for the equity shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after they 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 the 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 the 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 the Red Herring Prospectus. **The Issuer Company is in no way related/connected with "Abhishek Industries Limited".**



**Specific attention of the investors is invited to the section titled 'Risk Factors' beginning on page i of the Red Herring Prospectus.**

#### ISSUER'S ABSOLUTE RESPONSIBILITY

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

#### LISTING

The Equity Shares issued through the Red Herring Prospectus are proposed to be listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). We have received in-principle approvals from NSE and BSE for the listing of our Equity Shares pursuant to letters dated August 4, 2006 and July 27, 2006 respectively. Further NSE has vide its letter dated January 15, 2007 and February 5, 2007 extended the validity of its in-principle letter dated August 4, 2006. For purposes of this Issue, the Designated Stock Exchange is BSE.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 <b>UTI BANK</b> Solutions for a lifetime <b>UTI Bank Limited</b> Central Office: 111, Maker Towers F, Cuffe Parade, Colaba Mumbai 400 005 Tel: + 91 22 67071312, Fax: + 91 22 22162467 Email: utibmbd@utibank.co.in Website: www.utibank.com Contact Person: Mr. Manish Jain	 <b>INTIME SPECTRUM REGISTRY LIMITED</b> <b>Intime Spectrum Registry Limited</b> C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W) Mumbai - 400 078 Tel: + 91 22 2596 0320, Fax: + 91 22 2596 0329 Website: www.intimespectrum.com E-mail: aml-ipo@intimespectrum.com Contact Person: Mr. Sachin Achar
<b>BID / ISSUE OPENS ON:</b>	<b>BID / ISSUE CLOSES ON:</b>
<b>February 20, 2007</b>	<b>February 26, 2007</b>

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## SECTION I DEFINITION AND ABBREVIATIONS

### Conventional/General Terms

Terms	Description
Beneficiary Account	The demat account of the successful allottee to whom the shares are allocated
Companies Act/Act	The Companies Act, 1956, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time
Depositories Act	Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
FY / Fiscal / Financial Year	Period of twelve months ending March 31 unless otherwise stated
Indian GAAP	Generally accepted accounting principles in India
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
Non-Resident Indians	Non-Resident Indian, as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
OCB/Overseas Corporate Body	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 FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI (DIP) 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

### Issue Related Terms

Terms	Description
Allotment	Issue of Equity Shares pursuant to the Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being/have been allotted
Banker(s) to the Issue	The bankers with whom the escrow accounts for the Issue shall be opened.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to purchase the Equity Shares of the Company at a price within the Price Band including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date/ Issue Closing date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper and a regional newspaper
Bid Opening Date/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper and a regional newspaper
Bid-cum-Application Form/ Bid Form	The form in terms of which the bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for allotment of the Equity Shares in terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of



Terms	Description
Process	which the Issue is made
BRLM	Book Running Lead Manager to the Issue, in this case being UTI Bank Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated equity shares in the Book Building Process
Cap Price	The high end of the Price Band, Rs. 110 per Equity Share in the Issue, above which the Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	Cut-off Price refers to any price within the Price Band. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the escrow account (s) to the public issue account after the Prospectus is filed with the ROC, following which the allotment will be made to successful bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus	Means the Draft Red Herring Prospectus dated May 31, 2006 issued in accordance with section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. It carries the same obligations as are applicable in case of a prospectus and will be filed with ROC at least three days before the opening of the Issue. It will become a prospectus after filing with RoC after the pricing and allocation
Eligible Employees	All employees on the payroll of the Company as on the cut off date i.e January 10, 2007
Employee Reservation Portion	2,05,000 Equity Shares reserved for eligible employees of our Company. However, the Promoters, Directors and Promoter Group (relatives of Promoters) shall be ineligible to apply in the Employee Reservation Portion.
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks in which the Escrow Account of the Company will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, Rs. 95 per Equity Share in the Issue, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue/ Issue Size	Issue of 41,00,000 Equity Shares of Rs 10/- each at a premium of Rs. [•] per offered through the Red Herring Prospectus
Issue Account	Account opened with the Banker to the issue to receive monies from the Escrow Accounts on the Designated Date
Issue Management Team	The team managing the Issue as set out in the section titled "General Information" on page no. 9 of the Red Herring Prospectus
Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Issue Price	The final price at which the Equity Shares will be allotted in terms of this Red Herring Prospectus as determined by the Company in consultation with the BRLM on the Pricing Date
Issuer	Abhishek Mills Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 0% to 100% of the Bid Amount
Members of the Syndicate	The BRLM and the Syndicate Members
Net Issue to Public	The portion of the Issue being a minimum of 38,95,000 Equity Shares available for allocation to Retail Individual Investors, Non-Institutional Bidders and Qualified Institutional Investors
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
Non-Institutional Portion	The portion of the Issue being a minimum of 5,84,250 Equity Shares available for allocation to Non-Institutional Bidders
Pay-In-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	Means (i) with respect to Bidders whose margin has not been waived by the members of



Terms	Description
	the Syndicate and are therefore required to pay the maximum Bid Amount into the Escrow Account, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose margin has been initially waived by the members of the Syndicate and are therefore not required to pay the maximum Bid Amount into the Escrow Account on or prior to the Bid Closing Date, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date
Price Band	Being the price band of a minimum price of Rs. 95 per Equity Share (Floor Price) and the maximum price of Rs. 110 per Equity Share (Cap Price) (both inclusive), which was advertised by the Company prior to the Bid Opening Date, including revisions thereof
Pricing Date	Means the date on which the Company in consultation with the BRLM finalizes the Issue Price
Prospectus	The Prospectus dated [●], filed with the RoC containing, inter-alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
QIB Portion	Upto 50% of the net issue to public, i.e upto 19,47,500 Equity Shares available for allocation to QIBs
Red Herring Prospectus	Red Herring Prospectus dated February 6, 2007 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are issued and size of the Issue. The Red Herring Prospectus would be filed with the RoC at least three days before the opening of the Bid/ Issue and will become a Prospectus after filing with the RoC after the pricing and allocation
Registrar/Registrar to the Issue	Registrar to the Issue being Intime Spectrum Registry Limited
Reserved Categories	Means reservation for allocation to Employees Reservation Portion.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who apply or bid for Equity Shares of or for a value of not more than Rs. 1,00,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being a minimum of 13,63,250 Equity Shares available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Stock Exchanges	Bombay Stock Exchange Limited and National Stock Exchange of India Limited
Syndicate	BRLM and the Syndicate Members
Syndicate Agreement	Agreement between the Syndicate and the Company
Syndicate Member(s)	Intermediaries registered with SEBI and eligible to act as Underwriters. Syndicate Members are appointed by the BRLM
Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and the Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate and our Company to be entered into on or after the Pricing Date

**Company and Industry Related Terms**

<b>Terms</b>	<b>Description</b>
“AML” or “the Company” or “our Company”	Abhishek Mills Limited was incorporated as Abhishek Cotspin Mills Limited on September 1, 1993 public limited company under the Companies Act, 1956. Subsequently, on November 14, 2005 name of Abhishek Cotspin Mills Limited was changed to Abhishek Mills Limited.
Articles/Articles of Association/AoA	Articles of Association of Abhishek Mills Limited
Statutory Auditors	Statutory auditors of the Company viz. B. J. Ingrole and Co., Kolhapur.
Internal Auditors	Internal Auditors of the Company viz. Kunte and Chougule Associates, Kolhapur.
Board/ Board of Directors	Board of Directors of Abhishek Mills Limited
Director(s)	Director(s) of Abhishek Mills Limited unless otherwise specified
Employees	The following persons on the cut-off date, i.e., January 10, 2007: <ul style="list-style-type: none"> <li>▪ A permanent employee of our Company working in India or out of India;</li> <li>▪ Director of the Company except for the directors who are part of the Promoter Group.</li> </ul>
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
Project/The Project/the Expansion Project	Our proposed integrated project for the manufacture of Yarn Dyed Shirting Fabrics, with facilities for yarn dyeing, weaving and fabric processing to be set up at Tamgaon, Kolhapur-Hupari Road, Taluka Karveer, District Kolhapur, Maharashtra and additional spinning capacities at our existing leasehold land.
R.M. Mohite Group/Group Companies/Group Associates/Group	Means all ventures and entities promoted by the Promoter(s) of our Company and includes: R.M. Mohite and Company Shri Devchand Sugars Limited Subhadra Local Area Bank Limited Shivneri Nagari Sahakari Pat Sansta Kille Panhalgarh Shikshan Sanstha Maruti Constructions Mohite Builders Private Limited Maruti Cotex Limited
Lenders	Means existing bankers to the Company and includes Indian Overseas Bank, Corporation Bank, The United Western Bank Limited (now merged with IDBI Limited), Saraswat Bank
Memorandum/ Memorandum of Association/MoA	The Memorandum of Association of Abhishek Mills Limited
Project Cost	The Project Cost of Rs. 21,878 lacs as estimated by M/s Werner International vide their Report date December 2, 2005, who has done techno-economic feasibility study and UTI Bank Limited, the financial appraiser for setting up the Expansion Project, excluding issue related expenses.
Promoter Group	The Promoters, the immediate relatives of the Promoters and such entities/ partnership firms as prescribed under Explanation II to Clause 6.8.3.2 of the SEBI DIP Guidelines
Promoters	Mr. Ramchandra M. Mohite, Mr. Anasaheb R. Mohite and Dr. Anjali A. Mohite
Registered Office of the Company	Gat No. 148, Tamgaon, Kolhapur-Hupari Road, Taluka Karveer, District Kolhapur, Maharashtra.
Registrar of Companies or RoC	Registrar of Companies, Maharashtra, situated at Deccan Gymkhana, Pune.
“we” or “us” and “our”	Unless the context otherwise require, refers to Abhishek Mills Limited
Yarn Dyed Shirting Fabric	Woven and processed fabric made from cotton yarn, to be manufactured by the Company after the setting up of Expansion Project.

**Abbreviations**

<b>Abbreviation</b>	<b>Full Form</b>
AGM	Annual General Meeting of the shareholders
AML	Abhishek Mills Limited
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
ATC	Agreement on Textile and Clothing
BIFR	Board for Industrial and Financial Reconstruction
BMC	Brihanmumbai Municipal Corporation
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CFM	Cubic Feet per Minute
CIAE	Confederation of Indian Exporters
CIDCO	City and Industrial Development Corporation
C & F	Clearing and Forwarding
CIF	Cost, Insurance and Freight
CPI	Consumer Price Index
EGM/ EOGM	Extraordinary General Meeting
EMD	Earnest Money Deposit
EMI	Equated Monthly Instalment
100% EOU	100% Export Oriented Unit
EPC	Engineering, Procurement and Construction
EPCG	Export Promotion Capital Goods Scheme
EPS	Earnings Per Equity Share
EU	European Union
FCNR	Foreign Currency Non Resident Account.
FDI	Foreign Direct Investment
FIPB	Foreign Investment Promotion Board
FOB	Freight on Board
FTA	Free Trade Agreement
WI	Werner International
GOI	Government of India
GSM	Grams Per Square Meter
HNI	High Net-worth Individual
HUF	Hindu Undivided Family
ICAC	International Cotton Advisory Committee
ICMF	Indian Cotton Mills' Federation
I.T. Act	The Income Tax Act, 1961
KVA	Kilo Volt Ampere
KW	Kilo Watt
KWh	Kilo Watt Hour
LC	Letter of Credit
LIBOR	London Inter Bank Offer Rate
MFA	Multi Fibre Agreement
MIDC	Maharastra Industrial Development Corporation
MJP	Maharastra Jeevan Pradhikaran
MKVDC	Maharastra Krishna Valley Development Corporation
MMRDA	Mumbai Metropolitan Road Development Authority
MSEB	Maharastra State Electricity Board
MSRDC	Maharastra State Road Development Corporation
Mtr	Meter
NAV	Net Asset Value
NHAI	National Highway Authority of India
NRE Account	Non Resident External Account
NRI	Non Resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited





Abbreviation	Full Form
NSE	National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit after Tax
PTA	Preferential Trade Agreement
PWD	Public Works Department of Government of Maharashtra.
R & D	Research and Development
RBI	Reserve Bank of India
RCC	Reinforced Concrete Construction
ROC/RoC	Registrar of Companies
ROE	Return on Equity
RONW	Return on Net Worth
RPM	Rotation per minute
Rs.	Indian Rupees
SEZ	Special Economic Zone
SEEPZ	Santacruz Electronic Export Processing Zone
Sq	Square
SSI	Small Scale Industries
TAN	Tax Deduction Account Number
TFO	Two for One
TMC	Thousand Million Cubic Meters
TRS	Transaction Registration Slip
TUFS	Technology Upgradation Fund Scheme
USA	United States of America
USD / US\$	United States Dollar
UTI Bank	UTI Bank Limited
w.e.f.	With effect from
WI	Werner International
WOS	Wholly Owned Subsidiary
WPI	Wholesale Price Index
WTO	World Trade Organization
YOY	Year on Year





## CERTAIN CONVENTIONS; USE OF MARKET DATA

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

Unless stated otherwise, the financial data in the Red Herring Prospectus is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines. 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 Red Herring Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

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

For additional definitions, see the section titled ‘Definitions and Abbreviations’ on page no. (a) to (h) of the Red Herring Prospectus. In the section titled ‘Main Provisions of Articles of Association of the Company’ beginning on page 164 of the Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

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



## CURRENCY OF PRESENTATION

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

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

The exchange rates for various currencies assumed by Werner International for the purpose of computation of Project Cost is 1 US\$: Rs. 46, 1 Euro: Rs. 55, 1 CHF: Rs. 35, 100 JPY: Rs. 40.



## FORWARD-LOOKING STATEMENTS

We have included statements in the Red Herring 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 expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India, which have an impact on our business activities or investments, the monetary and 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.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page i of the Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the members of Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.



## SECTION II

### RISK FACTORS

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

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

#### Risks Specific To The Project And Internal To The Company

##### Project Related Risks

**1. Our Company or our Promoters have no experience in Yarn Dyed Shirting Fabrics.**

Our Company proposes to manufacture valued added Yarn Dyed Shirting Fabrics to cater premium segment of the overseas market. As of now, our Company or our Promoters do not have any expertise and experience in manufacturing and selling of such premium products. Our inability to meet the requisite quality norms and customer requirements of such premium markets may affect our operations adversely and may have financial implications.

**2. We have not placed orders for plant and machinery, equipments etc. for the proposed Expansion Project.**

The net proceeds from the Issue is proposed to partly fund the Expansion Project. We are yet to place firm orders for procuring the plant and machinery of Rs. 13466 lacs and miscellaneous fixed asset of Rs. 2629 lacs. Any delay in placing orders or procurement of plant and machinery and such other fixed assets may delay implementation of the Expansion Project. Such delays may also lead to increase in prices of these equipments further affecting our cost estimates of the Expansion Project.

**3. We are yet to receive certain Government approvals for our proposed Expansion Project.**

We are required to obtain certain licenses/permissions that will be required with regards to the Project. We are yet to obtain these licenses / permissions as required for our Expansion Project. For status of all such approvals relating to the Expansion Project kindly refer to the section titled 'Government Approvals/Licensing Arrangements' on page 124 of the Red Herring Prospectus.

**4. Our Proposed Expansion Project is Dependent on IPO Proceeds**

Our Expansion Project is proposed to be funded partly from debt and partly from the IPO proceeds. The rupee term loan component of the Project Cost has already been tied up and as against the debt component of Rs. 14990 lacs, we have received final sanction letters from various banks aggregating Rs. 21200 lacs. Though the debt portion is tied up, any delay in IPO will have a negative impact on the expansion plans of our Company and may delay the commencement of the Expansion Project.

**5. Our Project Cost is subject to change with exchange rate fluctuations.**

Our Project Cost of Rs. 21878 lacs involves machineries and other equipment, assets, to be imported for Rs. 12855 lacs. The cost of imported machineries may change with the changes in various currency exchange rates at the time of making actual payment of the same.

**6. Our Promoters have no experience of executing and operating integrated textile plants.**

Our Promoters are into the business of yarn spinning for over 15 years but have no experience of yarn dyeing, weaving and fabric processing. The thrust of the Expansion Project is to build capacities for yarn dyeing, weaving and fabric processing. Inexperience of our Promoters in execution and operation of integrated textile plants may lead to delay in implementation of the Expansion Project, which may result in adverse financial results.

**7. Delay in implementation of the Expansion Project could have an adverse impact on our business**

Our estimated fund requirements are based on our current business plan and strategy. However, we operate in a highly competitive and dynamic industry and we may have to revise our business and capital outlay plans from time to time. Any delay in completing the Project contemplated for any reason whatsoever could result in a



significant cost and time overrun. Due to these time and/or cost overruns, the overall benefit of such plans to our revenues and profitability may decline.

**8. We do not have any firm marketing arrangements for our existing product and proposed products**

We are exporting our entire production of yarn though we have not entered into any firm marketing arrangements with any of our buyers. In future we intend to capitalize on our experience of dealing in the international markets for marketing our proposed product. Though we have engaged services of Werner International to assist our Company in formulating marketing strategy and plan and helping our Company in setting up a proper marketing and sales set up within the organisation, in absence of guaranteed customers or firm marketing arrangements there can be no assurance that we will be successful in selling our entire production. This may result in lower capacity utilization and adversely affect our operations and financial results.

**9. As per the financial appraisal report by UTI Bank Limited, major risks associated with the project operations, their sharing and mitigation / implications, are as under:**

**a. Pre Implementation Delay**

- Finalisation of contracts – The key contracts are still to be signed. Delay in finalisation of orders may result in delay in implementation/cost overruns and the responsibility to bear the cost of delay is on the Company.
- Approval and permits

**b. During Implementation**

- Cost increase and price escalation
- Completion delay
- Non-Political force majeure / damage / destruction
- Delay in construction of evacuation facilities
- Plant performance

**c. Post Implementation Operation Risk**

- Raw material risk: Non availability of raw material in the right quantity, of right quality and at the right time
- Increase in raw material prices Equipment defects Production less than planned levels Technology risk

**Internal Risk Factors**

**Textile Division:**

**10. Our Company is generating export revenues from limited number of buyers for cotton yarn manufactured by us.**

To sell our existing production of cotton yarn, we are dependent on few buyers for our existing sales. If order flow from these buyers discontinues or slows down then it may affect our revenues and profitability. Further our inability to add more buyers, may lead to pressures in pricing. Further if we are unable to satisfy their rising demands for reasons within or beyond our control, it may result in reduction in order flow.

**11. Our Company is operating in highly competitive environment**

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

**12. Our success depends upon our ability to manage our growth of business**

Our Company has experienced consistent growth in past few years. However, maintaining the said growth in future will create pressure on our management and other resources. Any inability on our part to address the challenges associated with expansion such as ours may adversely affect prospectus of our Company. Further, any inability on our part to generate orders for the expanded capacities may adversely affect our growth prospects.

**13. Our failure to procure the required quality and quantity of cotton may impact our operations**

For our requirement of raw cotton, which is our major raw material we are dependent on external suppliers, domestic as well as international. The cost of raw cotton constitutes the largest component of our total cost of



production. Our failure to procure the required type and quality of raw cotton in the required time may delay our schedule of manufacture of cotton yarn, which may have adverse impact on our business.

Further, prices of raw cotton depend upon various factors such higher or lower domestic crop, International trends, and global demand-supply scenario. If domestic crop is below normal output or demand outstrips supply, there may be significant up-move in prices of raw cotton, making our cost of production dearer. If we fail to pass over the increase in cost of inputs it may adversely impact our profit margins.

**14. Our success depends upon our ability to attract and retain talented professionals**

Attracting and retaining talented professionals is key to our business growth and is substantially dependent on the expertise and services of our senior management team. Any inability on our part to attract and retain talented professionals or key management personnel may adversely affect our business and results of operations.

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

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

**16. Registration of our Trade Marks is pending.**

We have made applications to the Trade Mark Registry for registration of our trademark, logo for cotton yarn and woven fabric in December 2005 and January 2006 respectively. Any delay or non-registration of these trademarks in our name may subject us to commercial disadvantage.

**Construction Division:**

**17. Our Company has applied but is yet to be registered as Class IB construction contractor with GoM.**

At present our Company undertakes construction work on sub-contract basis from our Group Associate R. M. Mohite and Co. On meeting the requirements for Class I B registration, we have applied for the same with PWD, GoM. Any delay or failure in obtaining such registration may affect our Company's plan of sourcing construction contracts in our own name and may in turn adversely impact our operations and financial results.

**18. Dependence on our Group Associate M/s R. M. Mohite and Co.**

Our Company's existing order book for construction business comprises of project sub contracted to us by our Group Associate, R. M. Mohite and Co. Though our Company has applied for registration as class IB contractor, we may still have to depend upon our Group Associate R. M. Mohite and Co. for our construction business

**19. Our Company intends to undertake construction activity independently also**

We have limited experience construction business and we may face difficulties to tap the opportunities in infrastructure sector. Our success in construction business would largely depend upon the acceptance of the bids submitted by us. Our performance may also be affected in case any penalties are imposed on us for failure to achieve performance commitment or for time overruns etc. which may affect the financial performance of our Company.

**20. Our construction business depends on the State's focus on infrastructure development and its financial position**

Our construction business is significantly dependent on state government's focus on infrastructure development and expenditure levels in infrastructure levels. Any change either in governments policy of framework or focus or decrease in the expenditure levels or timely release of funds may adversely affect our business and results of our operations.

**21. We have significant dues outstanding from our Group Associate**

There has been delays in receipt of consideration against the sub contract work undertaken by us for our Group Associate. Further, as on September 30, 2006 the total amount outstanding from R M Mohite & Co. is Rs. 1340.12 lacs.

**General Risk:**

**22. We are facing litigation in connection with the use of word "ABHISHEK" in our corporate and trade name.**



A suit has been filed by Abhishek Industries Ltd. on June 17, 2006 against our Company before the Court of the District Judge, Sangrur inter alia for an Order for permanent injunction restraining our Company from using the trade and corporate name “ABHISHEK” and/or any other deceptive variation thereof as a corporate name or as a trade name in whole or in part, whether in connection to any goods or business or otherwise. For further details please refer chapter titled ‘Outstanding Litigations’ beginning on page no. 121 of the Red Herring Prospectus.

If the said case is decided against us, we may have to change our existing trade and corporate name, which may result in adverse impact on our business.

**23. Mr. Suresh G. Vaidya, one of our independent director was holding directorship in few companies in past, which had defaulted in payment of dues to financial institutions and banks.**

**24. Risk associated with negative covenants in our agreements with our Lenders**

There are restrictive covenants in the loan agreements that we have entered into with banks. These agreements in many cases provide for borrowers covenants which are restrictive in nature and require us to obtain their prior approval for alteration of the capital structure, change in beneficial ownership of or control of the Company, entering into any merger/amalgamation, expenditure in new projects, transfer/change in the key managerial personnel, change in the constitutional documents etc. Further, in many cases lenders have right to appoint a nominee director on the Board of the Company upon an event of default. Also, there are restrictive covenants regarding declaration and payment of dividend out of accumulated reserves or in cases of any subsisting default.

The loan agreements that we intend to enter with the banks and financial institution for the rupee debt component of the Project Cost of the Expansion Project also provides for similar restrictive covenants. Further, there are conditions stipulated in the sanction letters which we have received for the rupee debt component of the Project Cost providing for restrictive disbursement of sanctioned amounts before IPO and other conditions to be fulfilled prior to disbursement. If we fail to comply with such pre disbursement conditions implementation of the Expansion Project may get delayed.

**25. Risk associated with contingent liabilities**

Contingent liabilities not provided for by the Company as on September 30, 2006 are as under:

(Rs. in lacs)	
As at	September 30, 2006
Particulars	
Guarantees given by Banks and are counter- guaranteed by the company	79.34
Import Letters of Credit (Capital Goods)	28.05
Import Letters of Credit (Raw Cotton)	0.00
Excise Litigation (Exclusive of Interest & Penalty which is not quantified as on date of the balance sheet)	37.51
<b>Total</b>	<b>144.90</b>

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

**26. Risk relating to our production facilities**

The Company has entered into lease agreement with our Promoters for the land on which our production facilities at Kolhapur are situated. Though there is nominal lease rental payable as per the said agreement, which is valid for thirty years, there is no surety that in future similar concession on lease rentals, which may be levied by our Promoters. These may impact our operations and financials in future. Also, few of our lease agreements are not registered making them non admissible as evidence in courts of law.

**27. Our limited experience of managing corporate affairs of widely held companies**

So far our Promoters were running their business through closely held companies and partnership firms. Therefore, they have no experience in managing compliance requirements applicable to widely held companies. Inability of our Promoters to respond appropriately to the changed regulatory environment applicable to widely held companies might adversely affect our Company.





## 28. Conflict of interest in Promoter Group companies and partnership firms

Our Group Associates have main objects and business similar to one of activities of our Company i.e construction. Interests of these entities may conflict with each other. Further, our Promoters may incorporate new entities to undertake similar line of business, which may compete with our Company.

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

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

## 30. We rely on contract labour for performance of our operations

We rely on labour contract for our unskilled operations. With regards to our textile activities the contractors who engage on site labourers for our requirements are not registered under the Contract Labour (Regulation and Abolition) Act and we as principal employer will be liable under the said act for any adverse consequence arising out of our operations and engagement of such labourers. Further in case of our construction activities neither we nor the contractors whose services have been engaged by us are registered under the Contract Labour (Regulation and Abolition) Act, the consequence of which may lead to adverse financial implications.

## 31. Negative cash flow from operations

During the financial years 2004-05, 2002-03 and 2001-2002 we had negative operating cash flow amounting Rs. 246.04 lacs, Rs. 153.33 lacs, Rs. 108.53 lacs respectively. For further details please refer to the section titled "Financial Information" on page no. 81 of the Red Herring Prospectus

## 32. Pending Litigations

Following are the pending litigations involving the Company, its Promoters, Directors and Group Companies. The outcome of these litigations may have adverse implications on our Company. For details please refer to Section titled 'Outstanding Litigations' on page no. 121 of this Red Herring Prospectus.

### Proceeding against our Company

Type of Case	No. of Cases	Amount involved (Rs.)
Indirect Tax	1	7,501,322
Civil Suit	1	Not Applicable

### Proceeding initiated against our Group Associate

Name of Group Associate	Type of Case	No. of Cases	Amount involved (Rs.)
R. M. Mohite and Co.	Civil	1	2,641,536
Shivneri Nagari Sahakari Pat Sanstha Maryadit	Civil	1	6,58,617

### Proceeding initiated by our Group Associate

Name of Group Associate	Type of Case	No. of Cases	Amount involved (Rs.)
Shivneri Nagari Sahakari Pat Sanstha	Criminal	2	250,000
Shivneri Nagari Sahakari Pat Sanstha	Civil	1	150,000
Shivneri Nagari Sahakari Pat Sanstha	Civil	3	2,46,555

## 33. Failure to comply with the conditions of TUFs shall make us ineligible for interest or capital subsidy

Out of total Project Cost of Rs. 21,878 lacs for the Expansion project, the rupee term loan component is Rs. 14,990 lacs being raised under Technology Upgradation Fund Scheme (TUFs). All of these loans are eligible for 5% interest subsidy subject to conditions provided therein. If we fail to comply with the conditions stipulated under TUFs, the interest subsidy may be denied to us making our operations less cost effective due to increased cost of borrowing.

## 34. Export obligation under the import and export policy

We will be importing machineries under Export Promotion Capital Goods Scheme (EPCG Scheme). One of the conditions subject to which licence under EPCG Scheme is granted is to achieve export obligations based on concession in import duty availed. Any failure on our part to achieve required export obligation will subject us to obligation to pay the customs duty saved due to EPCG Scheme together with interest.



**35. Our Promoters and Promoter Group will collectively own around 70.73 % of Equity Shares in the Company post listing and will continue to control and exercise substantial influence over our Company. Their interests may conflict with your interests as a shareholder**

Post listing our Promoters will hold around 70.73 % in the paid up equity capital of the Company. As a result, our Promoters will be able to exercise significant influence over the decisions of the Company, as they will be able to determine outcome of all actions requiring the approval of the shareholders or/and our Board. The interests of our Promoters may conflict with interests of our other investors, and you may not agree with the manner in which they exercise their powers of management or voting rights.

**36. Any sale of shares by Promoters and Promoter Group may affect the trading price.**

The Promoters and Promoter Group will continue to own substantial stake in our Company. In event our Promoter sell significant portion of their shareholding the trading price of the Equity Shares of our Company may be affected

**37. Any future issuance of Equity Shares by our Company may dilute your holding in the Company**

To fund future growth plans of our Company we may further raise capital by way of issuance of Equity Shares or convertibles in domestic or overseas market. Such further issuance of Equity Shares or convertibles could dilute your shareholding in our Company. Further, perception of such further issues may also affect the trading price of our Equity Shares.

**38. Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors. We have not paid dividend in past.**

So far our Company has not paid any dividend. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors.

**External Risk Factors**

**1. There may be changes in the regulatory framework relating to the textile and sector that could adversely affect us**

Withdrawal or modification of policies initiated by Government of India to promote growth of the textile sector including policies such as interest rate subsidies, duty / tax reimbursement schemes like duty drawback / DEPB etc. could adversely impact our profitability and profitability of the textile companies in India. We presently do not know the nature or extent of the changes, which could be made and therefore cannot assure you that such changes will not have an adverse impact on our financial condition and results of operations.

**2. Probable opposition of Indian products and companies by developed nations**

Oppositions in developed countries against developing countries such as against business process outsourcing may also extend to the textile industry, which is labour intensive in nature. If such movement gets intensified in future, it may have adverse impact on export opportunities of developing countries. Export of inferior quality goods from India may further add to the possible adverse sentiments about Indian goods thereby adversely impacting export potential of Indian companies. Additionally, countries such as the USA may impose anti surge restrictions if growth of exports from any country exceeds beyond acceptable limits. Such restrictions may adversely impact our growth.

**3. 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 FTAs/PTAs.

**4. Change in labour policy may adversely affect our business**

Since textile and construction activities undertaken by our Company are labour intensive in nature, any increase in employee/labour compensation in India may affect our competitive advantage and may reduce our profit margins, which may affect our financial results.



**5. There may be changes in the regulatory framework relating to the construction sector that could adversely affect us**

Our construction business mainly depends upon projects undertaken by Maharashtra State Government for development of infrastructure in state. Further we may venture into other activities in construction sector within or outside Maharashtra State also, which may further increase our dependence on policies of various other state governments and GoI regarding infrastructure development. Withdrawal or modification of policies initiated and/or projects started/planned by Government of Maharashtra, other state governments and GoI to promote growth of infrastructure in the Maharashtra state/Country could adversely impact our profitability and profitability of the construction companies in India. We presently do not know the nature or extent of the changes, which could be made and therefore cannot assure you that such changes will not have an adverse impact on our financial condition and results of operations. Thus infrastructure growth prospects are highly dependent on government policies.

**6. Non-availability of skilled personnel and risk associated with increasing wage cost**

Post removal of quotas in the textile industry effective January 1, 2005, many companies are expanding their capacities to meet the global demand for textile related goods. Such huge capacity additions are expected to lead to shortage of skilled labours in the industry. Such shortage may further lead to substantial rise in the wage bills of companies thus seriously affecting their cost structure.

Further, wage costs of unskilled labour in India have historically been significantly lower than the wage costs in the developed countries, which has been one of our competitive strengths. Any significant wage increases in India may seriously impact this competitive advantage thus negatively affecting our profit margins.

**7. Global economic, political and social conditions may harm our ability to do business**

Factors such as any negative change in policies of the government of foreign countries, acts of war or geopolitical and social turmoil in many parts of world may adversely impact the growth potential of Indian exporters and could prevent or hinder our ability to do business, increase our costs and negatively affect our business operations.

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

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

**9. After the Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop**

The prices of our Equity Shares on the Stock Exchanges may fluctuate after the Issue as a result of several factors including among others:

- volatility in the Indian and global securities markets;
- our results of operations and performance;
- performance of our competitors, the Indian processed fabric manufacturing industry and the perception in the market about investments in the processed fabric manufacturing sector;
- adverse media reports on the Company or the Indian processed fabric manufacturing industry; and
- changes in the estimates of our performance or recommendations by financial analysts;

Further, valuations in the textile sector have appreciated over the last several months and current valuations may not be sustainable in the future and may also not be reflective of future valuations for the industry.

There has been no public market for our Equity Shares and the prices of our Equity Shares may fluctuate after the Issue. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after the Issue or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to the Issue.



#### **10. Risk associated with slowdown of economy in a country to whom we undertake export**

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

#### **11. We are subject to risks arising from exchange rate fluctuation**

Uncertainties in the global financial markets may have an adverse impact on the exchange rate between Rupee vis-à-vis other currencies. The exchange rate between Rupee and other currencies is variable and may continue to remain volatile in future depending upon the foreign exchange reserve position of India. Fluctuations in the exchange rates may have a serious impact on the revenues from our export business. Any depreciation of Rupee against other currencies may have an adverse impact on cost of the Expansion Project, as we will be placing orders with overseas suppliers for buying equipments for the Expansion Project. Accordingly, any adverse fluctuation in the exchange rate between Rupee and other currencies may adversely affect our financial position and results of operation.

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

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

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

Our plants are vulnerable 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 our plant and result in loss of revenues and increased costs.

#### **Notes to Risk Factors**

- Public Issue of 41,00,000 Equity Shares of Rs. 10/- each for cash at an Issue Price of Rs. [●] per Equity Share aggregating to Rs. [●] lacs (hereinafter referred to as 'the Issue'). The Issue comprises 2,05,000 Equity Shares of Rs. 10/- each aggregating to Rs. [●] lacs reserved for Eligible employees of the Company and Net Issue to Public of 38,95,000 Equity Shares of Rs. 10/- each aggregating to Rs. [●] lacs.
- The net worth of our Company before the Issue (as on September 30, 2006) was Rs. 5108.54 lacs.
- The average cost of acquisition of one Equity Share for the Promoters is as follows:

<b>Name of the Promoter</b>	<b>Average cost of Acquisition</b>
Mr. Ramchandra M. Mohite	Rs. 6.67 per Equity Share
Mr. Anasaheb R. Mohite	Rs. 19.99 per Equity Share
Dr. Anjali A. Mohite	Rs. 13.71 per Equity Share

The book value as on September 30, 2006 is Rs. 51.56 per Equity Share.

- For related party transactions, kindly refer to the section titled "Related Party Transactions" on page 76 of the Red Herring Prospectus.
- The Investors are advised to refer to the section titled 'Basis for Issue Price' on page 38 of the Red Herring Prospectus before making an investment in the Issue.
- Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
- Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Buyers, Non-Institutional Bidders, Retail Bidders and Eligible employees shall be on a proportionate basis. For more information, see the section titled "Issue Procedure- Basis of Allotment" on page 140 of the Red Herring Prospectus.

**Investors may contact the BRLM for any complaints, information or clarifications pertaining to the Issue.**



## SECTION III

### INTRODUCTION

#### SUMMARY

##### **Industry Summary**

The global textile trade in 2005 was USD 395 billion. At USD 395 billion, global textile trade contributes 5.4% of the total international trade. The industry is highly fragmented in terms of geography and size. There has also been a traditional divide between the various segments of the Industry.

[Source: WTO International Trade Statistics Book-2004]

With the implementation of Agreement on Textiles and Clothing (ATC) all trade barriers both tax and non-tax imposed by the developed countries on imports from developing countries has come to an end with effect from January 1, 2005 giving way for free trade regime in global textile trade. This has opened the way for the most competitive developing countries to develop stronger clusters of textiles. Developing countries having both downstream and upstream facilities in textiles may be able to prosper in the new competitive environment.

The textile industry occupies a unique position in the Indian economy being one of the oldest and largest industry in India and is highly fragmented. It is divided in four segments spinning, weaving or knitting, processing and garmenting. It provides one of the most basic needs of people. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products, with substantial value-additions at each stage. It contributes significantly to the country's economy. Currently, it adds about 14 % to the industrial production and about 4 % to the GDP. The textile industry is the one of the largest provider of employment in India after agriculture providing direct employment to about 35 million people. Due to its close linkage with agriculture it also has immense potential for employment generation, particularly in the rural and remote areas of the country and currently provides indirect employment to around 50 million people. With total exports of textile and garments of around USD13 billion for FY 2003-04, India accounts for around 3.30% of the world trade in textile and garments and contributes to about 21% of the gross export earnings of the country. Therefore, growth and development of this industry has a significant bearing on the overall development of the Indian economy.

[Source: Annual Report 2004-05 of Ministry of Textiles, GoI]

##### **Our Company**

Our Company promoted by Mr. Ramchandra M. Mohite, Mr. Anasaheb R. Mohite and Dr. Anjali A. Mohite, is a part of R. M. Mohite Group.

At present, we have presence in two segments i.e (a) yarn manufacturing through our spinning unit, which is designated as EOU; (b) construction. For six months period ended September 30, 2006 out of the aggregate turnover of Rs. 4450.44 lacs, sales turnover from our textile operations was around Rs. 2881.33 lacs and from our construction business was around Rs. 1569.11 lacs.

##### **(a) Yarn Manufacturing:**

Our spinning unit was set up in year 1999 with modern manufacturing facility of 13104 spindles for 100% combed cotton yarn at Kolhapur in the state of Maharashtra and caters to the demand for finer count in the premium segment of combed cotton yarn in the export market. Our unit is fully backed by product development, quality control and efficient sampling infrastructure to provide quality services to our customers. We currently employ over 242 employees in our Company.

In the year 2003, we expanded our capacities to 25920 spindles including 2016 spindles of compact spinning with value added facilities like Autoconer, TFOs, Singeing. In the year 2005, we undertook further expansion by installing additional 7200 spindles that became operational from April 2006.

At present, we have 33120 spindles producing 100% combed cotton yarn and can manufacture yarn with finer counts in the range of 40s to 120s. We comply with 5% Uster norms which signifies that the quality of our yarn meets the international standards. Zellweger Uster A.G (Switzerland) is a global quality control equipment manufacturer, whose standards are accepted globally in spinning industry.

Our Company has effectively managed our export business by targeting the finer count premium segment, where there are comparatively fewer players due to stringent quality parameters and high level of technology and has created presence with export base in European countries like Germany, Italy, Switzerland and other countries including Vietnam, Bahrain, Hong Kong, Russia, Korea and Mauritius.

**(b) Construction:**

We ventured into construction business in the year 2000 and undertook job work for Morbe dam (earthen) project on Dhavri River, from M/s. R.M. Mohite & Co., our group firm, which is a category Class IA registered contractor with PWD, GoM and pursuing government contracts for last 30 years. This diversification was considered necessary to overcome maximum ceiling on contracts that can be performed by any registered contractor for several state corporations in Maharashtra.

Our Company, with more than 3 years experience in construction activity, became eligible and applied for registration as category Class IB registered contractor with PWD, GoM. On obtaining this registration, we will be eligible to bid for various infrastructure projects directly.

With our experience to cater to the premium segment of the fine yarn export market, we now intend to set up an integrated yarn dyed shirting fabric project to tap its growing domestic and overseas market. Further, our Company is also planning to increase its spinning capacity by adding another 12000 spindles to meet additional requirement of yarn for captive consumption.

**Our Competitive Strengths*****Experience of our Promoters***

Our Promoters have adequate experience in both textile industry as well as in construction and we have successfully implemented expansion projects earlier. Revenues of the Company from textile segment have doubled during last three years. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project.

***Successful execution of projects***

The Company has successfully implemented expansion project in its textile division in past and have increased capacities from 13104 spindles to 33120 spindles. In construction activity, our Company is currently working on Morbe dam project on Dhavri river, which is around 3420 meters length, and around 53 meters height with special emphasis on quality. .

***Low labour cost***

Skilled labour is available in abundance in India. Thus, our labour costs are maintained at realistic levels. Added to that we have kept ourselves updated on the latest available technologies and continuously look for new attachments and value adding equipment to enhance the performance of our machines such that the labour input required is maintained while the production / productivity is improved. Our unit enjoys very cordial industrial relations, which is a testimony of labour friendly policies followed by us.

***Economies of scale***

Our production capacity of yarn manufacturing can be considered as mid to large in size. It allows us the advantages of economies of scale. We can therefore take advantages of bulk discounts and negotiate favourable terms of purchase resulting in substantial savings in input costs.

***High productivity***

High level of modernization, trained work force and managerial expertise results in consistent high level of productivity. We have established modern production facilities at our plant and we are continuously on the look out for new / updated technologies. Our investments in value adding equipments/attachments to our machines has resulted in twin benefits of consistent high quality and improved productivity. We also have loyal trained work force, sound communication facilities and high level of computerization to ensure enhanced operational efficiency.

***Low interest cost***

Our capacity additions of 12816 spindles and 7200 spindles in year 2003 and year 2006 respectively have been under TUFS. The weighted average interest rate of our existing term loans after considering the benefits available to us on loans covered under TUFS for financial year 2005-06 is around 7.94% per annum. This has helped us in lowering the overall average cost of funds and has increased our competitiveness. The interest rate on term loans to be availed for the proposed Expansion Project will be 5.25% after considering benefits under TUFS.

***Quality Assurance***

We comply with 5% Uster norms, which signifies that the quality of our yarn meets the international standards. The products exported by our Company have not been rejected till this date. Each of the Company's products passes through stringent quality checks. Testing equipments of international standards from Uster Zellweger A.G supports our quality control department. The quality assurance measures taken by the Company include thorough checking of all raw material and other





inputs right down to finished goods to ensure quality, statistical methods to identify and analyse areas of improvement, experienced manpower for quality assurance activities, creation of data base for future reference and analysis etc.

## Our Strategy

### *Textile Division:*

#### **A) Forward Integration of our manufacturing process**

We are into the manufacture of 100% combed cotton yarn. Presently we do not have facilities for activities such as yarn dyeing, weaving, fabric processing etc. After establishing our position as a quality cotton yarn manufacturer, we intend to operate in higher segments of textile value chain, which will result into higher margins on account of integration, cost advantages, better quality and low turnaround time. Our forward integration of our facilities by setting up of Yarn Dyed Shirting Fabrics from finer count yarn manufactured from our existing facilities will result in increase in our profit margins and return on investment.

#### **B) Further widening of our customer base**

With proposed expansion of spinning capacity and setting up of Yarn Dyed Shirting Fabrics unit and growing opportunities available in the post quota regime, we intend to grow our business continuously by adding new clientele in existing and new geographies.

We propose to target the USA and European markets, considering the huge potential of Yarn Dyed Shirting Fabric in these countries. We do not envisage any difficulty in marketing our entire production into exports and domestic markets with more focus on exports. Our strategy is to utilize the following channels for promotion and sales:

- a.) **Buying Houses:** A number of well-known buying houses/big retailers have started functioning in India for sourcing cost competent textile products. Most of the shirting fabric companies in developed countries have plans to outsource fabric production and made-ups from outside. We will work in close coordination with these existing and proposed buying houses.
- b.) **Our Existing network:** We already have a network of agents and buyers in international market and enjoy a reputation of being a manufacturer of fine quality yarn. We intend to use our existing network to sell Yarn Dyed Shirting Fabrics also.

Looking to the tremendous potential for growth in the apparel fabric under the quota free regime, we are expanding our capacities to enter into these areas to cater to the needs of the global retail giants/labels/ importers.

#### **C) Adding to our manufacturing facilities**

As a long term strategy, we may plan to further move up the value chain by further forward integration into manufacturing garments. We will look for more geographic locations suitable for catering to different markets and product ranges. We will constantly endeavour to acquire new technologies, latest developments and value adding processes to make our products techno savvy, contemporary in outlook, trendy in fashion and top class in quality. Our target segment of mid to high end customers would give us sufficient room for expansion of capacities for years to come.

#### **D) Reduction of operational costs**

Apart from expanding business and revenues we have to look for areas to cut costs in order to remain a cost competitive Company. Measuring costs of each operation and process, evaluating costs at each cost centre and bench marking the same to industry / scientific standards is our core strategy to control direct costs and overheads. Raw material costs are controlled through effectively timing the purchase after considering trends in price movements and by placing bulk orders especially for imported raw materials. Consumption and wastages are controlled on the shop floor through effective supervision and systems. Other costs are reduced through proper training, new technologies and periodic reviews. Our focus has been to reduce the operational costs to gain competitive edge. We are quite successful in our efforts and hope to continue more vigorously to bench mark us with the best in the industry.

### *Construction Division:*

Our Company, with more than 3 years experience in construction activity, became eligible and applied for registration as category Class IB registered contractor with PWD, GoM. On obtaining this registration, we will be eligible to bid for various infrastructure projects directly. However, the main thrust area for AML will be government contracts because of higher margins, low competition because of specialized nature of these contracts

The continuing emphasis of GoI and also various state governments on infrastructure development from past few years have thrown up huge opportunities in construction sector in future. The development of infrastructure facilities mainly includes developing roads, ports, airports, irrigation facilities, dams etc. GoM has also been laying great emphasis on the development





of infrastructure in the state of Maharashtra primarily in the areas of development of irrigation facilities, medium and large sized dams, roads, bridges, rural infrastructure etc. Our Company has already applied for registration as category IB registered contractor with GoM and in future intends to procure government construction contracts on our own and gain further experience in this sector to qualify for upgrading to category IA registered contractor. Our Company also intends to take private construction contracts like construction of buildings, BOT roads, etc.



## SUMMARY OF FINANCIAL DATA

The following summary operating and financial data have been prepared in accordance with Indian GAAP, in conjunction with our restated audited financial statements for each of financial year 2002, 2003, 2004, 2005, 2006 and for period ending September 30, 2006 including the notes thereto and the reports thereon, which appear in section title “Management’s Discussion And Analysis of Financial Condition and Results of Operations” on page 114 of the Red Herring Prospectus.

### Statements of Profits & Losses, as Restated

(Rs in lacs)

Period ended on	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
<b>INCOME</b>						
Sales:						
a) Sale of Manufactured Goods	2749.99	4084.54	4308.39	3383.46	1906.65	2210.17
a) Sale of Traded Goods	-	-	-	-	-	20.24
a) Sale of Services Rendered	1336.14	2651.29	1550.71	-	-	140.00
<b>Total Sales</b>	<b>4086.13</b>	<b>6735.83</b>	<b>5859.10</b>	<b>3383.46</b>	<b>1906.65</b>	<b>2370.41</b>
Other Income	7.02	39.05	30.99	5.04	9.60	4.62
Increase / (Decrease) In stock	364.31	1061.26	564.86	266.84	143.30	(256.34)
<b>Total</b>	<b>4457.46</b>	<b>7836.14</b>	<b>6454.95</b>	<b>3655.34</b>	<b>2059.55</b>	<b>2118.69</b>
<b>EXPENDITURE</b>						
Raw Material Consumed	1391.67	1923.85	2254.55	1895.51	991.84	1094.58
Employees Costs	92.48	133.98	118.54	103.75	68.38	56.78
Other Manufacturing Costs	1394.16	2949.84	1826.98	503.84	404.82	442.24
Administrative & Other Costs	42.73	73.14	66.88	49.01	43.49	30.35
Selling & Distribution Costs	107.71	163.77	170.44	124.60	100.49	95.26
Interest & Other Finance Costs	208.55	347.99	309.88	337.88	110.13	110.02
Preliminary Expenses Written Off	0.91	1.81	1.18	0.55	0.55	0.55
Prior Period Adjustment	0.96	1.40	4.10	11.22	1.14	10.05
	<b>3239.17</b>	<b>5595.78</b>	<b>4752.55</b>	<b>3026.36</b>	<b>1720.84</b>	<b>1839.83</b>
<b>Net Profit Before Depreciation, Tax &amp; Extraordinary Items</b>	<b>1218.29</b>	<b>2240.36</b>	<b>1702.40</b>	<b>628.98</b>	<b>338.71</b>	<b>278.86</b>
Less: Depreciation	320.93	537.98	526.73	348.24	212.43	205.72
<b>Net Profit before Tax &amp; Extraordinary Items</b>	<b>897.36</b>	<b>1702.38</b>	<b>1175.67</b>	<b>280.74</b>	<b>126.28</b>	<b>73.14</b>
Less: Taxation						
Provision for Current Tax	212.56	394.11	63.01	0.00	1.50	-
Provision for Deferred Tax / (Reversal of Deferred Tax)	11.41	27.12	(70.46)	(21.56)	50.00	-
<b>Net Profit before Extraordinary Items as per Audited Financial Accounts</b>	<b>673.39</b>	<b>1281.15</b>	<b>1183.12</b>	<b>302.30</b>	<b>74.78</b>	<b>73.14</b>
Extraordinary Items (Depreciation Written Back)	-	-	-	-	-	397.38
<b>Net Profit after Extraordinary Items as per Audited Financial Accounts</b>	<b>673.39</b>	<b>1281.15</b>	<b>1183.12</b>	<b>302.30</b>	<b>74.78</b>	<b>470.52</b>
Impact On account of adjustments required by Paragraph 6.10.2.7 (b) of Chapter VI of the Guidelines (Ref Note # 2 (a))	(22.50)	40.26	(137.85)	(128.71)	34.53	(392.19)



Period ended on	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1. Prior Period Adj.	0.96	0.44	2.70	7.12	(10.08)	8.91
2. Preliminary Exp.	0.00	7.39	0.08	0.08	0.08	0.08
3. Provision for Leave Salary	0.00	0.00	(0.04)	(1.31)	(0.84)	(0.52)
4. Provision for Gratuity	0.00	0.00	(1.30)	(0.43)	0.00	0.00
5. Depreciation Adjustment	0.00	0.00	0.00	0.00	0.00	(397.38)
6. Deferred Tax	-34.87	5.32	(68.83)	(112.61)	(4.63)	(3.28)
7. Reversal of Deferred Tax Adjustment	11.41	27.11	(70.46)	(21.56)	50.00	-
	<b>(22.50)</b>	<b>40.26</b>	<b>(137.85)</b>	<b>(128.71)</b>	<b>34.53</b>	<b>(392.19)</b>
<b>Adjusted Profits for the year</b>	<b>650.89</b>	<b>1321.41</b>	<b>1045.27</b>	<b>173.59</b>	<b>109.31</b>	<b>78.33</b>
Accumulated Profits from Previous Years	2604.70	1362.29	317.02	143.43	34.13	(44.20)
Add: Excess Depreciation of Earlier Year (Ref Note# 2(a))						
Less: Deferred Tax Liability (Opening) (Ref Note#2 (a))	0.00	0.00	0.00	0.00	0.00	0.00
<b>Less: Appropriations</b>						
Dividend and Corporate Dividend Tax	0.00	0.00	0.00	0.00	0.00	0.00
Transfer to General Reserve / Issue of Bonus Shares	0.00	79.00	0.00	0.00	0.00	0.00
<b>Balance Carried to Statement of Restated Assets and Liabilities</b>	<b>3255.59</b>	<b>2604.70</b>	<b>1362.29</b>	<b>317.02</b>	<b>143.43</b>	<b>34.13</b>



## Statement Of Assets &amp; Liabilities, as Restated

(Rs in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
<b>A) Fixed Assets:</b>						
Gross Block	8220.09	7902.29	6282.43	5872.46	3313.41	2389.35
Less: Depreciation	2391.44	2070.52	1532.54	1026.14	677.90	465.47
Net Block	5828.65	5831.77	4749.89	4846.32	2635.51	1923.88
<b>Less: Revaluation Reserves</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Block After adjustment For Revaluation Reserves</b>	<b>5828.65</b>	<b>5831.77</b>	<b>4749.89</b>	<b>4846.32</b>	<b>2635.51</b>	<b>1923.88</b>
<b>B) Investments</b>	<b>1.26</b>	<b>1.26</b>	<b>86.26</b>	<b>86.26</b>	<b>85.76</b>	<b>0.79</b>
<b>C) Current Assets, Loans And Advances:</b>						
Inventories	3917.81	3612.20	2363.74	1622.16	1120.98	593.14
Sundry Debtors	1968.79	979.97	1308.24	298.59	355.84	195.07
Cash And Bank Balance	520.88	386.97	226.95	210.34	431.39	131.34
Loans & Advances	601.34	569.38	800.45	510.77	481.35	385.56
Other Current Assets	0.00	0.00	0.00	0.00	0.00	0.00
	<b>7008.82</b>	<b>5548.52</b>	<b>4699.37</b>	<b>2641.85</b>	<b>2389.56</b>	<b>1305.10</b>
<b>D) Liabilities And Provisions:</b>						
Secured Loans	5561.07	5539.04	5238.15	3919.37	2551.40	892.12
Unsecured Loans	2.03	5.50	336.31	781.06	673.96	673.88
Current Liabilities And Provision	1846.75	960.45	594.01	1008.53	344.97	199.52
Deferred Tax Liability	320.34	285.47	290.79	221.96	109.35	104.72
	<b>7730.19</b>	<b>6790.46</b>	<b>6459.25</b>	<b>5930.92</b>	<b>3679.68</b>	<b>1870.24</b>
<b>E) Networth</b>	<b>5108.54</b>	<b>4591.09</b>	<b>3076.27</b>	<b>1643.51</b>	<b>1431.15</b>	<b>1359.52</b>
<b>F) Represented by</b>						
1. Share Capital	990.85	990.85	1500.00	540.32	540.32	540.32
2. Share Application Money	0.00	0.00	0.00	567.07	567.07	567.07
2. Reserves	1090.92	1090.92	221.77	221.77	221.77	221.77
<b>Add: Balance in Profit &amp; Loss a/c (As Restated)</b>	<b>3255.59</b>	<b>2604.70</b>	<b>1362.29</b>	<b>317.02</b>	<b>143.43</b>	<b>34.13</b>
Less: Revaluation Reserves	0.00	0.00	0.00	0.00	0.00	0.00
Reserves (Net Off Revaluation Reserve)	4346.51	3695.62	1584.06	538.79	365.20	255.90
<b>Total</b>	<b>5337.36</b>	<b>4686.47</b>	<b>3084.06</b>	<b>1646.18</b>	<b>1472.59</b>	<b>1363.29</b>
<b>G) Miscellaneous Expenditure to the Extent not Written-off or Adjusted</b>	<b>228.82</b>	<b>95.38</b>	<b>7.79</b>	<b>2.67</b>	<b>41.44</b>	<b>3.76</b>
<b>H) Networth (F)- (G)</b>	<b>5108.54</b>	<b>4591.09</b>	<b>3076.26</b>	<b>1643.51</b>	<b>1431.15</b>	<b>1359.52</b>



## THE ISSUE

<b>Equity Shares offered:</b>	
Fresh Issue by the Company	41,00,000 Equity Shares, constituting 29.27 % of the post-issue Paid up capital of the Company, aggregating Rs. [●] lacs
<b>Of Which</b>	
Employee Reservation Portion (Note 1)	2,05,000 Equity Shares aggregating to Rs. [●] lacs (Allocation on a proportionate basis)
<b>Therefore,</b>	
Net Issue to Public	38,95,000 Equity Shares aggregating to Rs. [●] lacs
<b>Of which</b>	
A) Qualified Institutional Buyers portion	Up to 19,47,500 Equity Shares, i.e., up to 50% of the Net Issue to Public aggregating to Rs. [●] lacs (Allocation on a proportionate basis)
<b>Of Which</b>	
Reservation for Mutual Funds	Up to 97,375 Equity Shares aggregating to Rs. [●] lacs (Allocation on a proportionate basis)
B) Non-Institutional Portion	At least 5,84,250 Equity Shares, i.e., minimum 15% of the Net Issue to Public aggregating to Rs. [●] lacs (Allocation on a proportionate basis)
C) Retail Individual Investors Portion	At least 13,63,250 Equity Shares, i.e., minimum 35% of the Net Issue to Public aggregating to Rs. [●] lacs (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	99,08,462 Equity Shares of face value of Rs.10/- each
Equity Shares outstanding after the Issue	14,008,462 Equity Shares of face value of Rs.10/- each
Use of Issue proceeds	We intend to use the net proceeds of the Issue for part fund our Expansion Project. Kindly refer to the section titled “Objects of the Issue” on page 22 of the Red Herring Prospectus for a detailed discussion on the objects of the Issue

### Notes:

1. Eligible employees of the Company shall be entitled to apply in the Employee Reservation Portion category.
2. The unsubscribed portion, if any, in the Employee Reservation Portion shall be added back to the Net Issue to Public and will be considered for allotment only on a proportionate basis.
3. Under subscription, if any, in the Retail Individual Investors, Non-institutional Investors or QIBs portion would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLM.



## GENERAL INFORMATION

### Abhishek Mills Limited

(The Company was originally incorporated as Abhishek Cotspin Mills Limited on September 1, 1993. Name of the Company was changed to Abhishek Mills Limited w.e.f. November 14, 2005.)

**Registered Office:** Gat No. 148, Tamgaon, Kolhapur-Hupari Road, Taluka Karveer, District Kolhapur, Maharashtra  
Telephone: + 91 231 2676191, 2676671 Fax: + 91 231 2676194, Email: abhicots@vsnl.com Website: www.abhishekmills.com  
(The Registered Office of our Company was changed from Shiv-Parvati, 17-E, Nagala Park, Kolhapur-416001 to Nashte Complex, 252, Assembly Road, Kolhapur-416001 w.e.f. November 28, 1994. The Registered Office of our Company was further changed to Shiv-Parvati, 17-E, Nagala Park, Kolhapur-416003 w.e.f. April 1, 1999 and then to the present address w.e.f. December 1, 2005)

CIN : L51491PN1993PLC073706, Registered with Registrar of Companies, Maharashtra, situated at Deccan Gymkhana, Pune.

### Board of Directors

Our Board of Directors comprises of following seven directors.

Name	Designation
Mr. Ramchandra M. Mohite	Non Executive Chairman
Mr. Anasaheb R. Mohite	Managing Director
Mr. Abhishek A. Mohite	Director
Mrs. Rama Jawahar Swetta	Director
Mr. Suresh G. Vaidya	Independent Director
Mr. Sheshrao D. Armal	Independent Director
Mr. Shriprakash M. Dhopeswarkar	Independent Director

Mr. Ramchandra M. Mohite is our Non -Executive Chairman and Mr. Anasaheb R. Mohite, Managing Director of our Company, is managing the day-to-day affairs of our Company.

### Brief details of our Chairman, Managing Director are as follows:

**Mr. Ramchandra M. Mohite**, aged 69 years is our Chairman. Mr. Mohite began his career as construction contractor and has been involved in the business of Abhishek Mills Limited since its inception. He has over 45 years of experience in construction & textile industry. His dedication, commitment and vision to achieve goals with quality enabled him to become associated with construction projects like large earthen dams and bridges. A list of major earthen dam and medium irrigation projects is as under:

- Bridge on river near Vaibhavwadi in Sindhudurga district, completed in 1972
- Medium irrigation project at Basaapachiwadi in Sangli district, completed in 1981
- Bhira Tail race hydro-electric project in Raigad district, completed in 1987
- Warana left bank canal in Sangli district, completed 1990
- Kasari medium irrigation project project on Kasari river, a sub tributary of Krishna river, completed in 1991-92
- Kumbhi Dam in Kolhapur, completed in 1996
- Patgaon Dam in Kolhapur, completed in 1997-98
- Dhom Balkavadi irrigation project in Satara district, completed in 2002
- Chitri medium irrigation project at Kolhapur, completed in 2003

He was one of the promoters of R. M. Mohite Textiles Limited and was functioning as its chairman since inception till January 1998.

**Mr. Anasaheb R. Mohite**, aged 47 years is the Managing Director of our Company. He has done B.E. in civil engineering from K.L.E.College, Belgaum, Karnataka. He is the eldest son of Mr. Ramchandra M. Mohite and has over 27 years of experience in construction industry and around 15 years in textile industry. He has operational experience of implementing various construction projects in the state of Maharashtra mainly irrigation projects and medium sized earthen dams. A list of major earthen dam and medium irrigation projects is as under:

- Medium irrigation project at Basaapachiwadi in Sangli district, completed in 1981
- Bhira Tail race hydro-electric project in Raigad district, completed in 1987
- Warana left bank canal in Sangli district, completed 1990



- Kasari medium irrigation project project on Kasari river, a sub tributary of Krishna river, completed in 1991-92
- Kumbhi Dam in Kolhapur, completed in 1996
- Patgaon Dam in Kolhapur, completed in 1997-98
- Dhom Balkavadi irrigation project in Satara district, completed in 2002
- Chitri medium irrigation project at Kolhapur, completed in 2003
- Morbe dam project on Dhavri river in Raigad district, work in progress expected to be completed in 2007.

He was the main architect of group's foray in the textile industry. He was one of the promoters of R. M. Mohite Textiles Limited and was on its board since inception till his disassociation in January 98. Over the years he has developed expertise in spinning technology. In the year 1993 he started working on a separate textile venture by incorporating Abhishek Cotspin Mills Limited. He is responsible for building yarn spinning plant with the latest machineries and technology at Kolhapur. His continual marketing thrust for gaining niche in export market lead to the recognition of the unit as export oriented undertaking. He is currently in charge of over all Management of the Company. He is presently involved in setting up a plant for weaving and processing, which has huge potential in the export market. He provides strategic direction in selection of technology and machineries in setting up new manufacturing facilities, improvement of production processes and new ventures.

For brief profile of our other Directors kindly refer to the section titled 'Our Management' on page 60 of the Red Herring Prospectus.

## COMPLIANCE OFFICER

### Mr. Ramesh K. Chandawarkar

Designation: Head - Finance  
Abhishek Mills Limited  
Gat No. 148, Tamgaon, Kolhapur-Hupari Road, Taluka Karveer,  
District Kolhapur, Maharastra  
Telephone: + 91 231 2676191, 2676671, Fax: + 91 231 2676194  
Email: abhicots@vsnl.com, Website: [www.abhishekmills.com](http://www.abhishekmills.com)

## COMPANY SECRETARY

### Mr. Shrenik Uday Nagaonkar

Company Secretary  
Abhishek Mills Limited  
Gat No. 148, Tamgaon, Kolhapur-Hupari Road, Taluka Karveer,  
District Kolhapur, Maharastra  
Telephone: + 91 231 2676191, 2676671, Fax: + 91 231 2676194  
Email: abhicots@vsnl.com, Website: [www.abhishekmills.com](http://www.abhishekmills.com)

*Investors can contact the abovementioned compliance officer or the Registrar to the Issue in case of any Issue related queries such as non-receipt of letters of allotment/ share certificates / refund orders, etc.*

## BANKERS TO THE COMPANY

### Indian Overseas Bank

Kolhapur Branch  
1315/C, Saroj Apartments,  
Laxmipuri, Kolhapur - 416002  
Ph. No. 0231-2642197 Fax No. 0231-2642197

### Corporation Bank

Industrial Finance Branch  
Near Bajaj Auto Showroom,  
14, Pune-Mumbai Road,  
Wakdewadi, Pune – 411003  
Ph. No.020 25511252 Fax No. 25511216  
Email: [cb502@corpbank.co.in](mailto:cb502@corpbank.co.in)

### The United Western Bank Limited (now merged with IDBI Limited)

1763-E, Rajarampuri, 4<sup>th</sup> lane,  
Kolhapur – 416008  
Ph. No. 0231 2528582 Fax No. 2521882

### Saraswat Bank

Rajarampuri , 7th Lane Kolhapur  
Ph. No. 02312521550, Fax 2527012  
Email: [incharge\\_kolhapur@saraswatbank.com](mailto:incharge_kolhapur@saraswatbank.com)





## **AUDITORS TO THE COMPANY**

### **Statutory Auditors**

B J Ingrole & Co.  
661-E, Shahupuri, 2<sup>nd</sup> lane,  
Kolhapur – 416001  
Ph. No. 0231 2654722 Fax 0231 2529032  
Email: [bjingroleca@rediffmail.com](mailto:bjingroleca@rediffmail.com)

### **Internal Auditors**

Kunte & Chougule Associates,  
Ayodhya Towers, Building No. 1  
2<sup>nd</sup> Floor, 511, 'E' ward,  
Station Road, Kolhapur.  
Ph. 0231 2651061 Fax No. 0231 2651061  
E-mail: [raajhans@sancharnet.in](mailto:raajhans@sancharnet.in)

## **ISSUE MANAGEMENT TEAM**

## **BOOK RUNNING LEAD MANAGER**

### **UTI Bank Limited**

Capital Markets Department  
Central Office: 111, Maker Towers 'F',  
Cuffe Parade, Colaba, Mumbai 400 005  
Telephone: + 91 22 67071314  
Fax.: + 91 22 22162467  
Email: [utibmbd@utibank.co.in](mailto:utibmbd@utibank.co.in)  
Contact person: Mr. Manish Jain

## **REGISTRAR TO THE ISSUE**

### **Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai 400 078  
Telephone: +91 22 25960323(9 lines)  
Fax: +91 22 25960329  
Email: [aml-ipo@intimespectrum.com](mailto:aml-ipo@intimespectrum.com)  
Contact Person: Mr. Sachin Achar

## **LEGAL ADVISOR TO THE ISSUE**

### **Mulla & Mulla & Craigie Blunt & Caroe**

#### **Advocates, Solicitors and Notaries**

Mulla House, 51, M. G. Road,  
Mumbai 400 001  
Telephone: + 91 22 22044960  
Fax.: + 91 22 22040246  
Email: [mullas@vsnl.com](mailto:mullas@vsnl.com)

## **SYNDICATE MEMBERS**

### **Allianz Securities Limited**

3, Scindia House, 2<sup>nd</sup> Floor, Janpath  
New Delhi – 110 001  
Telephone: +91-11-41514666 Fax: +91-11-41514665  
Email: [sunit@aslfincial.com](mailto:sunit@aslfincial.com)  
Website: [www.aslfincial.com](http://www.aslfincial.com)  
Contact person: Mr. Sunit Shangle

### **Religare Securities Limited**

14, Mittal Chambers, First floor  
Nariman Point, Mumbai – 400021  
Telephone: +91-22-40074800 Fax: +91-22-40074869  
Email: [anil.mehta@religare.in](mailto:anil.mehta@religare.in)  
Website: [www.religare.in](http://www.religare.in)  
Contact person: Mr. Anil Mehta



## **BROKERS TO THE ISSUE**

All members of the recognized stock exchanges would be eligible to act as Brokers to the Issue.

## **BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKERS**

### **UTI Bank Limited**

Universal Insurance Building,  
Sir P. M. Road, Fort,  
Mumbai – 400001  
Tel: +91-22-22835788  
Fax: +91-22-22835785  
Email: roshan.mathias@utibank.co.in  
Contact Person: Mr. Roshan Mathias

### **HDFC Bank Limited**

HDFC Bank House, Senapati Bapat Marg,  
Lower Parel, Mumbai- 400 013  
Tel: +91-22-24988484 Ext: 3461  
Fax: +91-22-24988972  
Email: Kripa.Kalro@hdfcbank.com  
Contact Person: Ms. Kripa Kalro

### **The Hongkong and Shanghai Banking Corporation Limited**

52/60, Mahatma Gandhi Road,  
Mumbai – 400 001.  
Tel: +91-22-28569009  
Fax: +91-22-28569256  
Email: zersisirani@hsbc.co.in  
Contact Person: Mr. Zersis Irani

### **Indian Overseas Bank**

Fort (Mumbai) Branch  
2/10, Elphinstone Building  
Veer Nariman Road, Horniman Circle  
Fort, Mumbai – 400 023  
Tel: +91-22-22834326  
Fax: +91-22-22045669  
Email: [fortbr@mummsco.iobnet.co.in](mailto:fortbr@mummsco.iobnet.co.in)  
Contact Person: Mr. Lal Sheo Sankar Mahadev



## STATEMENT OF RESPONSIBILITIES OF BRLM TO THE ISSUE

The Responsibilities of the BRLM to the Issue are as under:

Activities
Capital structuring with the relative components and formalities such as type of instruments, etc.
Due diligence of the Company's operations / management / business plans/legal etc.
Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. Ensure compliance with stipulated requirements and completion of prescribed formalities with SEBI, Stock Exchanges, RoC
Primary coordination with SEBI, Stock Exchanges and RoC upto bidding and coordinating interface with lawyers for agreement
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.
Appointment of Registrar, Bankers, Printer and Ad agency
Company Positioning and pre-marketing exercise, finalize media and PR strategy
Qualified Institutional Buyers (QIB): Finalising the list and division of investors for one to one meeting and co-ordinating institutional investors meetings.
Non Institutional and Retail Marketing of the Issue, which will cover inter alia, <ul style="list-style-type: none"> <li>Formulating marketing strategies</li> <li>preparation of publicity budget</li> <li>Finalizing centres for holding conferences for brokers, etc.</li> <li>Finalize collection centres</li> <li>Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material</li> </ul>
Appointment of Syndicate Members
Managing the Book, Interaction/Co-ordination with Stock Exchange for book building software, bidding terminals and mock trading
Finalising pricing, QIB allocation and intimation by BRLM in consultation with the Company
Finalization of Prospectus and RoC filing etc.
Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.
The post Issue activities of the Issue will involve essential follow up steps, which include finalisation of listing of instruments and despatch of non institutional allotments advice and related orders, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business.

### IPO Grading

We have not opted for grading of this Issue.

### Credit Rating

As the Issue is of Equity Shares, credit rating is not required.

### Trustees

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

### Monitoring Agency

UTI Bank Limited has been appointed as monitoring agency.

### Appraisal of the Expansion Project

M/s Werner International has done the techno-economic feasibility study and UTI Bank Limited has done the financial appraisal for the Expansion Project.

#### Techno-Economic Feasibility Study Werner International

2325, Dulles Corner Boulevard,  
Suite 500 – Herndon, VA 20171  
United States of America  
Ph. No.: 1-703-788-6823, Fax: 1-703-788-6824  
Website: [www.wernertex.com](http://www.wernertex.com)  
Email: [info@wernertex.com](mailto:info@wernertex.com)

#### Financial Appraisal By UTI Bank Limited

Capital Markets Department  
Central Office: 111, Maker Towers 'F',  
Cuffe Parade, Colaba, Mumbai 400 005  
Telephone: + 91 22 22189106-9, Fax.: 22 22162467  
Website : [www.utibank.com](http://www.utibank.com)  
Email: [utibmbd@utibank.co.in](mailto:utibmbd@utibank.co.in)



### Book Building Process

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

1. The Company;
2. Book Running Lead Managers, in this case being UTI Bank Limited
3. Syndicate Members, who are intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLM; and
4. Registrar to the Issue

The SEBI Guidelines has permitted an issue of securities to the public through the 100% Book Building Process, wherein (i) Upto 50% of the net issue to the public shall be allocated on a proportionate basis to QIBs (Out of the portion available for allocation to qualified institutional buyers, 5% shall be allocated proportionately to mutual funds. Mutual fund applicants shall also be eligible for proportionate allocation under the balance available for Qualified Institutional Buyers) (ii) Not less than 15% of the net issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders; and (iii) Not less than 35% of the net issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

The Company shall comply with guidelines issued by SEBI for the Issue. In this regard, the Company has appointed UTI Bank Limited as the Book Running Lead Manager (referred to as BRLM) to the Issue to procure subscription to the Issue.

The investors are advised to make their own judgment about investment through the process of book building prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. For further information kindly refer to the section titled "Terms of the Issue" on page 137 of the Red Herring Prospectus.

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

1. Check whether he/ she is eligible for bidding (kindly refer to the paragraph "Issue Procedure - who can Bid" on page 140 of the Red Herring Prospectus);
2. Ensure that the Bidder has a demat account; and
3. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, offer size of 3,000 equity shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs. 24 per share while another has bid for 1,500 shares at Rs. 22 per share. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book given below shows the demand for the shares of the Company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

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



### Underwriting Agreement

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

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in lacs)
UTI Bank Limited Capital Markets Department Central Office: 111, Maker Towers 'F', Cuffe Parade, Colaba, Mumbai 400 005 Telephone: + 91 22 22189106-9 Fax: + 91 22 22162467 Email: <a href="mailto:utibmbd@utibank.co.in">utibmbd@utibank.co.in</a> Website : <a href="http://www.utibank.com">www.utibank.com</a>	[•]	[•]
Allianz Securities Limited 3, Scindia House, 2 <sup>nd</sup> Floor, Janpath New Delhi – 110 001 Telephone: +91-11-41514666 Fax: +91-11-41514665 Email: <a href="mailto:sunit@aslfinancial.com">sunit@aslfinancial.com</a> Website: <a href="http://www.aslfinancial.com">www.aslfinancial.com</a>	[•]	[•]
Religare Securities Limited 14, Mittal Chambers, First floor Nariman Point, Mumbai – 400021 Telephone: +91-22-40074800 Fax: +91-22-40074869 Email: <a href="mailto:anil.mehta@religare.in">anil.mehta@religare.in</a> Website: <a href="http://www.religare.in">www.religare.in</a>	[•]	[•]
[•]	[•]	[•]

The above-mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation. The above underwriting agreement is dated [•].

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchange (s). Our Board of Directors, at their meeting held on [•], have accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company and have issued letters of acceptance to the Underwriters.

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



## CAPITAL STRUCTURE

Share capital of our Company as at the date of filing of the Red Herring Prospectus with SEBI is set forth below:

(Rs. in lacs, except share data)

Share Capital	Face Value	Aggregate Value
<b>(A) Authorized Share Capital</b>		
15,000,000 Equity Shares of Rs.10 each	1500.00	
9,000,000 6% Non Cumulative Redeemable Preference Shares of Rs 10 each	900.00	
<b>(B) Issued, Subscribed and Paid-Up Capital before the Issue</b>		
9,908,462 Equity Shares of Rs.10 each	990.85	
<b>(C) Present Issue in terms of the Red Herring Prospectus</b>		
4,100,000 Equity Shares of Rs.10 each	410.00	[●]
<b>Out of which</b>		
205,000 Equity Shares are reserved for the Employees of the Company	20.50	[●]
3,895,000 Equity Shares is the Net Issue to Public	389.50	[●]
<b>(D) Paid up Equity Capital after the Issue</b>		
14,008,462 Equity shares of Rs. 10 each	1400.85	[●]
<b>(E) Securities Premium Account</b>		
Before the Issue	1090.92	
After the Issue		[●]

The details of increase and change in authorized share capital of our Company after the date of incorporation till filing of the Red Herring Prospectus with SEBI is as follows:

(Rs. in lacs, except face value)

Date of change	Nature of increase/change	Number of Equity Shares	Face Value	Number of Preference Shares	Face Value	Cumulative authorized Share Capital
April 28, 2000	Increase	40,00,000	10	Nil	Nil	500
May 28, 2001	Increase	10,00,000	10	Nil	Nil	600
September 30, 2004	Increase	90,00,000	10	Nil	Nil	1500
December 23, 2004	Reclassification of Equity Shares in to Preference Shares *	-	-	-	-	1500
September 28, 2005	Increase	90,00,000	10	Nil	Nil	2400

\*In our EGM held on December 23, 2004 the authorized capital of our Company comprising of 150,00,000 Equity Shares of Rs. 10 each was reclassified into 60,00,000 equity shares of Rs. 10 each and 90,00,000 Preference Shares of Rs. 10 each.



## Notes to Capital Structure:

## 1. Share Capital History of our Company

Date of Allotment	Nature of Instrument	Number of shares Allotted	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of Issue & reason for allotment	Cumulative paid up share capital (Rs.)	Cumulative share premium (Rs.)
September 1, 1993	Equity	70	10	10	Cash at par	Subscription to MoA	700	Nil
June 17, 2000	Equity	4,999,930	10	10	Cash at par	Further allotment to Promoters	50,000,000	Nil
July 10, 2001	Equity	403,215	10	65	Cash at par	Further allotment to Others	54,032,150	22,176,825
March 30, 2005*	Preference	9,000,000	10	10	Cash at par	Further allotment to Promoters & Promoter Group	144,032,150	22,176,825
March 30, 2005	Equity	596,785	10	10	Cash at par	Further allotment to Promoter Group	150,000,000	22,176,825
November 9, 2005	Equity	3,000,000	10	-	Bonus Issue in the ratio of 1:2	Further allotment to all shareholders	90,000,000	76,825
November 9, 2005	Equity	908,462	10	130	Cash at Premium	Further allotment to Promoters & Promoter Group	99,084,620	109,092,265

Note: \* 9,000,000, Non Cumulative Redeemable Preference Shares were redeemed on November 9, 2005.

## 2. Details of Allotment to Promoters, Promoters Holding and Lock-in:

## a.) Allotment of Equity Shares to Promoters

a.) Allotment of Equity Shares to Promoters				
Name of the Promoter	Date of Allotment	No of Equity Shares	Face Value & Issue Price (Rs.)	Consideration
Mr. Ramchandra M. Mohite	August 2, 1993	10	10	Cash
	November 9, 2005	5	10	Bonus
Total		15 Equity Shares of Rs. 10 each		
Mr. Anasaheb R. Mohite	August 2, 1993	10	10	Cash at par
	June 17, 2000	2499965	10	Cash at par
	November 9, 2005	1249988	10	Bonus
	November 9, 2005	454230	10	Cash at premium of Rs. 120 per share
Total		4204193 Equity Shares of Rs. 10 each		





<b>Dr. Anjali A. Mohite</b>	August 2, 1993	10	10	Cash at par
	June 17, 2000	2499965	10	Cash at par
	November 9, 2005	1249987	10	Bonus
	November 9, 2005	227116	10	Cash at premium of Rs. 120 per share
<b>Total</b>		<b>3977078 Equity Shares of Rs. 10 each</b>		

**b.) Lock in of Minimum Promoters Contribution**

The minimum Promoter contribution would be locked for three years as follows.

<b>Name of Promoter</b>	<b>Date of Allotment</b>	<b>Number of Equity Shares</b>	<b>Nature of Allotment</b>	<b>Face Value (Rs.)</b>	<b>Issue Price</b>	<b>% of Post-Issue Paid-up capital</b>	<b>Lock-in Period</b>
Mr. Ramchandra M. Mohite	November 9, 2005	5	Bonus Issue	10	Nil	Negligible	Three year
	<b>Total</b>	<b>5 Equity Shares of Rs. 10 each</b>					
Mr. Anasaheb M. Mohite	June 17, 2000	500,020	Further Allotment	10	10	3.57	Three year
	November 9, 2005	1,249,988	Bonus	10	Nil	8.92	Three year
	<b>Total</b>	<b>1,750,008 Equity Shares of Rs. 10 each</b>					
Dr. Anjali A. Mohite	November 9, 2005	1249987	Bonus	10	Nil	8.92	Three Year
	<b>Total</b>	<b>1249987 Equity Shares of Rs. 10 each</b>					
<b>Total 3000000 Equity Shares *</b>						<b>21.41%</b>	<b>3 years</b>

\*All the Equity Shares which have been locked in are not ineligible for computation of Promoters' contribution under Clause 4.6 of the SEBI Guidelines. Our Auditors have vide their letter May 29, 2005 certified that the issuance of bonus shares which are being locked in are not made out of revaluation reserves or reserves without accrual of cash resources.

The entire share capital outstanding as on the date of filing of Red Herring Prospectus except minimum Promoter contribution which has been locked in for three years as shown above would be locked in for one year from the date of allotment in the Issue.

- In terms of clause 4.16.1(a) of the SEBI (DIP) Guidelines, Equity Shares held by a person other than the Promoters, prior to the Issue, which are locked in as per SEBI (DIP) Guidelines, may be transferred to any other person holding Equity Shares which are locked in as per clause 4.14 of the SEBI (DIP) Guidelines subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.
- In terms of clause 4.16.1(b) of the SEBI (DIP) Guidelines, the Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares may be transferred amongst Promoter/Promoter group or to a new Promoter or persons in control of the Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable.
- The Promoters have vide their letter dated May 29, 2006 given their consent for lock in as stated above. Equity Shares issued last shall be locked in first. The entire pre-issue capital, other than the minimum Promoters contribution, which is locked in for three years shall be locked in for a period of one year. The lock-in shall start from the date of allotment in the Issue and the last date of the lock-in shall be reckoned as three years from the date of allotment in the Issue.
- In terms of clause 4.15 of the SEBI (DIP) Guidelines, locked in Equity Shares held by a Promoter can be pledged with banks or financial institutions as collateral for loans granted by such banks or financial institutions, provided pledge of shares is one of the terms of sanction of loan.



3. The Promoters and Promoter Group have not purchased or sold any Equity Shares from the market during a period of six months preceding the date on which the Red Herring Prospectus is filed with RoC. However, there have been fresh allotments and transfers made to the Promoters and the Promoter Group the details of which are provided in note 2 above on page 17 of Red Herring Prospectus.

**4. Shareholding of Promoter Group other than Promoters**

Name	Date of Acquisition	No. of Equity Shares	Nature of Issue	Issue Price (Rs.)
<b>Individuals</b>				
Mr. Abhishek A. Mohite	March 31, 2004	403215	Share Transfer	N.A
	March 30, 2005	596785	Further Allotment	10
	November 9, 2005	500000	Bonus	Nil
	November 9, 2005	227116	Further Allotment	130
	<b>Total</b>	<b>1727116</b>		
Mr. Sanjay B. Patil	August 2, 1993	10	Subscription to MOA	10
	November 9, 2005	5	Bonus	Nil
	<b>Total</b>	<b>15</b>		
<b>Grand Total</b>		<b>1727131</b>		

Note: Nil Equity Shares held by Employees of the Company (including their relatives), which were transferred to them at par

**5. Pre and Post-Issue Shareholding Pattern of our Company:**

Category	Pre Issue		Post Issue	
	Shares	%	Shares	%
<b>Promoters Group</b>				
<b>Promoters</b>				
Mr. Ramchandra M. Mohite	15	Negligible	15	Negligible
Mr. Anasaheb R. Mohite	4204193	42.43	4204193	30.01
Dr. Anjali A. Mohite	3977078	40.14	3977078	28.39
<b>Sub-total (A)</b>	<b>8181286</b>	<b>82.57</b>	<b>8181286</b>	<b>58.40</b>
<b>Promoters Group other than Promoters</b>				
Mr. Abhishek A. Mohite	1727116	17.43	1727116	12.33
Mr. Sanjay B. Patil	15	Negligible	15	Negligible
<b>Sub-total (B)</b>	<b>1727131</b>	<b>17.43</b>	<b>1727131</b>	<b>12.33</b>
<b>Total Promoters Group Shareholding [A+B]= [X]</b>	<b>9908417</b>	<b>100.00</b>	<b>9908417</b>	<b>70.73</b>
<b>Others</b>				
Mr. Avinash Vishwasrao Patil	15	Negligible	[•]	[•]
Mr. Anil Shantaram Patil	15	Negligible	[•]	[•]
Mr. Arvind Govind Gaonkar	15	Negligible	[•]	[•]
Public			[•]	[•]
<b>Sub-total [Y]</b>	<b>45</b>	<b>Negligible</b>	<b>[•]</b>	<b>[•]</b>
<b>Grand Total [X+Y]</b>	<b>9908462</b>	<b>100.00</b>	<b>14008462</b>	<b>100.00</b>

**6. Equity Shares held by the top ten shareholders**

- a.) Top ten shareholders as on the date of and 10 days prior to filing of the Red Herring Prospectus with RoC

Name of Shareholders	Number of shares	% of Total
Mr. Anasaheb R. Mohite	4204193	42.43
Dr. Anjali A. Mohite	3977078	40.14
Mr. Abhishek A. Mohite	1727116	17.43
Mr. Ramchandra M. Mohite	15	Negligible
Mr. Avinash Vishwasrao Patil	15	Negligible
Mr. Anil Shantaram Patil	15	Negligible



Mr. Arvind Govind Gaonkar	15	Negligible
Mr. Sanjay Babaso Patil	15	Negligible
<b>Total Equity Shares</b>	<b>9908462</b>	<b>100.00</b>

b.) Top ten equity shareholders as on two years prior to the date of filing of the Red Herring Prospectus with RoC

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>% of Total</b>
Mr. Anasaheb R. Mohite	2499975	46.27
Dr. Anjali A. Mohite	2499975	46.27
Mr. Ramchandra M. Mohite	10	Negligible
Mr. Avinash Vishwasrao Patil	10	Negligible
Mr. Anil Shantaram Patil	10	Negligible
Mr. Arvind Govind Gaonkar	10	Negligible
Mr. Sanjay Babaso Patil	10	Negligible
Mr. Abhishek Mohite	403215	7.46
<b>Total Equity Shares</b>	<b>5403215</b>	<b>100.00</b>

7. **Buy-back and Standby arrangements**

There is no “buy back” or “stand by” arrangement for purchase of Equity Shares by the Company, its Promoters, Directors, or the BRLM for the Equity Shares offered through the Red Herring Prospectus.

8. The Company has not raised any bridge loan against the proceeds of the Issue.
9. The Equity Shares offered through the Issue will be fully paid up.
10. Eligible employees would be eligible to apply in the Issue under Employee Reservation Portion on competitive basis. The number of Eligible employees of our Company is 242. Eligible employees of the Company can also apply in the ‘Net Issue to Public’ and such applications shall not be treated as multiple applications.
11. The unsubscribed portion, if any, in the Employee Reservation Portion shall be added back to the Net Issue to Public.
12. In the Public Issue, in case of over subscription in all categories, up to 50% of the Net Issue to Public shall be allocated to QIBs on a proportionate basis. Further, at least 15% of the Net Issue to Public shall be available for allocation to non-institutional bidders and at least 35% of the Net Issue to Public shall be available for allocation to Retail Bidders, on proportionate basis and subject to valid bids being received at or above the Issue Price. Under subscription, if any, in the Non-institutional, Retail or QIBs categories shall be allowed to be met with spillover from any other category at the sole discretion of the Company and the BRLM.
13. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Red Herring Prospectus with SEBI until the Equity Shares offered through the Red Herring Prospectus have been listed.
14. At present we do not have any intention or proposal to alter our capital structure for a period of six months from date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or to make a further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except ESOPs if any or if we enter into acquisition or joint ventures or make investments, in which case we may consider raising additional capital to fund such activity or use equity shares as a currency for acquisition or participation in such joint ventures or investments.
15. As on the date of filing the Red Herring Prospectus with SEBI, there are no outstanding financial instruments or any other right, which would entitle the Promoters or shareholders or any other person any option to receive equity shares after the Issue. The Company does not have any shares to be allotted, which are outstanding under ESOPs.
16. We have not issued any Equity Shares out of revaluation reserve or reserves without accrual of cash resources.
17. We have made following allotments of Equity Shares for consideration other than cash:

<b>Date of Allotment</b>	<b>Number of Equity Shares</b>	<b>Face Value</b>	<b>Nature of Allotment</b>
November 9, 2005	3,000,000	10	Bonus in the ratio of 1:2



18. At any given point of time there shall be only one denomination of Equity Shares of our Company, unless otherwise permitted by law. The Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.
19. No single applicant can make an application for number of shares, which exceeds the number of shares offered.
20. Our Company has 8 shareholders as on the date of filing the Red Herring Prospectus with SEBI.
21. There are restrictive covenants in the agreements that we have entered into with certain banks for short-term loans and long-term borrowings. These restrictive covenants in many cases provides for borrowers covenants which are restrictive in nature and require us to obtain their prior permission for alteration of the capital structure, change in beneficial ownership of or control of the Company, entering into any merger/amalgamation, expenditure in new projects, transfer/change in the key personnel, change in the constitutional documents etc. Further, in many cases lenders have right to appoint a nominee director on the Board of Directors of the Company upon an event of default. Also, there are restrictive covenants regarding declaration and payment of dividend in cases of any subsisting default or out of accumulated reserves.
22. An over-subscription to the extent of 10% of the Net Issue to Public can be retained for the purposes of rounding off to the nearest multiple of 60 Equity Share while finalizing the basis of allotment.



## OBJECTS OF THE ISSUE

We are setting up an integrated facility of yarn dyeing, weaving, process house at Tamgaon, Kolhapur-Hupari Road, District Kolhapur adjacent to our existing premises and additional spinning facilities at our existing leasehold land. Werner International has done the techno-economic feasibility study and UTI Bank Limited has done financial appraisal for the Expansion Project.

The proceeds from the Issue after deducting the Issue expenses are estimated at Rs [•] lacs and are intended to be deployed as under:

1. To part fund the Expansion Project;
2. To meet the working capital requirements for the Expansion Project;
3. For general corporate purposes; and
4. To meet the expenses of the Issue.

The other object of the Issue is to get the Equity Shares listed on the Stock Exchanges, as we believe that listing will enhance our visibility and brand image.

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

### Requirement of Funds

We estimate the total requirement of funds for the Expansion Project as follows:

		(Rs. in lacs)
Sr. No.	Particulars	Amount
1	Capital expenditure for setting up the Expansion Project	20795
2	Margin money for working capital requirement for the Expansion Project in the first year of operation	1083
3	General corporate purposes	[•]
4	Issue Related Expenses	[•]
	<b>TOTAL</b>	<b>[•]</b>

### Means of Finance

The entire requirement of the funds for the Expansion Project is proposed to be funded through rupee term loans to be raised through banks/financial institutions and the proceeds of the Issue. In case of any shortfall in the means of finance or cost escalation in the Expansion Project, the same shall be met by our Promoters from their own resources and/or additional internal accruals/term debt. Excess money, if any, will be utilized for general corporate purpose including but not restricted to repayment of loans, procuring construction equipments or towards working capital requirement.

		(Rs. in lacs)
S. No.	Sources of Finance	Amount
1.	Rupee Term loan from FI/Banks (see note 1 below)	14990
2.	Internal Accruals	1852
3.	Capital Subsidy Receivable (see note 2 below)	433
4.	Public Issue of Equity Shares	[•]
	<b>TOTAL</b>	<b>[•]</b>

### Note:

1. The entire rupee term loan of the Expansion Project amounting to Rs. 14990 is eligible for a 5 % interest subsidy under the Technology Upgradation Fund Scheme (TUFS) subject to conditions specified therein.
2. Under the amended provisions of TUFS we will also be eligible for an additional incentive of 10 % capital subsidy on the rupee term loan amount taken for investment in specified textile processing machinery if such term loan is sanctioned before March 31, 2007.
3. The entire rupee term loan of the Expansion Project amounting to Rs. 14990 has been tied up from various Banks under the Technology Upgradation Fund Scheme (TUFS) subject to conditions specified therein.



For details of TUFs kindly refer to the section titled 'Regulation and Policies' on page no. 77 of the Red Herring Prospectus.

#### **Techno Economic Feasibility Study for the Expansion Project**

We have appointed M/s Werner International (WI), Management Consultants, for conducting the techno-economic feasibility study for the Expansion Project. Werner International ranks amongst the experienced and renowned textile consultants who have successfully completed a number of textile projects in India and abroad. Werner International specializes exclusively in the fibre, textile and apparel industry. Werner International operates throughout the world with an international team of highly specialized senior consultants and regional or national representatives coordinated through three operational offices in Brussels, Washington and Beijing.

#### **Project advisory for the Expansion Project**

We have appointed Werner International for assisting in the implementation of the Expansion Project and for providing services in relation to marketing for the new products proposed in the Expansion Project. The scope of their services ranges from concept planning to commercial production and then assisting in formulating marketing strategy for the new products proposed in the Expansion Project and *inter-alia* covers the following:

- 1. Technology planning**

Technology planning covers selection of technology and machineries for production, preparation of machinery layout, site investigation, master planning for the Expansion Project and basic data fixation for utility services.

- 2. Utility services**

Utility services covers utility services planning, designing, preparation of technical specifications, tender documents, basis layouts, and drawings for utilities and providing assistance in procurement of utility equipments.

- 3. Construction management**

Werner International will provide construction management and supervision services from the start of construction till commissioning and handing over of the Expansion Project for commercial operation.

- 4. Technical support for commissioning and trial runs**

This aspect of Werner International services will cover erection co-ordination of the main plant and machinery, setting up of production standards to meet international requirements, commissioning of plant production including quality control, testing, labeling, and packing, assisting in setting up adequate information and management systems and monitoring of manufacturing performance.

- 5. Training to Production Staff**

Werner International will provide training to the production staff and laborers to equip them to understand and use the latest technology machines and practices.

- 6. Marketing**

Werner International will help our Company to market our proposed product both in domestic and International markets, as it helped us for our spinning operations by assisting our Company in formulating marketing strategy and setting up organisational set up for sales and marketing.

#### **Financial Appraisal By UTI Bank Limited**

We have appointed UTI Bank Limited for conducting financial appraisal of the Expansion Project. The scope of financial appraisal made by UTI Bank Limited is as under:

- a.) Assisting in firming up of future financials projections through review of critical assumptions viz. revenue streams, cost components etc.
- b.) Assisting in undertaking a review of profitability projections, financial indicators viz. IRR, Cost of Capital, DSCR etc. for the purpose of approaching lenders for financing of the project.
- c.) Identifying and evaluating various options for arranging term debt on the basis of financial projections. Evaluation criteria would include the cost of funds, tenor of debt, structuring of instrument, security offered, capital gearing, etc.
- d.) Implementation of the Financing Plan covering: Undertaking an appraisal of the project and preparation of an Information Memorandum for prospective lenders. This will outline the salient technical and commercial features of the project, evaluate the financing plan in terms of the project's risk profile and its mitigation, sponsors' objectives and present detailed statements with various operational and financial parameters.



## The Expansion Project

In textile segment, at present we are into manufacturing of combed cotton yarn with finer count and high quality to cater the premium segment of the export market and have 33120 spindles installed at our leasehold facilities at village Tamgaon, Kolhapur-Hupari Road, Taluka Karveer, Kolhapur District – 416234.

We, now intend to set up an integrated textile plant for yarn dyeing, weaving, fabric processing at Tamgaon, Kolhapur District adjacent to our existing premises and additional spinning capacity at our existing leasehold land. Post expansion, the yarn produced from the spinning unit is intended to be completely utilized for our weaving operations. However, we may continue to sell some portion of yarn manufactured to our existing buyers till the time our weaving and processing operations gets stabilized. The entire fabric production from our weaving operations will be used by the processing house. However, the processing house will have excess capacity for which the Company proposes to procure grey fabric from the market for in house processing. We intend to export our final product i.e Yarn Dyed Shirting Fabric from the Expansion Project.

For the Expansion Project, Werner International has prepared the techno-economic feasibility report and UTI Bank Limited has done the financial appraisal. Werner International and UTI Bank Limited have estimated the total cost excluding Issue related expenses at Rs. 21878 lacs. The Expansion Project is expected to start commercial production by June 2007.

Post Expansion Project, as an integrated textile plant, we will have the following installed capacity:

Activity	Existing Capacity	Capacity to be installed in Expansion Project	Capacity Post Expansion
Spinning	33120 spindles	12000 spindles	45120 spindles
Yarn Dyeing	Nil	1620 tonnes per annum	1620 tonnes per annum
Weaving	Nil	108 looms	108 looms
Processing	Nil	21.60 million mtrs per annum	21.60 million mtrs per annum

## Details of Capital Expenditure

Break up of capital expenditure for the Expansion Project under major heads is as follows:

(Rs. In lacs)

Sr. No.	Description	Spinning	Weaving	Processing	Common Expenditure	Total
1	Land and site development	75	160	87	58	380
2	Buildings and civil works	445	1027	476	577	2525
3	Plant and Machinery	2220	6661	4319	266	13466
4	Miscellaneous fixed assets				2629	2629
5	Preliminary and preoperative expenses (excluding Issue related expenditure)				831	831
6	Issue Related Expenditure				[•]	[•]
7	Provision for contingencies				964	964
8	Margin money for working capital				1083	1083
	<b>Total</b>	2740	7848	4882	[•]	[•]

(Source: Techno-Economic Feasibility Report of Werner International)

## Description of Capital Expenditure

### Land and Site Development

We intend to set up an integrated textile plant of yarn dyeing, weaving, fabric processing capacity at Tamgaon, Kolhapur District adjacent to our existing premises and additional spinning capacity at our existing leasehold land. We intend to acquire land measuring 44 acres, aggregating Rs. 310 lacs which are the current rates prevailing in Kolhapur for industrial land. The site development cost for the project as estimated by Werner International is approximately Rs 70 lacs and same will be undertaken by our construction division.

The proposed site is well connected by road and rail (12 kms. away from Kolhapur and about 450 kms from Mumbai) and has adequate infrastructure facilities like power, water etc. The nearest port is Nhavasheva Port, which is located 450 kms from the plant and thus enables the Company to ship finished goods in 8 hours.





### Building and civil works

We intend to set up the various facilities, viz, additional spinning facility, yarn dyeing, weaving, processing, utilities, administrative block, etc. in a total built up area of approximately 38406 square meters at the average rate of Rs. 5,923 per sq. mtrs, which is the prevailing rate as per available estimates. The building would comprise of main production hall for spinning, weaving & processing, utility area, godown, etc. Apart from this we also propose to set up a sampling unit and marketing office in Mumbai, the cost of which is estimated at Rs. 250 lacs, taking the total cost to 2525 lacs.

Description-Facility Wise	Area (In Sq. meters)	Amount (Rs. In lacs)
Spinning	7566	445
Weaving	16164	1027
Processing	8760	476
Utility and Services	5766	320
Miscellaneous	150	7
<b>Total-Factory Building</b>	<b>38406</b>	<b>2275</b>
Sampling unit and Marketing office	-	250
<b>Grand Total</b>		<b>2525</b>

(Source: Techno-Economic Feasibility Report of Werner International)

Our own construction division will undertake the construction of the building which is estimated to be completed by January 2007.

### Plant & Machinery Cost

The total landed cost of the plant & machinery (including transportation & erection charges) is estimated at Rs. 13466 lacs, comprising imported plant and machinery of Rs. 12,289 lacs and indigenous plant & machinery of Rs. 911 lacs, provision for clearing, forwarding and transport charges Rs. 133 lacs and provision for erection and installation Rs. 133 lacs. The cost has been worked out on the basis of valid quotations and proforma invoices received from the machinery suppliers, as estimated by Werner International.

The major imported machines include Blow room, Combers, Speed Frames, Autoconer in Spinning Division, Airjet and Rapier weaving machine, Direct Warper, Sizing machine, Warp tying machine with frame, Warp leasing machine, Remnant Cone Winding machine, Warping Beams and Inspection cum Rolling machine in Weaving Division and Dyeing Vessel, Rapid Dryer, Cone Carriers in Yarn Dyeing & Processing Division.

#### a.) Spinning Machinery

The details of various machines required for spinning facility with 12000 spindles is as under:

Description	Quatations received from	Date of Quatations	Quantity	Amount (Rs in lacs)
<b>A) Imported Machinery</b>				
Blow Room with 6 cards	Estimate By WI *		1	350
Draw Frames	Estimate By WI *		1	25
UniLap	Estimate By WI *		1	35
Combers	Estimate By WI *		3	120
Auto Leveller Draw Frames	Estimate By WI *		1	25
Speed Frames (120 spindles each)	Tekmatex	February 14, 2006	2	95
Autoconer (60 drums each)	Schlafhorst	January 25, 2006	3	285
Parallel Winding (60 drums each)	SSM	February 9, 2006	3	180
TFO (220 drums each)	Itema (Asia)	February 15, 2006	18	540
Singeing M/c (64 drums each)	SSM		3	180
<b>Total (A)</b>				<b>1835</b>
<b>B) Indigenous Machinery</b>				
Ring Frames (1200 spindles each)	Kirloskar Toyota	February 28, 2006	10	385
<b>Total (B)</b>				<b>385</b>
<b>Total Machinery Cost (A+B)</b>				<b>2220</b>





Clearing and forwarding charges	26
Erection and Installation charges	26
<b>Grand Total</b>	<b>2272</b>

(Source: Techno-Economic Feasibility Report of Werner International)

\* Estimate by Werner International is based on the Quotation dated January 27, 2006 given by Rieter, Switzerland for our recent intermittent expansion of 12000 spindles. However technical specifications of new machinery as well as composition of allied equipments and accessories is different from the machinery covered in above invoice.

#### b.) Yarn Dyeing Machinery

The details of various machines required for yarn dyeing facility with capacity of 1620 tonnes per annum is as under:

Particulars	Quotations Received From	Date of Quotation	No. of Units	Amount (Rs in lacs)
<b>A) Imported Machineries</b>				
Dyeing Vessel	Belleni,	November 25, 2005		
-500 Kg			1	110
-216 Kg			1	78
-144 Kg			3	233
-72 Kg.			3	226
-27 Kg.			3	199
Rapid dryer- 500 Kg.	Belleni,	November 25, 2005	1	316
Cone Carriers	Belleni,	November 25, 2005		
-500 Kg			3	19
-216 Kg			3	8
-144 Kg			9	16
-72 Kg.			9	10
-27 Kg.			9	9
Beam Carriers	Belleni,	November 25, 2005	2	7
Single cheese dyeing machine	Belleni	November 25, 2005	1	26
6 Spindle cupping machine	Estimate		1	8
Dye kitchen set	Termoel Ettronica	February 27, 2006	1	19
Computer colour matching	Eurotech	December 15, 2005	1	26
<b>Total (A)</b>				<b>1310</b>
<b>Indigenous Machineries</b>				
Cages SS	Sarlashkar Enterprises	December 23, 2005	800	68
Fork lift truck	Voltas	December 16, 2005	2	15
Water steam piping	Estimate by WI		1	50
EOT crane	Estimate by WI		1	15
Socks knitting machine	Estimate by WI		1	2
Hank dyeing machine	Estimate by WI		1	2
Accessories	Estimate by WI			2
<b>Total (B)</b>				<b>154</b>
<b>Total Machinery Cost (A+B)</b>				<b>1464</b>
Clearing and forwarding charges*				14
Erection and Installation charges**				14
<b>Grand Total</b>				<b>1492</b>

(Source: Techno-Economic Feasibility Report of Werner International)

\* All imported machineries have been taken at their CIF value, after considering discount, if any. A general provision of 1% of such cost has been made separately for clearing/forwarding and local transport charges. Further a provision of 1% of such cost has been made towards erection and installation charges separately.

\*\* A general provision of 1% of cost has been made separately for local transport and other expenses. Further a provision of 1% of such cost has been made towards erection and installation charges separately.

#### c.) Fabric Processing

The details of various machines required for fabric processing facility with capacity of 21.60 million meters per annum is as under:



Particulars	Quotations received from	Date of Quotation	No. of Units	Amount (Rs in lacs)
<b>A) Imported Machineries</b>				
Batching Machine	B.Tex Textile	December 10, 2005	1	8
Singeing	Osthoff Senge	November 21, 2005	1	243
Stenter (6 bed)	Monforsts	November 17, 2005	1	441
Sanforizing Machine	Monforsts	November 17, 2005	1	240
Calendering	Kuster	November 25, 2005	1	314
Kitchen: preparatory + finishing	Termoel Ettronica	February 27, 2006	1	35
Material Handling Equipment	Estimate by WI		1	28
Scouring, Design and Washing	Benninger	November 25, 2005	1	446
Mercerising	Benninger	November 25, 2005	1	939
<b>Total (A)</b>				<b>2694</b>
<b>B) Indigenous Machineries</b>				
Rotators	Kuesters Calico	November 25, 2005	4	10
Fork lift trucks – 1000 Kg	Voltas	December 16, 2005	2	15
Pallet Trucks	Estimate by WI		1	1
Water & steam piping	Estimate by WI		1	60
Final Inspection M/cs	B.Tex Textile	Feb 4, 2006	5	25
Storage Racks	Estimate by WI		1	50
<b>Total (B)</b>				<b>161</b>
<b>Total Machinery Cost (A+B)</b>				<b>2855</b>
Clearing and forwarding charges*				28
Erection and Installation charges**				28
<b>Grand Total</b>				<b>2911</b>

(Source: Techno-Economic Feasibility Report of Werner International)

- \* All imported machineries have been taken at their CIF value, after considering discount, if any. A general provision of 1% of such cost has been made separately for clearing/forwarding and local transport charges. Further a provision of 1% of such cost has been made towards erection and installation charges separately.
- \*\* A general provision of 1% of cost has been made separately for local transport and other expenses. Further a provision of 1% of such cost has been made towards erection and installation charges separately.

d.) **Weaving**

We will be installing 108 weaving looms with other necessary machines as under:

Particulars	Quotations received from	Date of Quotations	No. of Units	Amount (Rs in lacs)
<b>Warping</b>				
<b>A) Imported Machinery</b>				
Warper Beams	Estimate by WI		72	20
Soft warper Beams	Estimate by WI		32	9
Sectional warper 720-2200	Benninger	November 28, 2005	6	831
Direct Warpers 800-2000	Benninger	November 28, 2005	1	119
Soft warper 800-2000	Benninger	November 28, 2005	1	119
Sample Warping	Kyoshin Técnica	November 19, 2005	1	183
<b>Total (A)</b>				<b>1,281</b>
<b>B) Indigenous Machinery</b>				
Fork Lift Trucks (1000 Kg)	Voltas	December 16, 2005	1	7
Accessories	Estimate by WI		1	20
<b>Total (B)</b>				<b>27</b>
<b>Total (A+B)</b>				<b>1,308</b>
<b>Sizing</b>				
<b>C) Imported Machinery</b>				
Sizing Creels	Benninger	November 28, 2005	2	49
Size Cooking	Estimate by WI		1	17
Warp Leasing	Todo	November 25, 2005	1	17
Pallets, Pallet truck	Estimate by WI		1	-
Sizing machine	Benninger	November 28, 2005	2	700



<b>Total (C)</b>				<b>783</b>
<b>D) Indigeneous Machinery</b>				
Fork Lift Trucks - 1000 Kg	Voltas	December 16, 2005	2	15
Single End Sizing	Kyoshin Technica	November 19, 2005	1	44
<b>Total (D)</b>				<b>59</b>
<b>Total (C+D)</b>				<b>842</b>
<b>Rewinding</b>				
<b>E) Imported Machinery</b>				
Rewinding machine (60 drums)	Schlaflhorst Saurer	November 18, 2005	3	335
<b>Total (E)</b>				<b>335</b>
<b>F) Indigeneous Machinery</b>				
Compressed air piping	Estimate by WI		1	5
Trolleys	Estimate by WI		6	3
Other Equipment	Estimate by WI		1	2
Dye Tubes	Estimate by WI		200,000	16
<b>Total (F)</b>	-		-	<b>26</b>
<b>Total (E+F)</b>				<b>361</b>
<b>Weaving</b>				
<b>G) Imported Machinery</b>				
Looms-Picanol-Air Jet (190 cms)	PICANOL	November 3, 2005	36	1,145
Looms-Picanol-Rapier (190 cms)	PICANOL	November 3, 2005	72	2,416
Warp tying m/c	Todo	November 17, 2005	1	21
Loom Data	BARCO	November 8, 2005	1	92
Sample looms	CCI Technic	November 18, 2005	6	55
Trolleys	TODO	November 17, 2005	1	59
Overhead Travelling Cleaner	LUWA	November 8, 2005	9	92
Drawing in Machine	STAUBLI	November 16, 2005	1	171
<b>Total (G)</b>				<b>4,051</b>
<b>H) Indigeneous Machinery</b>				
Compressed air piping	-		1	30
Material Handling Equip.	Sarlashkar Ent.	December 23, 2005	1	40
Accessories	Estimate by WI		1	2
Drawing in Stands	Estimate by WI		4	2
Grey Inspection m/c	B.TEX	December 10, 2005	5	25
<b>Total (H)</b>				<b>99</b>
<b>Total (G+H)</b>				<b>4,150</b>
<b>Total Machinery Cost (A+B+C+D+E+F+G+H)</b>				<b>6661</b>
Clearing and forwarding charges*				65
Erection and Installation charges**				65
<b>Grand Total</b>				<b>6791</b>

(Source: Techno-Economic Feasibility Report of Werner International)

- \* All imported machineries have been taken at their CIF value, after considering discount, if any. A general provision of 1% of such cost has been made separately for clearing/forwarding and local transport charges. Further a provision of 1% of such cost has been made towards erection and installation charges separately.
- \*\* A general provision of 1% of cost has been made separately for local transport and other expenses. Further a provision of 1% of such cost has been made towards erection and installation charges separately.

#### Miscellaneous Fixed Assets

The total cost of miscellaneous fixed assets for Rs. 2,579 lacs includes Rs. 566 lacs for imported miscellaneous fixed assets and Rs. 2,013 lacs for indigenous miscellaneous fixed assets. Miscellaneous fixed assets include Laboratory equipment, compressors, water treatment plant, HF Plant etc. Other support systems like electrical installation, furniture & fittings etc. make up the balance. Details of miscellaneous fixed assets to be purchased are as under:



Particulars	Quotations received from	Date of Quotations	No. of Units	Amount (Rs in lacs)
<b>Misc. Fixed Assets - Spinning</b>				
HF Plant	Estimate by WI		1	180
Electrification	Estimate by WI		1	120
Ancillary Equipment	Estimate by WI		1	71
<b>Total (A)</b>				<b>371</b>
<b>Miscellaneous Fixed Assets (Weaving and Processing)</b>				
<b>Imported</b>				
Laboratory equipment-Imported	James H. Heal	December 14, 2005		
	Mesdan	January 10, 2006	Various	193
Compressors-Weaving, Weaving Preparatory and Processing	Atlas Copco	December 18, 2005	3	125
MP Dryer for Compressors	Atlas Copco	December 18, 2005	2	26
HF plant –Weaving/Processing	Luwa-Swiss	November 30, 2005	1	42
<b>Total – Imported (B)</b>				<b>386</b>
<b>Indigenous</b>				
D. G. Set	Powerica Ltd.	December 2, 2005	1	200
Laboratory equip.-Local	Estimate by WI		1	28
Compressors-Cleaning	Atlas Cop		3	3
Mechanical Workshop	Estimate by WI	-	1	30
Electrical Workshop	Estimate by WI	-	1	10
Chilling plant	Carrier	November 29, 2005	7	100
HF plant -Wvg/prep/proccsg	Luwa-India	November 30, 2005	1	407
HF plant -Ducting /Insulation	Estimate by WI		1	100
Water Softening Plant	Thermax	November 30, 2005	1	60
Demineralisation Plant	Thermax	November 30, 2005	1	21
Effluent Treatment Plant	Thermax	November 30, 2005	1	80
Boiler	Thermax	December 12, 2005	3	126
E.O.T. Cranes	Swift		1	10
Elec.Line /Sub Station 4000 KVA	Estimate by WI		1	100
Elec. Distrb system 4000 KVA	Estimate by WI		1	350
ETP, Drainage piping	Estimate by WI	-	1	100
Fire Fighting Equip.	Estimate by WI	-	1	20
Special Pump	Estimate by WI		1	15
Weigh Bridge 40 T	Avery		1	10
Weighing Scales 100 Kg	Avery		4	1
Multi Utility Vehical	Estimate by WI		2	16
Cars	Estimate by WI		2	10
Office Furniture/A/C	Estimate by WI		1	15
Computers	Estimate by WI	-	1	5
Other Equipment	Estimate by WI	-	1	5
<b>Total - Indigenous (C)</b>				<b>1,822</b>
<b>Total Miscellaneous Fixed Assets (A+B+C)</b>				<b>2,579</b>
Clearing and forwarding charges*				25



Erection and Installation charges**	25
<b>Grand Total</b>	<b>2629</b>

(Source: Techno-Economic Feasibility Report of Werner International)

- \* All imported machineries have been taken at their CIF value, after considering discount, if any. A general provision of 1% of such cost has been made separately for clearing/forwarding and local transport charges. Further a provision of 1% of such cost has been made towards erection and installation charges separately.
- \*\* A general provision of 1% of cost has been made separately for local transport and other expenses. Further a provision of 1% of such cost has been made towards erection and installation charges separately

### Pre-operative and Preliminary Expenses

Pre-operative and Preliminary expenses mainly consist of public issue expenses, Start up and trial run expenses, establishment and project management expenses, engineering and consultancy fees, Upfront Fees/Placement Expenses, interest during construction period, etc. The total amount of Pre Operative and Preliminary expenses is estimated at Rs. [•] lacs. The following are the break up of pre-operative and preliminary expenses.

(Rs. In lacs)

Description	Amount
<b>a.) Preoperative Expenditure</b>	
Establishment and project management expenses etc.	50
Project related consultation fee etc.	490
Start up expenses	30
Others	18
<b>Subtotal (a)</b>	<b>588</b>
<b>b.) Preliminary Expenditure</b>	
Financial expenses (interest during construction period, debt raising expenses)	243
Issue related expenditure	[•]
<b>Subtotal (b)</b>	<b>[•]</b>
<b>Total (a+b)</b>	<b>[•]</b>

(Source: Techno-Economic Feasibility Report of Werner International and Financial Appraisal report of UTI Bank Limited)

### Contingencies

The total amount of provision for contingencies is estimated at Rs. 964 lacs which is provided @ 5% on all the heads of capital expenditure except land, preliminary expenditure and margin for working capital. This would help the Company to keep a cushion for any unforeseen circumstances that might lead to an increase in the project cost estimates. The details of provision for contingencies are as under:

Particulars	Amount (Rs lacs)	Provision for contingency @ 5% (Rs lacs)
a.) Site Development	70	4
b.) Building	2525	126
c.) Plant and Machinery	13466	675
d.) Miscellaneous fixed assets	2629	130
e.) Preliminary and Preoperative Expenses	588	29
<b>Total</b>	<b>19275</b>	<b>964</b>

(Source: Techno-Economic Feasibility Report of Werner International and Financial Appraisal report of UTI Bank Limited)

### Details of Margin Money on Working Capital Requirement for the Expansion Project

Working capital margin of Rs. 1,083 lacs has been provided for the project based on the working capital requirement for the year 2007-08. The working capital requirement has been worked out on the basis of holding requirement of days as shown in table below. The item-wise working capital margin for 2007-08 at 65% capacity utilization has been worked out as under:

(Rs. In lacs)

Particulars	Annual Amount	Period In Days	Amount For The Period	Bank Finance %	Bank Finance	Margin Money @ 25%
Raw Materials – Yarn	5,072	15	211	75	158	53



Raw Materials – Cotton	752	180	376	75	282	94
Chemicals	2,268	60	378	75	283	94
Packing Material	145	60	24	75	18	6
Stores	253	120	84	75	63	21
Work in Process	9,167	15	382	75	286	95
Finished Goods/Goods in Transit	10,101	30	842	75	631	210
Debtors	13,540	60	2,257	75	1,693	564
<b>Total Current Assets</b>	<b>41,298</b>		<b>4,554</b>		<b>3,416</b>	<b>1,139</b>
Less Creditors						
Raw Materials – Yarn	5,072	-	-	-	-	-
Raw Materials – Cotton	752	-	-	-	-	-
Chemicals	2,268	30	189	75	142	47
Packing Material	145	30	12	75	9	3
Stores	253	30	21	75	16	5
<b>Total Current Liabilities</b>	<b>8,490</b>		<b>222</b>		<b>167</b>	<b>56</b>
<b>Net Working Capital</b>	<b>32,808</b>		<b>4,332</b>		<b>3,249</b>	<b>1,083</b>

(Source: Techno-Economic Feasibility Report of Werner International and Financial Appraisal report of UTI Bank Limited)

The total current assets have been estimated at Rs. 4,554 lacs and current liabilities of Rs. 222 lacs. The working capital margin of Rs. 1,083 lacs has been provided on the basis of 25% of the net current assets of Rs. 4,332 lacs.

#### Computation of 10% Capital Subsidy for the Processing Machinery

We are eligible for 10% Capital Subsidy on some of our proposed processing plant machineries. As per new guidelines, issued on 24<sup>th</sup> November 2005, now 61 processing machines including Laboratory Equipment & Yarn dyeing machines are eligible for subsidy.

Sr. No.	Item	Price (Rs. In lacs)
	<b>Main Machinery</b>	
1	Singeing Machine	243
2	Scouring, washing and bleaching range	446
3	Mercerising Machine	939
4	Computer Colour Matching	26
5	Process & dye kitchen management system	54
6	Multi Chamber Stenter	441
7	Compressive Shrinking Range (Sanforizing Machine)	240
	<b>Additional Machinery</b>	
8	Calendering Machine	314
9	Effluent Treatment Plant	80
10	Water Treatment Plant	100
11	Fibre/yarn dyeing machine	1239
12	All Laboratory Equipments	210
	<b>Total Eligible Amount</b>	<b>4333</b>
	<b>Capital Subsidy @ 10% of Eligible Amount</b>	<b>433</b>

(Source: Financial Appraisal report by UTI Bank Limited)



### Our Existing Working Capital Limits

As on March 31, 2006 we were having working capital limits of Rs. 3441.00 lacs collectively from Indian Overseas Bank, Corporation Bank and United Western Bank Limited (now merged with IDBI Limited) and Saraswat Co-Operative Bank Limited. The detailed break up of working capital facilities availed is as follows:

#### Indian Overseas Bank

(Rs. in lacs)

Sr. No.	Nature of Limit	Sanctioned Amount	Outstanding Amount
A.) 1	<b>Fund Based</b> Export packing credit including Bills Discounting/Bills Purchase	900.00	706.75
B.) 1	<b>Non-Fund Based</b> Letter of credit/Bank Guarantee	500.00	Nil
<b>TOTAL</b>		<b>1400.00</b>	<b>706.75</b>

#### Corporation Bank

(Rs. in lacs)

Sr. No.	Nature of Limit	Sanctioned Amount	Outstanding Amount
A.) 1	<b>Fund Based</b> Packing Credit	936.00	926.45
B.) 1	<b>Non-Fund Based</b> Inland/Import Letter of credit/Bank Guarantee	250.00	230.58
<b>TOTAL</b>		<b>1186.00</b>	<b>1157.03</b>

#### United Western Bank Limited (now merged with IDBI Limited)

(Rs. in lacs)

Sr. No.	Nature of Limit	Sanctioned Amount	Outstanding Amount
A.) 1	<b>Fund Based</b> Foreign Bill Purchase/FBN/EBD (including adhoc limit of Rs. 100 lacs)	250.00	226.23
2	Packing Credit/PCFC	230.00	25.18
B.) 1	<b>Non-Fund Based</b> Letter of credit	75.00	Nil
<b>TOTAL</b>		<b>455.00</b>	<b>251.41</b>

#### Saraswat Co-Operative Bank Limited

(Rs. in lacs)

Sr. No.	Nature of Limit	Sanctioned Amount	Outstanding Amount
A.) 1	<b>Fund Based</b> Term Loan	400.00	282.44
<b>TOTAL</b>		<b>400.00</b>	<b>282.44</b>

### Issue Related Expenses

Issue related expenses includes underwriting and Issue management fees, selling commission, distribution expenses, legal fees, fees to advisors, printing and stationery costs, advertising expenses and listing fees payable to the Stock Exchanges etc. The total expenses for the Issue are estimated at Rs. [•] lacs, which is [•] % of the Issue size. All the Issue related expenses shall be met out of the proceeds of the Issue and the break-up of the same is as follows:

Particulars	Expenses Rs. In lacs	As a % of the Issue size
Management fees, underwriting commission and brokerage	[•]	[•]
Marketing and advertisement expenses	[•]	[•]
Stationary, printing and registrar expenses	[•]	[•]
Legal fees, listing fees, book building charges, auditors fees	[•]	[•]
Miscellaneous	[•]	[•]
<b>Total</b>	<b>[•]</b>	<b>[•]</b>



### Schedule of Implementation

Our Company barring any unforeseen circumstances expects to implement the proposed project during March 2007 to December 2007. We expect the Expansion Project to start commercial production by January 2008. Details of schedule of implementation are as follows:

Activity	Start Date	Completion Date	Status
Appointment of consultant	-	-	Completed
Techno-economic feasibility report	-	-	Completed
Preparation of final plan	-	-	Completed
Acquisition of land	March 2006	March 2007	Ongoing
Site Development	March 2007	March 2007	Pending
Construction of Building	March 2007	August 2007	Pending
Placement of orders for machineries and delivery.	March 2007	September 2007	Pending
Installation of Machineries	June 2007	September 2007	Pending
Purchase of Miscellaneous Fixed Assets	August 2007	December 2007	Pending
Trial run	December 2007	December 2007	Pending
Commercial production	January 2008		

### Raw Material and Utilities Requirements for the Expansion Project

The raw material requirements of the Expansion Project for the optimum year are as follows:

Activity	Raw Material	Estimated Requirement	Manufacturers/Suppliers
Spinning	Cotton	2314 Kgs per day	Outside purchase
Yarn dyeing	Grey yarn	4500 Kgs per day	In house from yarn spinning section
Weaving	Dyed yarn	4406 kgs per day	In house from yarn dyeing section
Fabric processing	Yarn dyed fabrics	22500 meters per day	In house from the weaving section

(Source: Techno-Economic Feasibility Report of Werner International)

### Requirement and availability of Utilities for the Expansion Project

#### Power

Power requirement for the operations of the Expansion Project is estimated at 7000 KW. We shall source the power requirement primarily from MSEB at the rate of Rs. 3.57 per KWH. For taking care of any power failure and uninterrupted supply of power in the process house we propose to install one diesel generator of 1500 KW each.

#### Water

Water requirement for the Expansion Project will be approximately 1100 M<sup>3</sup> per day which will be available from river Panchaganga. The Company already has facilities to bring in the water from the river to a storage pond situated in the Company's premises.

#### Compressed Air:

3 Compressors of 1,000 CFM including standby are proposed to be installed to meet the 2,000 CFM air requirement of the weaving facility. The requirement of air for the processing activity is low, which will be met from the compressors being installed in the Common utility section (for weaving).

#### Steam:

Steam required for sizing in weaving and for dyeing & processing is estimated at 113 tons/day, which will be available from the oil fired boiler of capacity 5 tph (3 boilers with two working and one stand by).

#### Humidification and Air conditioning:

The requirement of air conditioning for spinning and loom shed will be met by installing a humidification plant. For processing plant humidification is not required. The humidification plant capacity will be 8,60,000 m<sup>3</sup>/hr and that of refrigeration will be about 500 RT for which provision has been made. The requirement of a HF plant for spinning has been provisioned for.



**Manpower:**

The Spinning, Yarn Dyeing, Weaving & processing facilities would be located in Kolhapur where skilled labors and other staff are easily available. The labour requirement for the proposed project is 440, which would be easily available in the area.

**Effluent Treatment:**

It is proposed to set up an Effluent Treatment Plant having a capacity of 1,000 KL to take care of the effluents from the processing activities.

**Government Approvals/Licensing Arrangements for the Expansion Project**

We need to obtain several licenses/approvals/permissions under various statutes from several authorities prior to setting of the Expansion Project. For details of licenses/approvals/permissions obtained/applied for the Expansion Project kindly refer to the section titled 'Government Approvals/Licensing Arrangements' on page 124 of the Red Herring Prospectus.

**Approval/Sanction of Debt Component of the Project Cost**

The rupee term loan component of the Project Cost of the Expansion Project has already been tied up and as against the debt component of Rs. 14,990 lacs, we have received final sanction letters from nine banks totaling to Rs. 21,200 lacs details of which are as under:

S. No.	Name of Bank/Financial Institution	Sanction Letter Number and Date	Amount (Rs in lacs)	Important Conditions of Sanction
1	State Bank of India	OBMU:TCD:2006:852 dated March 27, 2006	40,00	<b>Interest:</b> 1% below SBAR, min of 9% p.a. <b>Tenure:</b> 10.5 years <b>Repayment:</b> Initial moratorium 3 years, Repayment in 30 quarterly installments starting from April 15, 2009. <b>Primary Security:</b> 1st charge on the entire fixed assets (existing and proposed) of our Company on pari-passu basis with other term lenders. <b>Collateral:</b> 2 <sup>nd</sup> charge on the entire current assets of our Company on pari-passu basis with other term lenders. <b>Pre-Disbursement Conditions:</b> Release of term loan only after full financial closure and receipt of funds under this Issue.
2	UTI Bank Limited	UTIB/RMD/PVM/05-06/83 dated March 23, 2006	20,00	<b>Interest:</b> PLR minus 4.00% p.a or 9.00% p.a. whichever is higher. <b>Tenure:</b> 10.5 years <b>Repayment:</b> Initial moratorium 3 years, Repayment in 30 quarterly installments starting from April 1, 2009. <b>Primary Security:</b> 1st charge on the entire fixed assets (existing and proposed) of our Company on pari-passu basis with other term lenders. <b>Pre-Disbursement Conditions:</b> Release of term loan only after full financial closure and receipt of funds under this Issue. Further disbursement of the term loan shall be in proportion of overall equity (i.e. fresh equity through this Issue + internals accruals + capital subsidy) so as to maintain the project debt equity ratio at 2.05.
3	Punjab National Bank	March 1, 2006	20,00	<b>Interest:</b> 9.5% p.a. with reset option at the end of every 3 years, linked to BPLR with same spread. <b>Repayment:</b> Initial moratorium 2 years,



				<p>Repayment in 30 quarterly installments.</p> <p><b>Primary Security:</b> To be finalised</p> <p><b>Pre-Disbursement Conditions:</b> To be finalised.</p>
4	State Bank of Patiala	July 20, 2006	15,00	<p><b>Interest:</b> BPLR minus 150 basis points, with present effective rate of 10.25% p.a.</p> <p><b>Repayment:</b> 30 equal quarterly instalments of Rs. 0.50 crore. First instalment due on June 30, 2009.</p> <p><b>Primary Security:</b> First pari passu charge on the company's entire fixed assets</p> <p><b>Pre-Disbursement Conditions:</b> Release of term loan only after receipt of funds under this Issue.</p>
5	Indian Overseas Bank	April 30, 2006	35,00	<p><b>Interest:</b> BPLR less 2.00% i.e 10.00% per annum at present.</p> <p><b>Repayment:</b> Repayment in 30 quarterly installments, starting from April 2009</p> <p><b>Primary Security:</b> Ist pari passu charge on the project assets and entire existing fixed assets of our Company.</p> <p><b>Collateral:</b> 2<sup>nd</sup> charge on the entire current assets of our Company on pari-passu basis with other term lenders.</p> <p><b>Pre-Disbursement Conditions:</b> Release of term loan only after full financial closure and receipt of funds under this Issue.</p>
6	State Bank of Hyderabad	IFB/ADV/Abhishek/1279 dated March 4, 2006	15,00	<p><b>Interest:</b> 9.00% p.a. (fixed), with the right to reset the interest rate every three years.</p> <p><b>Tenure:</b> 10 years</p> <p><b>Repayment:</b> Repayment in 30 quarterly installments, starting from April 1, 2009</p> <p><b>Primary Security:</b> Ist pari passu charge on the Company's present and future movable and immovable assets.</p> <p><b>Collateral:</b> Nil</p> <p><b>Pre-Disbursement Conditions:</b> Release of term loan only after full financial closure and receipt of funds under this Issue. Further disbursement will be made on the basis of the proportion of contribution brought in from internal accruals as certified by the statutory auditor of our Company.</p>
7	Bank of India	AnCBB:LBD:KS:3796 dated March 1, 2006	22,00	<p><b>Interest:</b> 1.75% below BPLR, presently 10.25% p.a.</p> <p><b>Repayment:</b> Repayment in 30 quarterly installments, starting from April 1, 2009.</p> <p><b>Primary Security:</b> Ist pari passu charge on the Company's present and future movable and immovable assets.</p> <p><b>Pre-Disbursement Conditions:</b> Release of term loan only after full financial closure and receipt of funds under this Issue. Further disbursement will be made on the basis of the proportion of</p>



				contribution brought in from internal accruals as certified by the statutory auditor of our Company.
8	Bank of Baroda	MDM:ADV:AML:44:56 dated April 17, 2006  MDM:ADV:AML:44:73 dated May 8, 2006	30,00	<b>Interest:</b> 1.50% below BPLR, i.e. 10.50% p.a. at present (floating), with the right to reset the spread every 3 years. <b>Tenure:</b> 10 years <b>Repayment:</b> Repayment in 30 quarterly installments, starting from April 1, 2009 <b>Primary Security:</b> Ist pari passu charge on the Company's present and future movable and immovable assets, excluding the assets charged on exclusive basis. <b>Pre-Disbursement Conditions:</b> The disbursements are to be made in proportionate with other consortium banks and as decided by the leader and in prorata to the margin brought in.
9	Corporation Bank	OR:IFB:1465:2005-06 dated March 23, 2006	10,00	<b>Interest:</b> 9.00% p.a. with a reset option at the end of every three years. <b>Tenure:</b> 10.5 years <b>Repayment:</b> Repayment in 30 quarterly instalments, starting from April 1, 2009. <b>Primary Security:</b> Ist pari passu charge on the Company's present and future movable and immovable assets. <b>Pre-Disbursement Conditions:</b> Release of term loan only after full financial closure and receipt of funds under this Issue.
	<b>Total</b>		<b>207,00</b>	



All these loans are eligible for an interest subsidy of 5 % under Technology Upgradation Funds Scheme Out of these sanctions we shall avail rupee term loans of Rs. 14,990 lacs, i.e., to the extent of debt component of the Project Cost.

### **Funds already Deployed in the Expansion Project**

Until January 15, 2007 we have incurred Rs. 710.00 lacs in the Expansion Project out of our internal accruals. Details of the amount incurred and as certified by the Statutory Auditors are as follows:

		<i>(Rs. in lacs)</i>
<b>S. No.</b>	<b>Purpose</b>	<b>Amount</b>
1	Land and site development	72.58
2	Civil Work – Spinning Division and Common area/utility services	490.65
3	Plant and Machinery	-
4	Miscellaneous Fixed Assets	-
5	Pre-Operative Expenses	146.77
	<b>Total</b>	<b>710.00</b>

### **Interim Use of Proceeds**

The management, in accordance with the policies setup by our Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including deposits in banks, for the necessary duration or for reducing working capital requirement.

### **Monitoring of Utilisation of Funds**

We have appointed UTI Bank Limited as a monitory agency to monitor the use of proceeds from this Issue.

Further, our Board will also monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head in our Balance Sheet for FY 2008 clearly specifying the purpose for which such proceeds have been utilized. We will also, in our Balance Sheet for FY 2008, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel or companies promoted by our Promoters except in the course of normal business.



## SECTION IV

### BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares offered by way of book building.

*Investors should read the following summary with the Risk Factors included from page number i to viii and the details about the Company and its financial statements included in the Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these risks and you may lose all or part of your investments.*

#### Qualitative Factors

##### Established Name

Our Promoters have adequate experience in both construction and textile industry and we have successfully implemented expansion projects earlier. Our Promoters started their careers as construction contractor and over the years have built a strong name for themselves in the rural Construction sector in the state of Maharashtra. Our Company has established itself as one premium manufacturer of higher grade cotton yarn in both domestic as well as export markets.

We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project.

##### Successful execution of Big Projects

Our Company has proved its ability to execute project of large size with a special emphasis on quality aspect. The Company is currently working on Morbe dam project on Dhavri river, which is 3124.00 meters long, and 53.00 meters high dam. With the experience of more than 3 years in construction business, our Company has now applied for registration as construction contractor with GoM. With this registration the Company may bid for and undertake the projects independently.

The Company has also successfully implemented expansion project in its textile division in past.

##### Proven Quality

The products exported by our Company have not been rejected till this date. Each of the Company's products passes through stringent quality checks. The quality assurance measures taken by the Company include thorough checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyse areas of improvement, experienced manpower for quality assurance activities, creation of data base for future reference and analysis etc. Each of the divisions is well equipped with most modern quality checking and testing equipment in place for quality assurance and functions on our philosophy of providing quality products to customer.

We comply with 5% Uster norms which signifies that the quality of our yarn meets the international standards. Zellweger Uster A.G (Switzerland) is a global quality control equipment manufacturer, whose standards are accepted globally in spinning industry.

##### Lower turnaround time

Meeting customer deadlines on a consistent basis is important for our business. Our in-house facilities of fully automated plant enables us to achieve the shortest turnaround time.



## Quantitative Factors

### 1. Earning per Equity Share (EPS) of face value of Rs.10

Year	EPS (Rs.)	Weight
For FY 2003-04	3.21	1
For FY 2004-05	19.33	2
For FY 2005-06	17.57	3
<b>Weighted Average</b>	<b>15.76</b>	

The weighted average EPS for Equity Share having face value of Rs.10 is Rs. 15.76

### 2. Price/Earning Ratio (P/E)\* in relation to Issue Price of Rs. [•]

- a. Based on FY 2005-06 EPS of Rs. 17.57 - [•]
- b. Based on weighted average EPS of Rs. 15.76 - [•]

\* would be calculated after discovery of the Issue Price through Book-building

### 3. Return on Net Worth (RONW)

Year	RONW (%)	Weight
FY 2004	16.13	1
FY 2005	48.03	2
FY 2006	28.78	3
<b>Weighted Average</b>	<b>33.08</b>	

4. The average return on net worth has been computed on the basis of the restated profits and losses of the respective years.

5. Minimum return on total network after the Issue required to maintain pre-Issue EPS of Rs. is [•] %

6. Net Asset Value (NAV) per share, post-Issue and comparison with the Issue Price

- a. As at September 30, 2006 : Rs. 51.56
- b. Issue Price\* : Rs.[•]
- c. NAV after the issue : Rs.[•]

\* would be compared after discovery of the Issue Price through Book Building

The Issue Price of Rs.[•] has been determined on the basis of the demand from investors through the book building process and is justified based on the above accounting ratios.

## 7. Comparison with Industry Peers and Industry average

Comparison of accounting ratios of our Company with the industry average and accounting ratios of industry peers, which are to some extent similar in business for FY 2006, is as under:

	Face Value (Rs.)	EPS (Rs.)	P/E multiple	RONW (%)	NAV (Rs. Per share)
Abhishek Mills Limited *	10.00	17.57	[•]	28.78	51.56
<b>Industry Peers**</b>					
Bannari Amman Spinning Mills Limited	10.00	9.00	12.44	16.00	96.20
Patspin India Limited	10.00	1.50	10.00	9.40	17.80
Sadbhav Engineering Limited	10.00	10.10	49.60	12.50	115.00
Nagarjuna Construction Company Limited	10.00	5.00	38.80	16.40	45.60

\*Company's EPS, Book Value per equity share and RONW have been taken from our restated audited financials for the year ended March 31, 2006.

\*\*Information for other companies has been taken from Capital Market Volume XXI/22 for the period January 1-14, 2007. Face Value of the peer Group Companies has been taken from Capitaline Plus (Corporate Database)



## 8. Industry PE

The Industry PE is as under:

### For Construction Industry

Highest	268.60
Lowest	4.20
Average	51.30

### For Textile Industry

Highest	198.10
Lowest	0.9
Average	11.20

(Source: Capital Market Volume XXI/22 for the period January 1-14, 2007)

9. The face value of Equity Shares of Abhishek Mills Limited is Rs. 10 and the Issue Price is [●], i.e., [●] times of the face value.

The face value of Equity Shares of our Company is Rs. 10 and the Issue Price is [●] time of the face value. The Issue Price of Rs. [●] has been determined by the Company in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.



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## STATEMENT OF TAX BENEFITS

Please refer to section titled “Financial Information – Statement of Possible Tax Benefits” on page no 81 of the Red Herring Prospectus





## SECTION V

### ABOUT ABHISHEK MILLS LIMITED

#### INDUSTRY OVERVIEW -TEXTILE AND CONSTRUCTION

*Unless otherwise indicated, all industrial and statistical data relating to the textile industry in India in the following discussion have been extracted from the Ministry of Textile's Annual Report (2004-2005) and other publicly available documents from various sources. The data relating to construction industry has been obtained from the websites of Government of Maharashtra and other industry publications. The data may have been re-classified by us for the purpose of presentation. While the data is believed to be true, it has not been independently verified by our Company or the BRLM.*

#### Overview Of Textile Industry

##### Global Scenario:

The global textile trade in 2005 was USD 395 billion. At USD 395 billion, global textile trade contributes 5.4% of the total international trade. The industry is highly fragmented in terms of geography and size. There has also been a traditional divide between the various segments of the Industry.

[Source: WTO International Trade Statistics Book-2004]

Because of labour intensive nature of the textile industry, in last fifty years the industry has shifted its base several times and concentrated to those countries, which offered most competitive labour cost structure. Developed countries such as USA and the EU have started downsizing capacities in view of their higher cost of manufacturing compared to countries such as India, Pakistan, China and Indonesia. The relocation is also on account of environmental concerns. This is expected to provide developing countries with an opportunity to penetrate US and EU markets and enhance their export share in these markets. However, the migration of textile capacity will be influenced by objective competitive factors and will be hampered by presence of distorting domestic measures and weak infrastructure of the developing countries.

With the implementation of Agreement on Textiles and Clothing (ATC) all trade barriers both tax and non-tax imposed by the developed countries on imports from developing countries has come to an end with effect from January 1, 2005 giving way for free trade regime in global textile trade. This has opened the way for the most competitive developing countries to develop stronger clusters of textiles. Developing countries having both downstream and upstream facilities in textiles may be able to prosper in the new competitive environment.

##### Indian Scenario:

The textile industry occupies a unique position in the Indian economy being one of the oldest and largest industry in India and is highly fragmented. It is divided in four segments spinning, weaving or knitting, processing and garmenting. It provides one of the most basic needs of people. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products, with substantial value-additions at each stage. It contributes significantly to the country's economy. Currently, it adds about 14 % to the industrial production and about 4 % to the GDP. The textile industry is the one of the largest provider of employment in India after agriculture providing direct employment to about 35 million people. Due to its close linkage with agriculture it also has immense potential for employment generation, particularly in the rural and remote areas of the country and currently provides indirect employment to around 50 million people. With total exports of textile and garments of around USD13 billion for FY 2003-04, India accounts for around 3.30% of the world trade in textile and garments and contributes to about 21% of the gross export earnings of the country. Therefore, growth and development of this industry has a significant bearing on the overall development of the Indian economy.

[Source: Annual Report 2004-05 of Ministry of Textiles, GoI]

#### Increase in availability of raw materials and manufacturing capacity

##### Production of Cotton Fibres:

The cotton production increased from 121.50 lac bales (of 170 kgs each) in 1993-94 to 177 lac bales in 2003-04. The yield per hectare of cotton has also shown improvement from about 266 kgs per hectare to the record level of about 386.5 kgs per hectares in 2003-04. The major cotton producing states are Gujarat, Maharashtra, Andhra Pradesh and Madhya Pradesh. India has the largest cotton acreage (77.85 lac hectares) in the world but the yield per hectare is still relatively low due to large dependence on monsoons and adoption of outdated methods of farming.



Though cotton is still the pre-dominant fibre used in the textile sector, there has been a gradual decline in terms of share of Cotton Yarn consumption to total fibre / yarn. The share of Cotton Yarn in the consumption of all fibre decreased to 54% in 2003-04 as compared to 70% in 1993-94. However, in absolute terms, consumption of Cotton Yarn has increased over the period from 2051 million kgs in 1993-94 to 2652 million kgs in 2003-04.

#### Spindlage:

The organised sector of Indian textile industry presently comprises of 1789 mills of which 1566 are spinning units and 223 are composite mills. Besides, there are about 1161 small scale spinning units, 202 exclusive weaving units and about 4.26 lacs power loom units. The total number of installed spindles is about 37.47 lacs spindles and open end spinning capacity of about 5.00 lacs rotors.

[Source: Compendium of Textile Statistics – 2005, Office of the Textile Commissioner]

The spinning capacity in India is fairly modernized with second largest installed capacity after China. However, there is a need for modernization of weaving sector with emphasis on shuttleless looms to produce quality, wider width and longer length fabrics. The Processing Sector also needs to be modernized to adopt latest technology (continuous processing), better process sequences and capability to process wider width fabrics.

#### Spun Yarn:

The spun yarn is the basic raw material for composite / weaving mills, handloom, Powerloom and hosiery sectors. Thus adequate availability of spun yarn determines the prospects of the Textile Industry in India. The production of spun yarn has been increasing consistently due to growing demand from the Industry. There are broadly three types of spun yarn viz. Cotton Yarn, blended yarn and 100% non-cotton (man-made) yarn. The total production of spun yarn in 2004-05 was 3223 million kgs comprising of 2272 million kgs of Cotton Yarn and 951 million kgs of blended and 100% non-Cotton Yarn. It is noteworthy that the percentage of Cotton Yarn is gradually decreasing in the overall spun yarn production as indicated by the following table:

Particulars	1993-94		2004-05	
	Production (in million kgs)	% share	Production (in million kgs)	% share
Cotton Yarn	1697	79.2%	2272	70.49%
Blended and 100% non-Cotton Yarn	445	20.8%	951	29.51%
<b>TOTAL</b>	<b>2142</b>	<b>100%</b>	<b>3223</b>	<b>100%</b>

[Source: Compendium of Textile Statistics – 2005, Office of the Textile Commissioner]

#### Impact of the Technology Upgradation Fund Scheme (TUFS)

As on December 31, 2005 a total of 4,514 applications have been received under the TUFS with a project cost of Rs. 37,026 crore. Out of these 4,248 applications with a project cost of Rs. 14,497 crore have been sanctioned. So far Rs.9,161 crore have been disbursed in respect of 3,602 applications having project costs of Rs.16,958.61 crore.

During 1999-2000, the first year of launching the Scheme, the progress of the Scheme was moderate which gained momentum during the 2nd year – 2000- 2001. However, the progress declined during the 3rd year – 2001-2002. During the 4th and 5th years – 2002- 2004, there was further improvement in the progress and the tempo is continuing in the current year (2004-05) also.

Period	Application Received		Application Received		Applications Disbursed	
	No.	Cost of Project	No.	Cost of Project	No.	Amount
1999-2000	407	5,771	309	2,421	179	746
2000-2001	719	6,296	616	2,090	494	1,863
2001-2002	472	1,900	444	630	401	804
2002-2003	494	1,835	456	839	411	931
2003-2004	867	3,356	884	1,341	814	856
2004-2005	986	7941	986	2990	801	1757
2005-2006	569	9927	553	4187	502	2206



Vision 2010 for textiles formulated by GoI aims to increase India's share in world's textile trade from around 3.30% (around USD13 billion) in 2003 to 8% by achieving export turnover of USD 50 billion by 2010. It also envisages growth in domestic textile trade from the current USD 25 billion to USD 55 billion by that period.

[Source: Textile Policy, 2000 of Ministry of Textiles, GoI]

#### India's Position in World Textile Market:

World Trade -- 2003	Unit	World	India	India as % of World	India's Rank in the World	Country with 1st rank
Total textiles and clothing exports	Bn. US\$	394.9	12.51	3.17	7	China

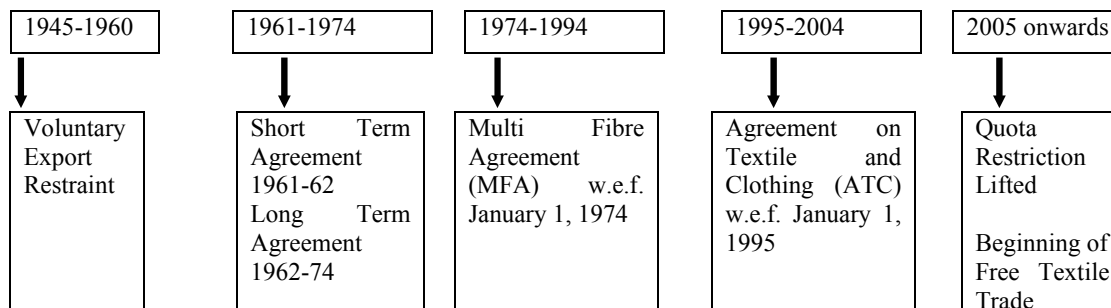
Installed Capacity (2003)	Unit	World	India	India as % of World	India's Rank in the World	Country with 1st rank
<b>Spinning</b>						
1. Spindles (Cotton system)	Mn. No.	173.85	36.84	21.19	2	China
2. Spindles (Wool)	Mn. No.	15.41	1.04	6.75	3	China
3. Spindles (Cotton and Wool)	Mn. No.	189.26	37.88	20.01	2	China
4. Rotors	Mn. No.	8.43	0.48	5.69	5	Russia

Installed Capacity (1995-2003)	Unit	World	India	India as % of World	India's Rank in the World	Country with 1st rank
<b>Knitting</b>	'000 No.	92.74	5.52	5.95	4	China



## Quota Regimes in the Textile Industry and Removal of Quotas

Textiles constitute an important segment of the global trade. However, till very recently global trade in textiles was subject to many trade barriers, both tax and non-tax based barriers because of the protectionist policies of developed nations. Various transitional phases through which the global textile trade has passed through can be broadly categorized into the following periods:



In 1995, the Uruguay Round of discussion brought the Multi-Fibre Agreement (MFA) to an end giving way for free trade regime in the global textiles trade. The Agreement on Textile and Clothing (ATC) came into existence w.e.f. January 1, 1995 providing for removal of all the quota restrictions by WTO members in a phased manner over a period of 10 years starting January 1995 in four steps as given below:

Date	Minimum Integrated Volume	Accumulated Integrated Volume	Remaining Quota Growth Rate
January 1, 1995	16 %	16 %	16
January 1, 1998	17 %	33 %	25
January 1, 2002	18 %	51 %	27
January 1, 2005	49 %	100 %	Full Integration

[Source: *Global Textile and Clothing Industry post the Agreement on Textiles and Clothing* by Hildegunn Kyvik Nordas (WTO)]

With effect from January 1, 2005 the global textile trade is fully integrated marking it a beginning of a quota free era. In the absence of quotas, trade in textile and clothing will now be carried out on the basis of market forces. It is expected that after quota abolition, manufacturing base of the textile industry will see a paradigm shift to Asia. China and India are expected to be the biggest beneficiaries of the quota free regime.

Absence of quotas provides both opportunities as well as threat to India. It is a threat as minimum assured quantities under quotas are no longer available and intense competition is foreseen from other Asian countries mainly China, Bangladesh, Sri Lanka etc. At the same time it is an opportunity as quantitative restrictions / ceilings are no longer in existence.

## Overview of Construction Industry

The Indian construction industry is over USD 25 billion in size and is the second largest economic activity after agriculture. It is also the largest employer in India after the agriculture sector. The investment in construction accounts for nearly 11 percent of India's GDP. Investment in this segment over the financial years 2005 to 2010 is estimated at USD 124.65 billion, of which nearly 65% is expected in infrastructure construction and is expected to be the biggest beneficiary of the surge in infrastructure investment over the next five years. The sector is estimated to grow at a CAGR of 15 percent over the next few years.

The construction sector in India is witnessing high growth spurred by the large spends on the ongoing infrastructure development projects. The governments and nodal agencies in these sectors have further ambitious infrastructure plans. Infrastructure Construction activity is integral to the infrastructure and industrial development of the nation and globally has witnessed tremendous growth in the past few years. At present the infrastructure construction is valued at Rs. 2,070 billion and is the largest segment within the construction industry.

The infrastructure construction industry is expected to witness rapid growth over the next five to seven years as the central and state governments' thrust on the development of urban and rural infrastructure intensifies. Factors like total infrastructure development outlay of Rs. 1,738 billion between FY 2002-07 (Tenth Five Year Plan), high government expenditure and enhanced private participation will continue to stimulate growth in the infrastructure related construction sector. This sector is likely to receive prospective investments of Rs. 3,000 billion over the next two years. Based on the proportion of civil construction related expenses in each sector, it is estimated that these projects have a potential to translate into order worth Rs. 1,800 billion for the construction industry.

The infrastructure construction may be broadly divided into environment and transport related activities. The environment segment includes constructions of dams, water supply systems, sewerages, solid waste treatment plants etc.

### Infrastructure construction in Maharashtra

In the state of Maharashtra, the public works department together with other nodal agencies is responsible for infrastructure construction related matters. As per the Tenth Plan 2002-07 of GoM, projected outlay for soil and water conservation is estimated to Rs. 184014 lacs, irrigation and flood control is estimated Rs. 1525501 lacs, roads and bridges is estimated as Rs. 302121 lacs, water supply and sanitation is estimated to Rs. 776276 lacs.

The GoM has laid special emphasis on basic infrastructure and urban development in the state budget of Maharashtra for FY 2006-07. The budget has made increased allocations for infrastructure sectors. The Annual Plan 2006-07 provide increased provisions for developmental sectors, e.g., energy, roads, communication, water resources, water supply and agriculture. Considering large-scale urbanization of the state much larger allocation has been made for the various schemes under urban development sector. The annual plan outlay of Maharashtra for water supply projects, irrigation, urban development etc. for FY 2006-07 is above Rs. 5,000 crores as against above Rs. 3,500 of anticipated expenditure for FY 2005-06.



**Key drivers underlying the growth of the industry**

The growth in the infrastructure sector is being driven by a host of factors, which include:

- The Government of India (GOI) and state governments have initiated an ambitious reform programme, involving a shift from a controlled to an open market economy. Building further on the initiatives taken by the earlier governments, now the government is further undertaking several measures to enhance the quantum of investments in the infrastructure segment.
- Multilateral agencies such as the World Bank and the Asian Development Bank (ADB) are funding various infrastructure projects on a large scale in India. Various State Governments are mobilizing funds from these agencies to support rural roads and sanitation projects.
- To encourage private sector participation in the sector, the governments have announced several tax breaks for investments. It is also devising return schemes that are attractive for the private participants, such as annuity payments and capital grants for road projects. Laws are being enacted to improve the finances of utilities and make their management more transparent, so as to improve returns on these facilities.
- The Government is tapping alternative sources of funds for infrastructure development. One of these is the cess on petrol and diesel, which is being used to fund road projects such as the Golden Quadrilateral and the North-South East-West corridor. It is also contemplating levying a tonnage tax on ships (to fund development of ports), and special taxes on air travel (for airports).



## OUR BUSINESS

### Overview

Our Company promoted by Mr. Ramchandra M. Mohite, Mr. Anasaheb R. Mohite and Dr. Anjali A. Mohite, is a part of R M. Mohite Group.

At present, we have presence in two segments i.e (a) yarn manufacturing through our spinning unit, which is designated as EOU; (b) construction. For six months period ended September 30, 2006, out of the aggregate turnover of Rs. 4450.44 lacs, sales turnover from our textile operations was around Rs. 2881.33 lacs and from our construction business was around Rs. 1569.11 lacs.

#### (a) Yarn Manufacturing:

Our spinning unit was set up in year 1999 with modern manufacturing facility of 13104 spindles for 100% combed cotton yarn at Kolhapur in the state of Maharashtra and caters to the demand for finer count in the premium segment of combed cotton yarn in the export market. Our unit is fully backed by product development, quality control and efficient sampling facilities to provide quality services to our customers. We currently employ 242 people in our Company.

In the year 2003, we expanded our capacities to 25920 spindles including 2016 spindles of compact spinning with value added facilities like Autoconer, TFOs, Singeing. In the year 2005, we undertook further expansion by installing additional 7200 spindles that became operational from April 2006.

At present, we have 33120 spindles producing 100% combed cotton yarn and can manufacture yarn with finer counts in the range of 40s to 120s. We comply with 5% Uster norms which signifies that the quality of our yarn meets the international standards. Zellweger Uster A.G (Switzerland) is a global quality control equipment manufacturer, whose standards are accepted globally in spinning industry.

Our Company has effectively managed export business by focusing on the finer count premium segment, where there are comparatively fewer players due to stringent quality parameters and high level of technology and has created presence with export base in European countries like Germany, Italy, Switzerland and other countries including Vietnam, Bahrain, Hong Kong, Russia, Korea and Mauritius.

#### (b) Construction:

We entered into construction business in the year 2000 and undertook job work for Morbe dam (earthen) project on Dhavri River, from M/s. R.M. Mohite & Co., our group firm, which is a category Class IA registered contractor with PWD, GoM and pursuing government contracts for last 30 years. This diversification was considered necessary to overcome maximum ceiling on contracts that can be performed by any registered contractor for several state corporations in Maharashtra.

Our Company, with more than 3 years experience in construction activity, became eligible and applied for registration as category Class IB registered contractor with PWD, GoM. On obtaining this registration, we will be eligible to bid for various infrastructure projects directly.

With our experience to cater to the premium segment of the fine yarn export market, we now intend to set up an integrated yarn dyed shirting fabric project to tap its growing domestic and overseas market. Further, our Company is also planning to increase its spinning capacity by adding another 12000 spindles to meet additional requirement of yarn for captive consumption.

### Our Competitive Strengths

#### **Experience of our Promoters**

Our Promoters have adequate experience in both textile industry as well as in construction and in the past we have successfully implemented expansion projects in textile segment. Revenues of the Company from textile segment have doubled during last three years. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project.

#### **Successful execution of projects**

The Company has successfully implemented expansion project in our textile division in past and have increased capacities from 13104 spindles to 33120 spindles. In construction activity, our Company is currently working on Morbe dam project on Dhavri river, which is around 3420 meters length, and around 53 meters height with special emphasis on quality. .





### Low labour cost

Skilled labour is available in abundance in India. Thus, our labour costs are maintained at realistic levels. Added to that we have kept ourselves updated on the latest available technologies and continuously look for new attachments and value adding equipment to enhance the performance of our machines such that the labour input required is maintained while the production / productivity is improved.

### Economies of scale

Our production capacity of yarn manufacturing can be considered as mid to large in size. It allows us the advantages of economies of scale. We can therefore take advantages of bulk discounts and negotiate favourable terms of purchase resulting in substantial savings in input costs.

### High productivity

Continous upgradation of plant, trained work force and managerial expertise result in consistent high level of productivity. We have established modern production facilities at our plant and we are continuously on the look out for new / updated technologies. Our investments in value adding equipments/attachments to our machines has resulted in twin benefits of consistent high quality and improved productivity. We also have loyal trained work force, sound communication facilities and high level of computerization to ensure enhanced operational efficiency.

### Low interest cost

Our capacity additions of 12816 spindles and 7200 spindles in year 2003 and year 2006 repsectively have been under TUFS. The weighted average interest rate of our existing term loans after considering the benefits available to us on loans covered under TUFS during FY 2005-06 is around 7.94%. This has helped us in lowering the overall average cost of funds and has increased our competitiveness. The interest rate on term loans to be availed for the proposed Expansion Project will be 5.25% after considering benefits under TUFS.

### Quality Assurance

We comply with 5% Uster norms, which signifies that the quality of our yarn meets the international standards. The products exported by our Company have not been rejected till this date. Each of the Company's products passes through stringent quality checks. Testing equipments of international standards from Uster Zellweger A.G supports our quality control department. The quality assurance measures taken by the Company include thorough checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyse areas of improvement, experienced manpower for quality assurance activities, creation of data base for future reference and analysis etc.

### Our Business Model

#### Textile division

We are manufacturer of combed cotton yarn with capacity to produce finer counts in the range of 40s to 120s. Our presence in the total value addition chain in textiles is indicated below:

Fibres (Natural / Manmade)	Yarn Spinning	Weaving	Processing – Yarn & fabrics	Garments / Home Textiles
X	✓	**	**	X

(✓ denotes our presence in the business segment), (\*\* Activity proposed under the New Expansion Project) and  
(X denotes that we are not into the business segment)

#### Construction division

Currently our Company undertakes work on sub contract basis for an earthen dam project. We have applied for Class IB registration with PWD, GoM. On obtaining this registration, we will be eligible to bid for various infrastructure projects directly.





## Business Activities

We are a well-established, profit making and professionally managed Company with a strong presence in textile and construction business. A brief insight into the business divisions is given below.

### A. Textile Division:

Our textile division is equipped with modern manufacturing facilities for combed cotton spinning capable of producing yarns of various counts in range of 40s to 120s as per the requirement of our customers. Currently we have installed capacity of 33120 spindles for yarn spinning. Our Company currently exports its total production of yarn to various countries.

### Our Business Strategy

We cater to the finer count demand in the premium segment in the international market. Our long term vision is to have presence in premium segment of textile value addition chain by constantly expanding our existing capacities as well as introducing higher value added products at appropriate times. Presently, our strategy is to expand existing capacity in spinning and to set up a Yarn Dyed Shirting Fabric unit, adjacent to our existing unit, as well as move up further in the value addition chain by entering in garmenting business in future at appropriate time. The brief details of our future strategy for textiles business is as follows:

#### A) *Forward Integration of our manufacturing process*

We are into the manufacture of 100% combed cotton yarn. Presently we do not have facilities for activities such as yarn dyeing, weaving, fabric processing etc. After establishing our position as a quality cotton yarn manufacturer, we intend to operate in higher segments of textile value chain, which will result into higher margins on account of integration, cost advantages, better quality and low turnaround time. Our forward integration of facilities by setting up Yarn Dyed Shirting Fabrics from finer count yarn manufactured from our existing facilities will result in increase in margins.

#### B) *Further widening of our customer base*

With proposed expansion of spinning capacity and setting up of Yarn Dyed Shirting Fabrics unit and growing opportunities available in the post quota regime, we intend to grow our business continuously by adding new clientele in existing and new geographies.

We propose to target the USA and European markets, considering the huge potential of Yarn Dyed Shirting Fabric in these countries. We do not envisage any difficulty in marketing our entire production into exports and domestic markets with more focus on exports. Our strategy is to utilize the following channels for promotion and sales:

#### C) *Buying Houses*

A number of well-known buying houses/big retailers have started functioning in India for sourcing cost competent textile products. Most of the shirting fabric companies in developed countries have plans to outsource fabric production and made-ups from outside. We will work in close coordination with these existing and proposed buying houses.

#### D) *Our Existing network:*

We already have a network of agents and buyers in international market and enjoy a reputation of being a manufacturer of fine quality yarn. We intend to use our existing network to sell Yarn Dyed Shirting Fabrics also.

Looking to the tremendous potential for growth in the apparel fabric under the quota free regime, we are expanding our capacities to enter into these areas to cater to the needs of the global retail giants/labels/ importers.

#### E) *Adding to our manufacturing facilities*

As a long term strategy, we may plan to further move up the value chain by further forward integration into manufacturing garments. We will look for more geographic locations suitable for catering to different markets and product ranges. We will constantly endeavour to acquire new technologies, latest developments and value adding processes to make our products techno savvy, contemporary in outlook, trendy in fashion and top class in quality. Our target segment of mid to high end customers would give us sufficient room for expansion of capacities for years to come.

#### F) *Reduction of operational costs*

Apart from expanding business and revenues we have to look for areas to cut costs in order to remain a cost competitive Company. Measuring costs of each operation and process, evaluating costs at each cost centre and bench marking the same to industry / scientific standards is our core strategy to control direct costs and overheads. Raw material costs are controlled through effectively timing the purchase after considering trends in price movements and by placing bulk orders especially for imported raw materials. Consumption and wastages are controlled on the shop floor through effective



supervision and systems. Other costs are reduced through proper training, new technologies and periodic reviews. Our focus has been to reduce the operational costs to gain competitive edge. We are quite successful in our efforts and hope to continue more vigorously to bench mark us with the best in the industry.

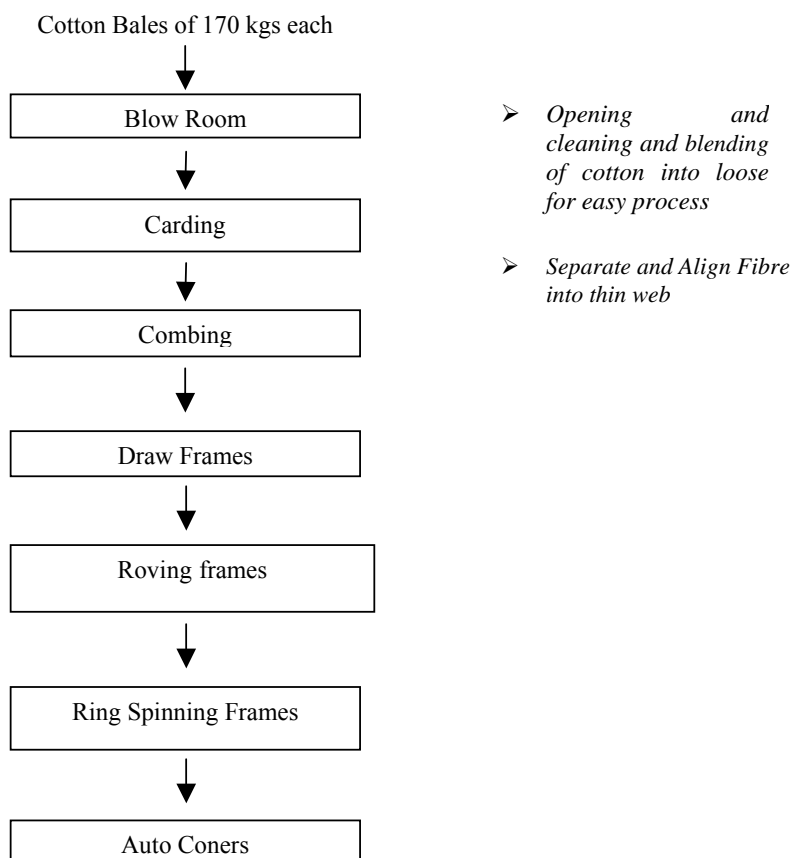
### Our Manufacturing Process

We generally purchase cotton (raw material) from farmers and other suppliers like ginnerers or traders mainly from states like Andhra Pradesh, Gujarat and import from Egypt. The main varieties that we purchase are the Giza, MCU5. The cotton is purchased generally after spot selection, weighment and spot payment. Ginning agents who purchase raw cotton from the market send them to the processing factory where cottonseeds are separated from cotton. The cotton from the processing factory comes out in the baleform and can be used for spinning.

The price behaviour of cotton depends on the following factors:

- ~ Demand and Supply scenario of cotton
- ~ Cotton production
- ~ Day-to-day arrivals in Mandi and Market Yards
- ~ Movement of cotton prices in International market particularly New York futures.
- ~ Buying patterns of other competitive mills.
- ~ Government economic and trade policies.

#### *Spinning Division – Process flowchart for Spinning division*





## Process Description

The first stage in the spinning process is from Blow Room where after the opening and cleaning the cotton is transferred with help of air pressure blown through ducts for carding process where the cotton is further cleaned in order to remove the objectionable parts like dust, kitty and individualization of the fibre is done. The fibres are then collected to form sliver. This sliver is then passed through the Draw Frame and Unilap to prepare lap. In the next process, which is known as Combing, the short fibres and neps are removed to improve the quality of yarn. The combed sliver is then passed through the draw frame machine to make the sliver more parallel and uniform.

Thereafter, the sliver is converted into Roving through drafting and twisting in the Speed Frame. In the Ring-Frame, roving is converted to yarn of the required count and specifications by applying drafting and twisting. Subsequently the Ring Bobbins are converted in bigger cones in Autoconer and packed in required cartoons.

For doubled yarn, single yarn is processed through assembly winder and TFO machines. For gassed yarn, yarn is processed through gas singeing machine. We also produce high quality compact yarn on Rieter K44 ringframes.

We have sourced our plant and machinery for our spinning unit from internationally reputed suppliers including from RIETER, LMW, Schlafhorst, Zelleweger- Uster and Savio and Luwa.

We have a experienced team which monitors our activities on day to day activity. The Company is also taking relevant steps to have quality control checks, which are as follows:

- Purchase of cotton from selective buyers
- Spot selection and supervision while the processing of cotton.
- Pre-purchase testing.
- 100% bale-to-bale HVI testing of each and every lot.

For maintaining a regular supply of raw materials we prefer to maintain a stock of atleast 5 months. We also analyse the price trends, which may arise in the future and if the prices of cotton are expected to rise we increase stock of cotton and vise-versa.

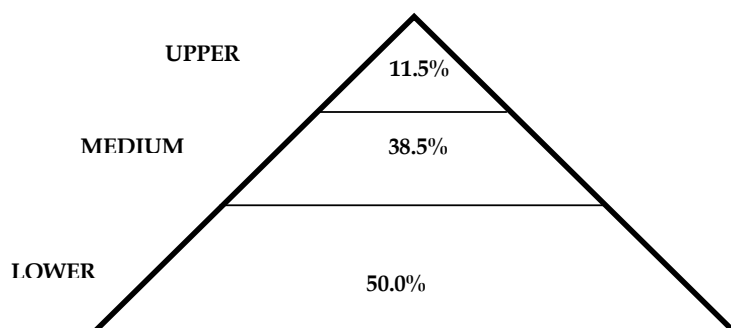
## Our Marketing and Selling Strategy

Currently we export our entire production of cotton yarn to various countries in Europe, Mauritius, South Korea, Russia, Vietnam etc. We have cultivated credibility in the market where we operate with higher and consistent quality, competitive pricing and timely delivery schedules. In addition, we have developed a strong network of marketing agents who sell yarn to various units / traders thereby ensuring greater penetration of markets. Post expansion, our Company will captively consume its entire yarn production for manufacture of Yarn Dyeing Shirting Fabric.

## Market Segmentation:

While in the past, the market segmentation was mainly based on intrinsic characteristics like quality, yarn count, fabric construction and type of finishing, nowadays upper market products differentiate themselves in addition on parameters of service, fashion content and image.

For catering to premium fashion market, we will install software packages / CAD / CAM systems for generating designs on computers and synchronise the weaving process with it to generate better designs. We will also recruit textile designers from reputed institutes for continual product and design development.



The expected output of our Company's operations will be around 8 to 9 million meters finished fabric per annum, aimed at the top and higher medium segments. This represents a market share of around 1.7 % of approximately 478 million meters fabric market per annum for upper and medium segments taken together (source: Techno Economic Feasibility Study of Werner



International). A well-run yarn-dyed shirting operation in India, with linkage to the top European distribution, will be in a position to acquire markets shares from established high cost competitors.

Further, we have also engaged Werner International to assist our Company in formulating marketing strategy and plan and helping our Company in setting up a proper marketing and sales set up within the organisation.

Our marketing strategy for proposed product Yarn Dyed Shirting Fabric is briefly explained below:

### **Marketing of Yarn Dyed Shirting Fabrics**

#### **Export Markets**

Primarily, our Company intends to export its entire production of Yarn Dyed Shirting Fabric post expansion. We plan to market our fabric to the garment exporters directly in the export markets. We intend to become a well-established player in catering to the garment exporters requirement and is well placed to capitalize on the opportunity. The new processing plant would improve manufacturing of value added products for readymade garment exporters in overseas market.

#### **Domestic Market-**

We may also consider the domestic markets for selling our Yarn Dyed Shirting Fabric to tap ongoing boom post removal of quotas in the textile industry.

#### ***Our Distribution Channels***

We intend to set up different distribution channels for our spinning and Yarn Dyed Shirting Fabric. The distribution channels for marketing of our existing and proposed product is briefly mentioned below:

<b>Products/Market Segments</b>	<b>Distribution Channel</b>
<b>Cotton Yarn</b>	AML → International Intermediate Agents → Fabric Manufactures.
<b>Yarn Dyed Shirting Fabrics</b> (Export trade)	AML → Domestic/Overseas garment manufacturer/ Exporters / International buying houses/ Retailers.
<b>Yarn Dyed Shirting Fabrics</b> (Domestic markets)	AML → Marketing agents/Wholesalers/ Trader → Retailer.

#### ***Export of Cotton Yarn***

We export our entire production of cotton yarn to various countries in Europe, Mauritius, South Korea, Russia, Vietnam etc. We have developed a strong network of marketing agents who sell yarn to various units / traders thereby ensuring greater penetration of markets.

#### ***Domestic Sale of Yarn Dyed Shirting Fabric***

The domestic market for yarn dyed shirting fabric is well developed with the ready-made garment manufacturers being the main industrial user of such fabric. Removal of quota restrictions on exports of textile goods and garments from India post elimination of multi-fibre agreement w.e.f. January 1, 2006 has given and is expected give further boost to the export of textile goods from India. We intend to supply our yarn dyed shirting fabric to such exporters of ready-made garments. We will also retail our fabric in the local market through the network of agents, distributors and retailers.

#### ***Export of Yarn Dyed Shirting Fabric***

We intend to establish ourselves as a quality yarn dyed fabric exporter. With weaving capacities continuously coming down in most of the developed nations due to their higher cost of production vis-à-vis nations like India, we intend to become nominated fabric supplier for ready made garment manufacturers in these developed nations. Once we become successful in becoming a nominated fabric supplier, we expect to receive repeat order for exports. We will also tie up with global sourcing agencies to further boost our exports of yarn dyed shirting fabric.

#### **Competition**

India is one of the largest exporter of cotton yarn and hence import threat is unlikely. However, in the export market, there is competition from units in Pakistan, Turkey, Indonesia, China, Egypt, etc. vying for a share in the export market. These countries also have the advantage of producing good quality cotton making them quite competitive.

India leads with increasing market share in the yarn/fabric, which shows that Indian exports have the resilience to withstand competition and simultaneously grow. Maintaining consistently good quality yarn at every stage is vital for producing good quality fabric or garments. We possess flexibility of producing yarn of counts from 40s to 100s, which many other units are not capable of. This gives our Company a competitive edge over other spinners.



### **Use of Information Technology**

We are a technology oriented organization and use information systems extensively across our operations, to enable us to optimally benefit from our systems and processes. Most of our critical functions such as operations, supply chain, finance and accounts and human resources are linked through a computer network. This has enabled us to reduce our time in various critical areas. This has also helped us reduce our costs of operations, reduction in wastages, and enhanced overall cost efficiency.

### **Development and Design Development**

We undertake continuous development activities with an objective to reduce operational costs and improve the efficiency of our plants.

New design development and sampling is an important feature of our business and we accord importance since these are highly effective tools to convert business enquiries into orders. We have our in-house development and quality control department. For our Expansion Project, we will set up in-house team of experienced designers for weaving and processing. Further, we will install software packages / CAD / CAM systems for generating designs on computers. The weaving machines are connected to jackard and dobbys for design generation.

### **Quality Control Measures**

We have internalised quality control management systems and quality improvement systems in all existing unit. We have quality audit teams reviewing all aspect of quality assurance at all unit. Apart from that a dedicated in-house management team overlooks the implementation and adherence to quality control policies across all our establishments.

### **New Initiatives**

As regards our textile division, we are undertaking the Expansion Project, which shall have facilities such as yarn dyeing, weaving and processing of grey fabric for manufacturing of Yarn Dyed Shirting Fabric. This forward integration will help our Company to further move up in the textile value addition chain and thereby enabling us to offer new higher value added products to our existing customers as well as new buyers. This will broaden the scope of our business activity and provide additional strength to our Company's operations. This will also help our Company to move further into garmenting at appropriate time in future after we stabilize our operations post implementation of the Expansion Project.

## **B. Construction Division:**

In the year 2000, the Company commenced construction operations in Kolhapur. M/s. R. M. Mohite & Co., our group associate, sub contracted a part of its major project Morbe Project on Dhavri River to us. We intend to bid for construction projects on our own after obtaining requisite registration with PWD, GoM to whom application is already made.

In construction business after gaining experience in earthen dams, we intend to bid for similar type of projects and also bid for new projects in construction viz construction of roads, bridges, civil works.

### **Projects in the hand**

#### **1. MORBE Project on Dhavri River in Raigad District:**

This project was initially taken up by CIDCO for providing drinking water to New Mumbai area & Jawaharlal Nehru Port Trust. The project is being executed through Maharashtra Jeevan Pradhikaran. The project is located near village Morbe in Khalapur taluka of Raigad District. The work entrusted to the Company includes construction of earthen dam of 53 meters height & 3420 meters length having capacity of 6.75 TMC. The quantity of earthwork involved is 175 lacs cu.m., pitching of 10 lacs sq. mtrs. Rock toe of 1.25 lacs cu.m., spillway excavation of 2 lacs cu.m. in hard strata, coalgrout masonry of 25,000 cu.m., RCC work for intake structure & other components.

The work also includes 460m long D shape tunnel with RCC lining, RCC intake structure of 43 m height with gate & approach bridge. The cost of the project is estimated about Rs. 3,500 lacs. Phase 1 of the work has been completed & water supply has started from November 2004.

### **Strategy**

Our Company, with more than 3 years experience in construction activity, became eligible and applied for registration as category Class IB registered contractor with PWD, GoM. The main thrust area for our Company will be government contracts



because of higher margins because of specialized nature of these contracts. On obtaining this registration, we will be eligible to bid for construction projects in the state of Maharashtra with value exceeding Rs. 1500 lacs but less than Rs. 2500 lacs.

After specialization in the field of earthen dams and allied works, we intend to enter into highway and bridge construction and masonry dams, on its own and/or by forming joint ventures.

The continuing emphasis of GoI and also various state governments on infrastructure development from past few years have thrown up huge opportunities in construction sector in future. The development of infrastructure facilities mainly includes developing roads, ports, airports, irrigation facilities, dams etc. GoM has also been laying great emphasis on the development of infrastructure in the state of Maharashtra primarily in the areas of development of irrigation facilities, medium and large sized dams, roads, bridges, rural infrastructure etc. Our Company has already applied for registration as category IB registered contractor with GoM and in future intends to procure government construction contracts on our own and gain further experience in this sector to qualify for upgrading to category IA registered contractor. Our Company also intends to take private construction contracts like construction of buildings, BOT roads, etc.

### Insurance

Details of various categories of risks covered and the sum insured under this insurance policy are as given below:

*(Rs. in lacs)*

Type of Policy	Policy Number	Sum Insured	Sum Insured includes
Standard Fire and Special Perils Policy	151102/11/05/00802	Rs. 4080.00 lacs	Buildings, plant & machinery and accessories, furniture & fittings, stock in process, stock of cotton, stock of spares and accessories and General inventory, stock of packing material, etc. at Gat No. 148, Tamgaon, Kolhapur – Hupari Road, Tal. Karveer, Dist. Kolhapur – 416 001
	151102/11/05/00803	Rs. 900 lacs	Stock of Cotton Bales, Finished Yarn in the main factory and various godowns and/or in open, inside the factory premises, situated at Gat No. 148, Tamgaon, Kolhapur – Hupari Road, Tal. Karveer, Dist. Kolhapur – 416 001

### Human Resources

Both construction and textile industry is highly labour intensive in nature. Managing a team engaged doing largely repetitive work is one of the challenges that we face. Further, with competition from other companies in labour intensive business, retaining our workforce is another challenge that we face. Our human resource policies are targeted at creating a motivated work force. Our efforts in building a conducive work atmosphere have helped us in having lower attrition rates than the rest of the industry. As on January 10, 2007 we have 242 employees on our payroll and 64 are on contract basis.

### Employee Development Policy and Training

Our Human Resource vision is to create a committed workforce through people enabling processes and knowledge sharing practices based upon our value system. We believe that learning and development is an integral part of business operations. We have annual assessment process for every level within the organization, including the top management. Under this, employees are subject to performance appraisal and are assessed on specific skill requirements. For each employee areas of development are identified and training is given in those areas, based on the employee's career plan. We also use these assessment processes to carry out promotions at all levels, through a completely transparent process.

### Compensation Policy

Our compensation policy is based on employees' qualification age, experience and level. The policy also compares industry practices in this regard. Compensation among others is used to attract and retain talent in the Company

### Corporate Social Responsibility

Corporations do not create a team. It's a good team, which creates a good corporation. We fully realize this fact and therefore provide our team with the best working and social environment. From a highly creative office atmosphere to an eco-friendly manufacturing infrastructure, our business philosophy is finely guided by protecting the environment and the interest of its people, customers and business associates.

**Our Offices and Production Facilities**

Our registered office and manufacturing facilities is located in Kolhapur. Set forth below is a brief summary of our office/production properties:

***Registered and Corporate Office***

Gat No. 148, Tamgaon, Kolhapur-Hupari Road, Taluka Karveer, District Kolhapur, Maharastra Telephone: + 91 231 2676191, 2676671 Fax: + 91 231 2676194	Leasehold
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***Production Facilities***

Gat No. 148, Tamgaon, Kolhapur-Hupari Road, Taluka Karveer, District Kolhapur, Maharastra Telephone: + 91 231 2676191, 2676671 Fax: + 91 231 2676194	Leasehold
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## OUR HISTORY AND CORPORATE STRUCTURE

### Our Group

R. M. Mohite Group started in 1983 with the establishment of R. M. Mohite & Co., a partnership firm with our Promoters as partners, for undertaking projects in infrastructure construction sector viz-earthen dams, small and medium irrigation projects. Some of the projects completed by RMMC include:

- Medium Irrigation project at Basaapachiwadi in Sangli district
- Bhira Tail race Hydro-Electric project in Raigad district
- Warana Left Bank Canal
- Patgaon dam and Kumbhi dam in Kolhapur district
- Jangamhatti medium irrigation project in Kolhapur district.
- M.I. Tank at Chorgewadi in Sindhudurg district

After strengthening Group's position in construction sector, our Promoters went for diversification and diversified into textile sector with the establishment of R. M. Mohite Textiles Limited in the year 1991. In 1993, our Promoters had incorporated Abhishek Cotspin Mills Limited (now known as Abhishek Mills Limited) and set up a spinning unit in the year 1999, subsequent to their dissociation with R.M. Mohite Textiles Limited in the year 1998 in lieu of family understanding.

### Our Company

Our Company was incorporated as Abhishek Cotspin Mills Limited (ACML) on September 1, 1993. Subsequently, on November 14, 2005, name of our Company was changed to Abhishek Mills Limited (AML). The Registered Office of our Company was changed from Shiv-Parvati, 17-E, Nagala Park, Kolhapur - 416003 to Nashte Complex, 252, Assembly Road, Kolhapur-416001 w.e.f. November 28, 1994. The Registered Office of our Company was further changed to Shiv-Parvati, 17-E, Nagala Park, Kolhapur-416003 w.e.f. April 1, 1999 and then to the present address w.e.f. December 1, 2005.

Our Company, which is a 100% export oriented spinning unit, is promoted by Mr. Ramchandra M. Mohite, our Chairman, Mr. Anasaheb R. Mohite, our Managing Director and Dr. Anjali A. Mohite from Kolhapur, Maharashtra. Our Company set up modern manufacturing facilities for 100% combed cotton yarn at Kolhapur with initial capacity of 13104 spindles in 1999 with total investment of Rs 2085.87 lacs financed through promoters' contribution of Rs 1486.35 lacs and term loan of Rs 455 lacs from The United Western Bank Limited (now merged with IDBI Limited).

In the year 2003 we expanded our capacities to 25920 spindles including 2016 spindles of compact spinning with value added facilities like Autoconer, TFOs, Singeing. This expansion of Rs 3500 lacs was financed through term loan of Rs 2302 lacs from the Indian Overseas Bank and balance through internal accruals/Promoter contribution. Our Company initiated another expansion in its spinning capacity by 7200 spindles in 2005, and commercial production of which commenced from April 2006. The cost of above expansion of 7200 spindles was Rs. 1300 lacs which has been financed through term loans of Rs 1137 lacs by The United Western Bank Limited (now merged with IDBI Limited) and balance through internal accruals/Promoter contribution.

We ventured into construction business in the year 2000 and undertook job work for Morbe dam (earthen) project on Dhavri River, from M/s. R.M. Mohite & Co., our group firm, which is a category Class IA registered contractor with PWD, GoM and pursuing government contracts for last 30 years. This diversification was considered necessary to overcome maximum ceiling on contracts that can be performed by any registered contractor for several state corporations in Maharashtra.

Our Company, with more than 3 years experience in construction activity, became eligible and applied for registration as category Class IB registered contractor with PWD, GoM. On obtaining this registration, we will be eligible to bid for various infrastructure projects directly.

With our experience to cater to the premium segment of the fine yarn export market, we now intend to set up an integrated yarn dyed shirting fabric project to tap its growing domestic and overseas market. Further, Our Company is also planning to increase its spinning capacity by adding another 12000 spindles to meet additional requirement of yarn for captive consumption.





### Key Events in the History of the Abhishek Mills Limited

1993	Abhishek Cotspin Mills Limited, incorporated for undertaking the business of manufacture of cotton yarn
1999	Start of manufacturing facilities for cotton yarn at Kolhapur by ACML
1999	Started exporting high quality cotton yarn at competitive prices
1999	Company was designated as 100% EOU
2000	Our Company ventured into infrastructure construction
2003	Expansion of capacity from 13104 spindles to 25920 spindles.
2006	Expansion of capacity from 25920 spindles to 33120 spindles.
2006	Applied to PWD, GoM for registration as Class IB contractor.

### Our Main Objects

The main objects of our Company, as stated in the Memorandum of Association include the following:

To carry on the business of manufacturers, processors, spinners, weavers, knitters, ginnerers, pressers, packers, doublers, balers, buyers balers, buyers exporters, importers, stockists and dealers in all kinds of cotton, jute, flex, hemp, silk, raw, silk, artificial silk, wool, rayon, nylon, terylene polyester, rexine, synthetic yarn, synthetic fibre, staple fibre and any other natural synthetic or man made fibre and blends or fibrous substances and materials, textiles, fabrics and yarns of all kinds whether made from cotton, wool, silk, raw silk, jute, hemp, rayon, artificial silk, nylon, terylene and any other natural synthetic or man made fibre and blends or fibrous substances and materials, and to manufacture, buy, sell and deal in linen and other to carry on the business of wool combers, worsted spinners, worsted stuff manufacturers, drappers, printers, dyers, bleachers, sizers, weavers, dress makers, dures, finishers of all kinds of embroideries maker of vitriol, bleaching and dyeing materials, flex, hemp, jute, wool and silk merchants, and manufacturers, processors, importers, exporters, buyers, sellers of and dealers in all kinds of fabrics, textile and hosiery goods, readymade garments, ropes, textiles made out of other substance capable of spinning and weaving cloth with any other mixtures of natural synthetic fibres including silk and to print the same with all or any processors.

Vide Special Resolution dated 2nd August 2001 passed at the Extraordinary General Meeting held on 2nd August 2001 it has been resolved to commence all or any of the businesses specified in Sub Clause 67 & 68 under the head of “Other Objects” of the Object Clause III of the MOA of our Company.

Sub Clause 67 reads as follows:

“To carry on the business of architects, designers, draftsmen, surveyors valuers, consultants, experts in consultancy services, engineers, constructional engineers, aeronautical engineers, marine engineers, electrical engineers, oil/fuel engineers, mining and metallurgical engineers and engineering of every type and description including the business of building contractors.”

Sub Clause 68 reads as follows:

“To carry on in all respective branches or any of them the business of builders, masonry and general construction contractors and among other things to undertake from the Government or other bodies contracts to construct, execute, carry out equip, improve work on railways roadways, tramways, dock harbours, wharves, canals water-foruses reservoirs, embankments, reclamations, sewerage, drainage and other sanitary works, water gas, motive power and other energy supply works, houses, buildings and erection works of every kind and to carry on the business of any motive power supply company in all its branches and to carry on any other business in connection with the above mentioned business in this clause that are customarily or usually carried on in connection with or naturally incidental thereto.”

As provided under the Act, Form 20A viz. a declaration dated 27th August 2001 made by a director of our Company (Mr. Ramchandra M. Mohite) has been filed with the ROC - Pune on 31st August 2001. The Form No.23 in respect of the Special Resolution passed dated 2nd August 2001 has also been filed with the ROC Pune on 31st August 2001.

The main objects clause of the Memorandum of Association enables our Company to undertake activities for which the funds are being raised in the IPO and also the activities, which the Company has been carrying on till date.



### Changes in Memorandum of Association

<b>Date of change</b>	<b>Changes</b>
November 28, 1994	Change in the registered office of the Company
April 1, 1999	Change in the registered office of the Company
April 28, 2000	Increase in the authorised share capital to Rs. 500 lacs consisting of 50 lacs Equity Shares
May 28, 2001	Increase in the authorised share capital to Rs. 600 lacs consisting of 60 lacs Equity Shares.
August 2, 2001	Change in objects clause for commencement of new business
September 30, 2004	Increase in the authorized share capital to Rs. 1500 lacs consisting of 150 lacs Equity Shares.
December 23, 2004	Reclassification of authorized capital of our Company comprising of 150,00,000 Equity Shares of Rs. 10 each into 60,00,000 equity shares of Rs. 10 each and 90,00,000 Preference Shares of Rs. 10 each.
September 28, 2005	Increase in the authorized share capital to Rs. 2400 lacs consisting of 150 lacs Equity Shares and 90 lacs preference shares
November 14, 2005	Change of the name of Company from Abhishek Cotspin Mills Limited to Abhishek Mills Limited
December 1, 2005	Change in registered office of the Company

### Our Subsidiaries

Our Company has no subsidiaries.

### Shareholders Agreement

Our Company does not have any shareholders agreements.

### Other Agreements

Our Company has engaged Werner International to formulate strategy for marketing our products in the export markets.

### Strategic and Financial Partners

Our Company has not entered into any other material agreement.



## OUR MANAGEMENT

### Board of Directors

Under our Articles of Association we cannot have less than 3 directors and more than 12 directors. Presently we have 7 Directors. Mr. Anasaheb R. Mohite, Managing Director under the overall supervision and control of the Board of Directors, looks after the day-to-day affairs of the Company.

The following table sets forth current details regarding our Board of Directors:

Name, Designation, Father's Name, Address and Occupation	Age	Date of Appointment and Term	Other Directorships
Mr. Ramchandra M. Mohite Chairman  S/o Mr. Maruti Venku Mohite 17 E, 'Shiv-Parvati', Nagala Park, Kolhapur – 416003  Industrialist	69 years	September 1, 1993  Liable to retire by rotation	<ul style="list-style-type: none"> <li>• Shree Devchand Sugars Limited</li> <li>• Subhadra Local Area Bank Limited</li> <li>• Shivneri Nagari Sahakari Path Sanstha Limited</li> <li>• Maruti Cotex limited</li> <li>• R. M. Mohite and Co. (Partner)</li> <li>• Kille Panhalgarh Shikshan Sanstha (Trustee)</li> </ul>
Mr. Anasaheb R. Mohite Managing Director  S/o Mr. Ramchandra M. Mohite 17 E, 'Shiv-Parvati', Nagala Park, Kolhapur – 416003  Industrialist	47 years	October 1, 2006  Term - 3 Years	<ul style="list-style-type: none"> <li>• Shree Devchand Sugars Limited</li> <li>• Mohite Builders Private Limited</li> <li>• R. M. Mohite and Co. (Partner)</li> <li>• Kille Panhalgarh Shikshan Sanstha (Trustee)</li> </ul>
Mr. Abhishek A. Mohite Director  S/o Mr. Anasaheb R. Mohite 17 E, 'Shiv-Parvati', Nagala Park, Kolhapur – 416003  Business	21 years	November 11, 2004  Liable to retire by rotation	None
Mrs Rama Jawahar Swetta Director  W/o Mr. Jawahar Swetta G-1, Blue Diamond Co. Op. Society, Perry Cross Road, Bandra (W), Mumbai - 400 050  Business	56 years	May 27, 1996  Liable to retire by rotation	Gogi Exports Private Limited
Mr. Suresh G. Vaidya Independent Director  S/o Gopal Narayan Vaidya C-36, Goodwill Building, Manmala Tank Road, Mahim Mumbai  Business	67 years	October 30, 2006  Liable to retire by rotation	<ul style="list-style-type: none"> <li>• The Victoria Mills Limited</li> <li>• Pradeep Metals Limited</li> <li>• Vaidya and Associates Textile Consultants Private Limited</li> </ul>
Mr. Sheshrao D. Armal Independent Director  S/o Daulatrao Krishnarao Armal	62 years	October 30, 2006  Liable to retire by rotation	None



Name, Designation, Father's Name, Address and Occupation	Age	Date of Appointment and Term	Other Directorships
403, Gautam Sindhu, Near Hari Niwas Circle, Pachpakhadi, Thane-400602  Business Consultant			
Mr. Shriprakash M. Dhopeswarkar Independent Director  S/o Moreswar Dhondopant Dhopeswarkar Blasé View A CHS Limited, Flat No. 301, Matarpada, Amboli, Andheri-West, Mumbai-400058  Chartered Accountant	63 years	October 30, 2006  Liable to retire by rotation	None



### Brief Profile of our Directors:

**Mr. Ramchandra M. Mohite**, aged 69 years is our Chairman. He began his career as construction contractor and has been involved in the business of Abhishek Mills Limited since its inception. He has over 45 years of experience in construction & textile industry. His dedication, commitment and vision to achieve goals with quality enabled him to become associated with big construction projects like large earthen dams and bridges. A list of major earthen dam and medium irrigation projects is as under:

- Bridge on river near Vaibhavwadi in Sindhudurga district, completed in 1972
- Medium irrigation project at Basaapachiwadi in Sangli district, completed in 1981
- Bhira Tail race hydro-electric project in Raigad district, completed in 1987
- Warana left bank canal in Sangli district, completed 1990
- Kasari medium irrigation project project on Kasari river, a sub tributary of Krishna river, completed in 1991-92
- Kumbhi Dam in Kolhapur, completed in 1996
- Patgaon Dam in Kolhapur, completed in 1997-98
- Dhom Balkavadi irrigation project in Satara district, completed in 2002
- Chitri medium irrigation project at Kolhapur, completed in 2003

He was one of the promoters of R. M. Mohite Textiles Limited. He was functioning as its Chairman since its inception till his disassociation in January 1998.

**Mr. Anasaheb R. Mohite**, aged 47 years is the Managing Director of our Company. He has done B.E. in civil engineering from K.L.E.College, Belgaum, Karnataka. He is the eldest son of Mr. Ramchandra M. Mohite and has over 27 years of experience in construction industry and around 15 years in textile industry. He has operational experience of implementing various construction projects in the state of Maharashtra mainly irrigation projects and medium sized earthen dams. A list of major earthen dam and medium irrigation projects is as under:

- Medium irrigation project at Basaapachiwadi in Sangli district, completed in 1981
- Bhira Tail race hydro-electric project in Raigad district, completed in 1987
- Warana left bank canal in Sangli district, completed 1990
- Kasari medium irrigation project project on Kasari river, a sub tributary of Krishna river, completed in 1991-92
- Kumbhi Dam in Kolhapur, completed in 1996
- Patgaon Dam in Kolhapur, completed in 1997-98
- Dhom Balkavadi irrigation project in Satara district, completed in 2002
- Chitri medium irrigation project at Kolhapur, completed in 2003
- Morbe dam project on Dhavri river in Raigad district, work in progress expected to be completed in 2007.

He was the main architect of group's foray in the textile industry. He was one of the promoters of R. M. Mohite Textiles Limited and was on its board since inception till his disassociation in January 98. Over the years he has developed expertise in spinning technology. In the year 1993 he started working on a separate textile venture by incorporating Abhishek Cotspin Mills Limited. He is responsible for building yarn spinning plant with the latest machineries and technology at Kolhapur. His continual marketing thrust for gaining niche in export market lead to the recognition of the unit as export oriented undertaking. He is currently in charge of over all Management of the Company. He is presently involved in setting up a plant for weaving and processing, which has huge potential in the export market. He provides strategic direction in selection of technology and machineries in setting up new manufacturing facilities, improvement of production processes and new ventures.

**Mr. Abhishek A. Mohite**, aged 21 years is our Director. He has done bachelor of science in business administration from Troy University, Albama, United States of America.

**Mrs Rama Jawahar Swetta**, aged 56 years is the Director of our Company. She is a fashion designer by profession and owns a boutique at Bandra (West), Mumbai.

**Mr. Suresh G. Vaidya**, aged 67 years is the independent Director of our Company. He is a graduate in textile engineering (B.Tex) from University of Mumbai and Certified Management Consultant (CMC). He has wide experience in textile industry and has worked in various textile industries in various positions. Some of his previous assignments are as under:

- a.) Has worked as technical director in P. T. Vastex Prima Industries, Bandung, Indonesia from 1983-86.
- b.) Has served as non-executive chairman of Maharashtra State Textile Corporation Ltd. (MSTC) and its subsidiary companies from 1988-91.
- c.) He has also rendered his consultancy services to Commonwealth Secretariat, U.K. for rehabilitation and revival of Textile Units in Mauritius and Uganda



**Mr. Sheshrao D. Armal**, aged 62 years is the independent Director of our Company. He has done Ph.D in Civil Engineering, Master of Engineering (Civil), Diploma in Civil Engineering. He has worked in Maharashtra Jeevan Pradhikaran in various capacities i.e Assistant Engineer (Class I) for 4 years and then executive engineer for 9 years.

**Mr. Shriprakash M. Dhopeshwarkar**, aged 62 years is the independent Director of our Company. He is a Chartered Accountant by profession and has done master's in commerce from Pune University. He has wide experience in field of corporate finance and internal audit. He has worked with Tata Infotech Limited as Vice President (Internal Audit) for 25 years.

#### **Details of Borrowing Powers of Directors**

Our Articles of Association authorize our Board, to borrow moneys and secure the payment thereof. Our shareholders at the EGM held on December 1, 2005 authorized the Board to borrow by way of loan (term loans/working capital facilities/external commercial borrowings and securities (debentures) the aggregate value of which (including existing facilities etc.) shall not exceed Rs. 200 crores from financial institutions/ banks etc. subject to a maximum of Rs. 200 crores.

Our Board has further been authorized to borrow money (including external commercial borrowings in foreign denominated currencies from any foreign sources/foreign countries notwithstanding that the money(s) to be borrowed together with the money(s) already borrowed by our Company and outstanding may exceed the aggregate of the paid-up capital and free reserves of the Company if the total amount borrowed/to be borrowed by the Board does not exceed Rs. 200 crores.

For details regarding powers of our Board in this regard kindly refer to the section titled "Main Provisions of the Articles of Association" on page 164 of the Red Herring Prospectus.

#### **Details of Compensation payable to Managing Director**

Mr. Anasaheb R. Mohite has been appointed as the Managing Director of our Company with effect from October 1, 2006 for a period of 3 years vide an agreement dated September 25, 2006. Details of remuneration payable to them are as follows:

##### **Salary:**

Monthly salary of Rs. 2,00,000/- (Rs. Two Lac Only).

##### **Perquisites:**

- i) Free unfurnished accommodation or alternatively House Rent Allowance @ 20% of Salary.
- ii) Reimbursement of medical expenses incurred for Managing Director, his wife, dependent children and dependent parents subject to a ceiling of 10% of salary, which can be accumulated upto three years.
- iii) Leave Travel Concession to the Managing Director and his wife, dependent children and dependent parents, once in a year subject to the ceiling of one month's salary.
- iv) Personal Accident Insurance, premium of which shall not exceed Rs. 1,000/- per annum.
- v) Fees of clubs subject to maximum of two clubs (Excluding Lifetime Membership Fees).

##### **Retirement Benefits:**

- i) Provident Fund: Company's contribution towards Provident Fund, subject to ceiling of 12% of salary.
- ii) Company's Contribution to Superannuation Fund: As extended to other Senior Executives of the Company. The Company's contribution in respect of Provident Fund and Superannuation put together shall not exceed 27% of the monthly salary as laid down under Income Tax Act, 1961.
- iii) Gratuity: A sum not exceeding one month's salary for each completed year of service as Managing Director on the basis of last salary drawn.

##### **Other Perquisites:**

- i) All expenses for the maintenance, running and upkeep of the motorcar for business purpose to be borne and paid by the Company.



- ii) Telephone at residence, all charges including rental and all charges of the telephone being paid by the company in full however, the personal long distance calls shall be billed to the Managing Director.
- iii) Leave facilities as applicable to other executives of the Company.
- iv) Such other benefits or amenities as may be applicable to other Senior Executives of the company.

### **Commission:**

Commission upto 3% of net profit of the company to be decided by the remuneration committee

The Board of Directors is at full liberty in its discretion to fix, vary, alter the emoluments, allowances and / or perquisites etc. within the above-mentioned limits. However the total remuneration shall not exceed 5% of net profit.

The emoluments as aforesaid including the perquisites shall be paid notwithstanding the absence or inadequacy of profits for any such year.

### **Shareholding of the Directors in our Company**

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

<b>Name of Shareholder</b>	<b>Number of shares</b>	<b>% Shareholding</b>
Mr. Ramchandra M. Mohite	15	Negligible
Mr. Anasaheb R. Mohite	4204193	42.43
Mr. Abhishek A. Mohite	1727116	17.43

### **Changes in Our Board of Directors during last 3 years**

The changes in the Board of Directors of our Company during last three years are as under:

<b>Name of Director</b>	<b>Date of change</b>	<b>Reasons for change</b>
Mr. Manohar Vitthal Dudhane	March 30, 2004	Appointment as Additional Director
Mr. Dhanjaya Shripati Charne	March 30, 2004	Appointment as Additional Director
Mr. Anasaheb R. Mohite	March 30, 2004	Appointment as Managing Director
Mr. Abhishek A. Mohite	November 11, 2004	Appointment as Additional Director
Mr. Manohar Vitthal Dudhane	March 1, 2005	Resignation as Director
Mr. Dhanjaya Shripati Charne	March 1, 2005	Resignation as Director
Mr. Suresh G. Vaidya	October 30, 2006	Retired as Additional Director and Appointed as Director
Mr. Sheshrao D. Armal	October 30, 2006	Retired as Additional Director and Appointed as Director
Mr. Shriprakash M. Dhopeswarkar		Retired as Additional Director and Appointed as Director

### **Interest of Directors other than Promoter directors**

Except as stated in "Related Party Transactions" on page 76 of the Red Herring Prospectus, and to the extent of shareholding in the Company as stated below, the directors do not have any other interest in the business. Except to the extent of his shareholding, the Director, other than the Promoters who is also a Director, does not have any other interest in the Company. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

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

The Articles of Association provide that the Directors and officers shall be indemnified by the Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer



receives judgment in his favour or is acquitted or discharged or in connection with any application under section 633 of the Companies Act, 1956 in which relief is granted to him by the Court.

### **Corporate Governance**

The Company stands committed to good Corporate Governance practices. The Guidelines issued by SEBI in respect of Corporate Governance will be applicable to us immediately upon applying for in-principle approval for listing of our Equity Shares on the Stock Exchanges. Accordingly, we have undertaken steps to comply with the SEBI Guidelines on Corporate Governance.

The Board has seven Directors, of which three are independent directors in accordance with the requirements of Clause 49 of the listing agreement of the Stock Exchanges. However, as advised by Securities and Exchange Board of India, we undertake to appoint additional independent directors before our next board meeting so as to ensure that proportion of independent directors is atleast fifty percent of the total strength of the Board. The Chairman of the Board is a non-executive Director. Committees of the Board have been constituted in order to look into the matters in respect of audit, compensation of executive directors, Investors Grievance Redressal and Share Transfer, details of which are as follows:

### **Audit Committee**

The Audit Committee has been constituted on May 2, 2006. The Committee currently consists of three directors Shri Shriprakash M. Dhopeswarkar, Shri Suresh G. Vaidya, Shri Sheshrao D. Armal. All these directors are independent directors with Shri Suresh G. Vaidya with finance and accounting background. The members shall elect the chairman of the Committee from amongst themselves.

The terms of the Audit Committee is to comply with the requirements of section 292 A of the Companies Act and Clause 49 of the listing agreement to be entered into with the Stock Exchange(s). The scope of Audit Committee shall include but shall not be restricted to the following:

1. Authority to investigate any matter pertaining to the items specified in section 292A of the Companies Act or referred to it by the Board
2. Investigate any activity within its terms of reference
3. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
4. Reviewing with management the annual financial statements
5. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
7. Reviewing the Company's financial and risk management policies
8. Periodic discussion with the auditors about internal control systems, scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.

### **Remuneration Committee**

The Remuneration Committee has been constituted on May 2, 2006. The Committee currently consists of three directors, Shri Shriprakash M. Dhopeswarkar, Shri Suresh G. Vaidya, Shri Sheshrao D. Armal. All these directors are independent directors. The members shall elect the chairman of the Committee from amongst themselves.

The Committee has been formed to decide and approve the terms and conditions for appointment of executive directors of the Company and remuneration payable to other directors and executives of the Company and other matters related thereto.



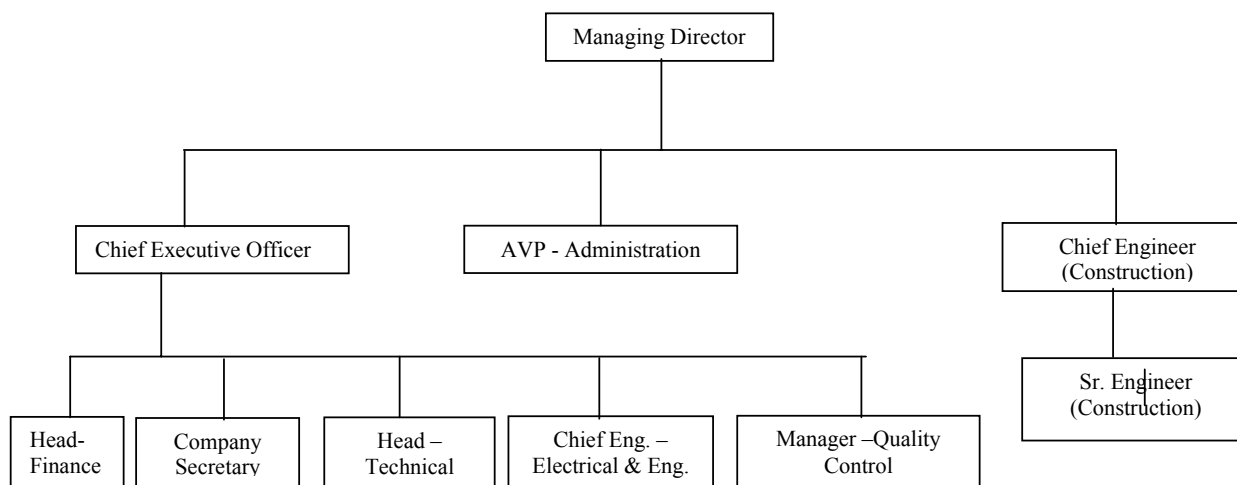


### Share Transfer/Investor Grievance Committee

The Share Transfer/Investor Grievance Committee has been constituted on May 2, 2006. The Committee currently consists of three directors, Shri Anasaheb R. Mohite-Managing Director, Shri Suresh G. Vaidya-Director, Shri Sheshrao D. Armal-Director. The members shall elect the chairman of the Committee from amongst themselves.

The Committee has been formed to specifically look into all the works relating to shares and shareholders grievance, i.e., approval of transfer/transmission/demat/remat of shares, issue of duplicate, split-up, consolidation, renewal of share certificate, non receipt of balance sheet, non receipt of declared dividends etc.

### Organizational Structure



### Key Managerial Personnel

The key managerial personnel of the Company are as follows:

For a brief profile of Mr. Anasaheb R. Mohite, Managing Director, kindly refer to the paragraph on “Our Management” on page 60 of the Red Herring Prospectus.

**Shri Anant Y. Bhide – Chief Executive Officer**, joined our Company in January 1, 1998. He has done Bachelor in Textile Engineering from V.J.T.I., Mumbai. A Technocrat by profession, Mr. Bhide has helped several managements to establish several spinning mills. He has experience of twenty-five years in this field. He is there in the Company right from the setting up of first project of 13104 spindles. He has played an important role in setting up our production facilities. He handles all the technical and marketing matters of the Company. Owing to his knowledge and methods employed by him, our Company continues to produce quality cotton yarn consistently. He is being paid total remuneration of Rs. 7,20,000 per annum. Before joining our Company, he was employed with R.M. Mohite Textiles Limited as chief executive from 1995-1999, with Arvind Cotspin Limited as chief executive from 1993-1995, Indo Count Industries as project in charge from 1990-1993

**Dr. Anjali A. Mohite – Associate Vice President (Administration)**, joined our Company on October 1, 2003. She is a qualified doctor and she looks after administrative affairs of the Company. She has over 2 years of experience in managing the day to day administration of the Company. Being proactive she helps the management in running the Company by playing an active role. She is being paid total remuneration of Rs. 600,000 per annum.

**Shri Ramesh K.Chandawarkar – Head (Finance)** joined our Company on March 17, 2001. He is a Chartered Accountant and B.Com from Karnataka University. He has wide experience of 18 years in various industries in Finance and Banking. He looks after entire accounting and financial affairs of the Company. Before joining our Company he was employed with Nagreeka Exports Limited. He is being paid total remuneration of Rs. 300,000 per annum.



**Shri Shrenik Uday Nagaonkar – Company Secretary** joined our Company on May 26, 2006. He is a qualified company secretary from Institute of Company Secretaries of India and MBA (Finance) from Chhatrapati Shahu Institute of Business Education and Research. He has working experience of around 1 year in financial and secretarial affairs. He looks after accounting and secretarial matters of our Company. Before joining our Company he was employed with Menon Pistons Limited. He is being paid total remuneration of Rs. 216,000 per annum.

**Shri Kamalakar Bhairavnath Pise – Head (Technical)** joined our Company on April 18, 2006. He has done Bachelor in Textile Engineering from V.J.T.I, Mumbai. He has over 23 years of experience in spinning industry. He is looking after overall technical maintenance and performance of our production facilities. Before joining our Company he was employed with Soma Textiles Industries Limited. He is being paid total remuneration of Rs. 360,000 per annum

**Shri.Ravindra R. Palase – Chief Engineer (Electrical and Engineering)** joined our Company on April 1, 1999. He has done Diploma in Electrical Engineering from Mumbai Technical Board. He has over 19 years of experience in spinning mills. He looks after the needs of Engineering and Electrical departments in our Company. Before joining our Company he was employed with Indocount Industries Limited. He is being paid total remuneration of Rs. 264,000 per annum.

**Shri Ravindra D. Patil – Manager (Quality Control)** joined our Company on November 15, 1999. He has done Diploma in Textile Manufacture Engineering from Bombay board of Technical Examination. He has over 12 years of experience in various spinning mills. He looks after quality control department in our Company. Before joining our Company he was employed with Arvind Cotspin Mills. He in being paid total remuneration of Rs. 1,68,000 per annum.

#### Construction Division

**Shri. Ravi M. Shetti – Chief Engineer** joined our Company on January 5, 1999. He has done Mechanical Engineering from K.L.E.College, Belgaum, Karnataka. He has got vast experience of over 20 years in construction business. He is associated with our group for last two decades years. He is heading our construction division and directly reports to the Managing Director. Before joining our Company he was employed with R.M.Mohite Textile Ltd. He is being paid total remuneration of Rs. 144,000 per annum.

**Shri. Ajit M. Bangade – Senior Engineer** joined our Company on July 4, 1994. He has done Diploma in civil engineering from Board of Technical Examination. He has got experience of over 15 years in construction industry. He supervises all the day-to-day activities of construction division at site. He reports to Chief Engineer. Before joining our Company he was employed with M/s R M. Mohite & Co. He is being paid total remuneration of Rs. 96,000/- per annum.

Except Dr. Anjali A. Mohite none of the key managerial personnel are relatives of the Promoters. As on date all the employees named above were on the roll of the Company as permanent employees.

#### Shareholding of Key Managerial Personnel:

The shareholding of the key employees of the Company as on the date of the Red Herring Prospectus is as given below:

Name of Key Managerial Personnel	No. of Equity Shares
Mr. Anasaheb R. Mohite	4,204,193
Dr. Anjali A. Mohite	3,977,078
Total	8,181,271

For details of Equity Shares held by Mr. Anasaheb R. Mohite and Dr. Anjali A. Mohite kindly refer to the section titled 'Capital Structure' on page 16 of the Red Herring Prospectus.

#### Changes in Key Managerial Personnel in Last Three Years

Name	Designation	Date of Joining	Date of Resignation	Reasons
Dr. Anjali A. Mohite	AV.P (Administration)	October 1, 2003	N.A	N.A
Mr. Kamalakar Bhairavnath Pise	Head (Technical)	April 18, 2006	N.A	N.A
Mr. Shrenik Uday Nagaonkar	Company Secretary	May 26, 2006	N.A	N.A



**Bonus or Profit Sharing Plan for the Key Managerial Personnel**

Currently, we do not have a performance linked bonus or a profit sharing scheme for our Employees. However, our Employees are given an ex-gratia payment during Diwali Festival on a lump-sum basis as per the decision of the management. The key managerial personnel (other than promoters) do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled. They are reimbursed for the expenses incurred by them during the ordinary course of business.

**Employee Stock Option Scheme**



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


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

There has been no other payment or benefit to the employees/key managerial personnel (other than promoters) of the Company.

## OUR PROMOTERS

Mr. Ramchandra M. Mohite, Mr. Anasaheb R. Mohite and Dr. Anjali A. Mohite are the Promoters of our Company. A brief profile of our Promoters is as follows:

	<p><b>Mr. Ramchandra M. Mohite</b>, aged 69 years is our Chairman. He began his career as construction contractor and has been involved in the business of Abhishek Mills Limited since its inception. He has over 45 years of experience in construction &amp; textile industry. His dedication, commitment and vision to achieve goals with quality enabled him to become associated with big construction projects like large earthen dams and bridges. . A list of major earthen dam and medium irrigation projects is as under:</p> <ul style="list-style-type: none"> <li>➤ Bridge on river near Vaibhavwadi in Sindhudurga district, completed in 1972</li> <li>➤ Medium irrigation project at Basaapachiwadi in Sangli district, completed in 1981</li> <li>➤ Bhira Tail race hydro-electric project in Raigad district, completed in 1987</li> <li>➤ Warana left bank canal in Sangli district, completed 1990</li> <li>➤ Kasari medium irrigation project project on Kasari river, a sub tributary of Krishna river, completed in 1991-92</li> <li>➤ Kumbhi Dam in Kolhapur, completed in 1996</li> <li>➤ Patgaon Dam in Kolhapur, completed in 1997-98</li> <li>➤ Dhom Balkavadi irrigation project in Satara district, completed in 2002</li> <li>➤ Chitri medium irrigation project at Kolhapur, completed in 2003</li> </ul> <p>He was one of the promoters of R. M. Mohite Textiles Limited and was functioning as its Chairman since its inception till his disassociation in January 1998.</p> <p>His permanent account number is ABGPM8695J  His passport number is – A2334772  His driving licence number is – N.A  His voter identity card number is – N.A  His Bank Account number is 1427 with United Western Bank Limited (now merged with IDBI Limited), Kolhapur</p>
	<p><b>Mr. Anasaheb R. Mohite</b>, aged 47 years is the Managing Director of our Company. He has done B.E. in civil engineering from K.L.E College, Belgaum, Karnataka. He has over 27 years of experience in construction industry and around 15 years in textile industry. He has operational experience of implementing various construction projects in the state of Maharashtra mainly irrigation projects and medium sized earthen dams. A list of major earthen dam and medium irrigation projects is as under:</p> <ul style="list-style-type: none"> <li>➤ Medium irrigation project at Basaapachiwadi in Sangli district, completed in 1981</li> <li>➤ Bhira Tail race hydro-electric project in Raigad district, completed in 1987</li> <li>➤ Warana left bank canal in Sangli district, completed 1990</li> <li>➤ Kasari medium irrigation project project on Kasari river, a sub tributary of Krishna river, completed in 1991-92</li> <li>➤ Kumbhi Dam in Kolhapur, completed in 1996</li> <li>➤ Patgaon Dam in Kolhapur, completed in 1997-98</li> <li>➤ Dhom Balkavadi irrigation project in Satara district, completed in 2002</li> <li>➤ Chitri medium irrigation project at Kolhapur, completed in 2003</li> <li>➤ Morbe dam project on Dhavri river in Raigad district, work in progress expected to be completed in 2007.</li> </ul> <p>He was the main architect of group's foray in the textile industry. He is currently in charge of over all Management of the Company and is instrumental for the proposed expansion. He was one of the promoters of R. M. Mohite Textiles Limited and was on its board since its inception till his disassociation in January 1998.</p> <p>His permanent account number is ABGPM8694K</p>

	<p>His passport number is F5355294  His driving licence number is MH 02/2000/12371  His voter identity card number is MT/48/285/543043  His Bank Account number is 016601503000 with ICICI Bank Ltd., Kolhapur</p>
	<p><b>Dr. Anjali A. Mohite</b>, aged 46 years is one of the Promoters of our Company. She is qualified Bachelor in Ayurvedic Medicine and Surgery (BAMS) from Karnataka University. She is currently employed with our Company and is responsible for human resources and administrative affairs of our Company.</p> <p>Her permanent account number is AEOPM5135N  Her passport number is B2447210  Her driving licence number is 85/439/KL/1985  Her voter identity card number is MT/48/285/543044  Her Bank Account number is 28838 with Syndicate Bank, Kolhapur</p>

We confirm that the permanent account number, passport number, driving licence number, voter id, bank account number of our Promoters have been submitted to BSE and NSE at the time of filing the Red Herring Prospectus with them.

### Common Pursuits

The list of entities having business similar to our construction activity:

- R.M. Mohite and Co.
- Maruti Constructions
- Mohite Builders Private Limited

### Interest of the Promoters

The land on which our Registered Office and Production Facilities are situated is leased by our Promoters to our Company for lease rent of Rs 25,000 per annum for the period of 30 years from the date of execution of lease agreement

Our Promoters have no interest other than reimbursement of expenses incurred at actuals, remuneration or benefits in their capacity as director and their shareholding in the Company. The Promoters may be deemed to be interested to the extent of Equity Shares held by them, their friends or relatives.

The Promoters are not interested in any loan or advance given by the Company, neither are they beneficiary of any such loans or advances.

Among our Promoters, Mr Anasaheb R. Mohite is son of Mr. Ramchandra M. Mohite and Dr. Anjali A. Mohite is wife of Mr. Anasaheb R. Mohite.

Our Promoters have promoted companies and they may be deemed to be interested in these companies. For details of our group/associate companies, other ventures of our Promoters and companies under the same management kindly refer to the section titled 'Group/Associate Companies' on page 71 of the Red Herring Prospectus.

### Payment or benefit to our Promoters

No other payment or benefit is given to our Promoters save in their capacity as shareholders, remuneration as executive directors and lease rent for the land on which our Registered Office and Production Facilities are situated.

For related party transactions kindly refer to the section titled "Related Party Transactions" on page 76 of the Red Herring Prospectus.

For dividend policy of our Company kindly refer to the section titled "Dividend Policy" on page 80 of the Red Herring Prospectus.



## OUR GROUP COMPANIES/ASSOCIATES

The entities, which can be classified as our Group Associates/Companies are R. M. Mohite and Co., Shivneri Nagari Sahakari Pat Sansta Maryadit, Subhadra Local Area Bank Limited, Fort International Academy, Shri Devchand Sugars Limited, Mohite Builders Private Limited, Maruti Constructions.

### R. M. Mohite and Co. (RMMC)

R. M. Mohite and Co., a partnership firm was established on May 11, 1980 with Mr Ramchandra M. Mohite, Mr. Maruti Venku Vadar, Mr. Balu Dadu Bajage, Mr. Anasaheb R. Mohite, Mr. Deelip alias Balasaheb R. Mohite, Mr. Bhagwan Nagu Mohite, Mr. Bhimrao Krishna Mohite as partners. Subsequently Mr. Bhagwan Nagu Mohite, Mr. Bhimrao Krishna Mohite retired from the firm with effect from March 31, 1983. With effect from March 31, 1989 Mr Maruti Venku Vadar and Mr. Balu Dadu Bajage retired from the firm and Mr. Shivaji R. Mohite was inducted as partner. The reconstituted firm continued its operations till April 1, 1993 when one of its partner Mr. Anasaheb R. Mohite retired from the firm. However Mr. Anasaheb R. Mohite was re-inducted by the firm as partner on April 1, 1997. Subsequently with effect from January 1, 1998, Mr. Deelip R. Mohite and Mr. Shivaji R. Mohite retired from the firm and remaining partners Mr. Ramchandra M. Mohite and Mr. Anasaheb R. Mohite decided to continue operations of the firm under the same name and style by executing a fresh partnership deed dated January 1, 1998 at Kolhapur. RMMC was established to undertake construction of village roads, district roads, culverts, canals, road bridges. However, slowly and gradually RMMC has moved up its activities and started construction of minor and medium irrigation projects. It specialises in the construction of large earthen dams with all its components.

Some of the projects completed by RMMC include:

- Medium Irrigation project at Basaapachiwadi in Sangli district
- Bhira Tail race Hydro-Electric project in Raigad district
- Warana Left Bank Canal
- Patgaon dam and Kumbhi dam in Kolhapur district
- Jangamhatti medium irrigation project in Kolhapur district.
- M.I. Tank at Chorgewadi in Sindhudurg district

Mr Ramchandra M. Mohite and Mr. Anasaheb R. Mohite are the equal partners in the firm.

### Financial Performance

	<i>Rs in lacs</i>		
<b>For the year ended March 31,</b>	<b>FY 2006</b>	<b>FY 2005</b>	<b>FY 2004</b>
Operational Income	6180.84	3548.30	2223.41
Other Income	-	-	-
<b>Total Income</b>	<b>6180.84</b>	<b>3548.30</b>	<b>2223.41</b>
Net Profit after Tax	168.19	46.10	76.03
Capital	529.02	386.00	654.38

### Subhadra Local Area Bank Limited (SLABL)

Subhadra Local Area Bank Limited promoted by Mr. Ramchandra M. Mohite was incorporated on April 10, 2001 with the Registrar of Companies, Maharashtra at Mumbai. The registered office of the 399/E, Opp. Basant-Bahar Talkies, Shahupuri, Kolhapur – 416 002, State: Maharashtra. Main object clause of SLABL provides that the company has been incorporated to carry on the business of banking with particular emphasis on the rural areas of Kolhapur and Sangli districts in Maharashtra and Belgaum district in Karnataka state. The company shall carry on and transact the business of banking as defined in Banking Regulation Act, 1949 and may engage in one or more of the other forms of business specified in the act.

### Board of Directors

<b>Name</b>	<b>Designation</b>
Mr. Bapusaheb Ramchandra Mithari	Managing Director
Mr. Ramchandra M. Mohite	Director
Mr. Dadasaheb Chaougonda Patil	Director
Mr. Dattatray Ambaji Chougule	Director
Mr. Mohan Laxman Bhingarde	Director
Mr. Dinkar Krishnaji Patil	Director
Mr. Vijay Madanlal Navandhar	Director
Mr. Ramakant Madhukar Bhingarde	Director
Mr. Ramesh Shankar Shetti	Director
Mr. Subhash Nemmanna Aitawade	Director

**Shareholding Pattern**

Category	No. of Shares	% holding
Promoters	2680000	48.99
Others	2791000	51.01
<b>Total</b>	<b>5471000</b>	<b>100.00</b>

**Financial Performance**

The audited financial performance of SLABAL for the last three financial years is as given below:

(Rs. in lacs, except per share data)

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Operational Income	134.98	60.15	33.15
Other Income	1.15	0.26	0.07
<b>Total Income</b>	<b>136.13</b>	<b>60.41</b>	<b>33.22</b>
Profit after tax	21.37	5.58	7.64
Equity Share Capital	547.10	547.10	547.10
Reserves and Surplus	69.49	51.51	65.00
Dividend (%)	0.00	0.00	0.00
Earning Per Share (Rs.)	0.39	0.10	0.14
Book Value per share (Rs.)	11.27	10.94	11.19

**Shivneri Nagari Sahakari Path Sanstha Maryadit (SNSPSM)**

Shivneri Nagari Sahakari Pat Sanstha Maryadit promoted by Mr. Ramchandra M. Mohite was incorporated on May 18, 1995 with the District Sub-Registrar, Co-operative Institutions, Kolhapur, Maharashtra. The registered office of the company is situated at 451/1 B, E ward, R.M. Mohite Bhavan, Athane building, Station road, Kolhapur. Main object clause of SNSPSM provides for carrying of business as credit society.

**Board of Directors**

Name	Designation
Mr. Ramchandra M. Mohite	Chairman
Mr. Dattatray Ambaji Chougule	Director
Mr. Anilkumar Shivaji Sutar	Director
Mr. Suryakant Pandurang Powar	Director
Mr. Annaso Bapuso Minch	Director
Mr. Vidyadhar Vishwanath Sangaonkar	Director
Mr. Subhash Nemanna Aitwade	Director
Mrs. Aparna Alias Rupa Ravi Shetti	Director
Mr. Pravin Bapusaheb Mudhale	Director
Mr. Ashok Dhanpal Patil	Director
Mr. Pandit Laxman Pawar	Director
Mrs. Vaishali Shantikumar Sadalge	Director

**Shareholding Pattern**

Category	No. of Shares	% holding
Promoters	966	3.53
Others	26428	96.47
	<b>27394</b>	



## Financial Performance

The audited financial performance of SNSPSM for the last three financial years is as given below:

(Rs. in lacs, except per share data)

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Operational Income	303.71	338.46	427.69
Other Income	80.31	93.88	72.65
<b>Total Income</b>	<b>384.02</b>	<b>432.34</b>	<b>500.34</b>
Profit	29.37	22.17	40.71
Equity Share Capital	27.39	25.89	19.25
Reserves and Surplus	444.32	387.74	349.50
Dividend (%)	Nil	Nil	Nil
Earning Per Share (Rs.)	107.21	85.63	211.40
Book Value per share (Rs.)	1721.96	1597.64	1915.13

## Kille Panhalgarh Shikshan Sanstha (KPSS)

Kille Panhalgarh Shikshan Sanstha promoted by Mr. Ramchandra M. Mohite was incorporated on December 27, 2002 as a Public Trust with Public Trust Registrar, Kolhapur office. The principle office of the KPSS is situated at Shiv-Parvati, 17-E, Shiv-Parvati, Nagala Park, Kolhapur. The KPSS was formed with main object of operating as an educational institution in the region of Kolhapur.

## Board of Trustees

Name	Designation
Mr. Ramchandra M. Mohite	Chairman
Dr. Dattatray Ambaji Chougule	Secretary
Mr. Anasaheb R. Mohite	Trustee
Dr. Abhay Dattatray Chougule	Trustee
Mr. Rajnikant Annasaheb Patil	Trustee
Mr. Sanjay Babasaheb Patil	Trustee
Mr. Dhairyashil Pralhad Pawar	Trustee
Mr. Vikramsingh Pratapsingh Desai	Trustee
Mrs. Anita Dhairyashil Pawar	Trustee

## Financial Performance

The audited financial performance of KPSS for the last three financial years is as given below:

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Operational Income	93.64	33.99	-
Other Income	0.00	0.03	-
<b>Total Income</b>	<b>93.64</b>	<b>34.02</b>	<b>-</b>
Profit	8.76	9.41	-
Trust Fund Capital	5.04	5.04	-
Reserves and Surplus	39.17	9.61	-

## Shri Devchand Sugars Limited

Shri Devchand Sugars Limited was incorporated on February 23, 1996 with Registrar of Companies, Karnataka at Bangalore. The registered office of the company is situated at 1156, Anu-Dev Villa, Gandhi Chowk, Nipani – 591237, Karnataka. The company has been incorporated with the main object of carrying business of manufacturing and selling of Sugar and allied products. The promoters of SDSL are Mr. Ramchandra M. Mohite and Mr. Anasaheb R. Mohite

## Board of Directors

Name	Designation
Mr. Ramchandra M. Mohite	Chairman
Mr. Anasaheb R. Mohite	Managing Director
Mr. Abhishek A. Mohite	Joint Managing Director





Mr. Kiran Devchand Shah	Director
Mr. Aashish Kiran Shah	Director

**Shareholding Pattern**

Category	No. of Shares	% holding
Promoters	5021250	95.47
Others	238250	4.53
<b>Total</b>	<b>5259500</b>	<b>100.00</b>

**Financial Performance**

The audited financial performance of SDSL for the last three financial years is as under. SDSL has not prepared Profit and Loss account for any of the previous three years since it has not commenced commercial production yet

(Rs. in lacs, except per share data)

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Total Income	Nil	Nil	Nil
Profit after tax	Nil	Nil	Nil
Equity Share Capital	525.95	525.95	525.95
Reserves and Surplus	Nil	Nil	Nil
Dividend (%)	0.00	Nil	Nil
Earning Per Share (Rs.)	0.00	Nil	Nil
Book Value per share (Rs.)	3.90	3.91	3.92

**Mohite Builders Private Limited (MBPL)**

Mohite Builders Private Limited promoted by Mr. Ramchandra M. Mohite and Mr. Anasaheb R. Mohite was incorporated on February 15, 1989 with registrar of companies for Maharashtra at Mumbai. The registered office of MBPL is situated at Shiv-Parvati, 17-E, Nagala Park, Kolhapur – 416003. The company is presently operating in construction sector.

**Board of Directors**

Name	Designation
Mr. Anasaheb R. Mohite	Director
Dr. Anjali A. Mohite	Director

**Shareholding Pattern**

Category	No. of Shares	% holding
Promoters	5000	50.00
Others	5000	50.00
<b>Total</b>	<b>10000</b>	<b>100.00</b>

**Financial Performance**

(Rs. in lacs, except per share data)

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Total Income	Nil	Nil	Nil
Profit after tax	(0.00)	(0.00)	(0.00)
Equity Share Capital	1.00	1.00	1.00
Reserves and Surplus (including share application money)	2.43	19.03	19.04
Dividend (%)	0.00	Nil	Nil
Earning Per Share (Rs.)	(0.04)	(0.00)	(0.00)
Book Value per share (Rs.) (excluding share application money)	34.39	34.39	34.43



### Maruti Construction

Maruti Construction is a proprietary concern of Mr. Ramchandra M. Mohite. This concern was started in the present name and style on April 1, 1997. The head office of the Maruti Construction is situated at Shiv-Parvati, 17-E, Nagala Park, Kolhapur – 416003. The above concern is operating as civil contractor in the state of Maharashtra.

### Financial Performance

(Rs. in lacs)

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Operational Income	646.50	0.00	226.02
Other Income	11.07	60.50	0.00
<b>Total Income</b>	<b>657.58</b>	<b>60.50</b>	<b>226.02</b>
Change in work in progress	(85.00)	7.00	6.57
Profit before tax	33.05	5.65	77.48
Capital	492.07	456.63	125.74

### Maruti Cotex Limited (MCL)

Maruti Cotex Limited promoted by Mr. Ramchandra M. Mohite was incorporated on March 7, 2006 with Registrar of Companies, Maharashtra at Pune. The registered office of MCL is situated at Shiv-Parvati, 17-E, Nagala Park, Kolhapur – 416003. The main object of the company is to carry on business in textile industry. The company is yet to commence operations.

### Board of Directors

Name	Designation
Mr. Ramchandra M. Mohite	Director
Mr. Ashok Kulkarni	Director
Mr. Subhash Swami	Director
Mr. Ankit Kumar Sutar	Director
Mr. Govind Kulkarni	Director
Mr. Jayapal Rote	Director
Mr. Shrikant Chougule	Director

### Shareholding Pattern

Category	No. of Shares	% holding
Promoters	4400	88.00
Others	600	12.00
<b>Total</b>	<b>5000</b>	<b>100.00</b>

### Disassociation with R.M.Mohite Textiles Limited

Our Promoters Mr. Ramchandra M. Mohite and Mr. Anasaheb R. Mohite had together with other certain family members promoted R.M.Mohite Textiles Limited which was in spinning business. However, in the year 1998 under a family understanding our Promoters Mr. Ramchandra M. Mohite and Mr. Anasaheb R. Mohite disassociated with R.M.Mohite Textiles Limited.



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## **RELATED PARTY TRANSACTIONS**

For related party transactions, please refer to the section titled 'Financial Information' on page no. 81 of Red Herring Prospectus



## REGULATION AND POLICIES

### The WTO 2005 Initiative

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

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

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

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

The most important underlying principles of the ATC are:

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

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

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

### Technology Upgradation Fund Scheme

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

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

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



### **Announcement of New Textile Policy**

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

### **Liberalisation of FDI Policy**

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

### **The Import and Export Policy of India**

#### **a) Export Promotion Capital Goods (EPCG) Scheme**

The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods is allowed under the EXIM Policy as announced on 31.03.2003.

#### **b) Advance Licensing Scheme**

With a view to facilitating exports and to access duty-free inputs under the scheme, standard input-output norms for about 300 textiles and clothing export products have been prescribed and this scheme remained under operation.

#### **c) Duty Exemption Pass Book (DEPB) Scheme**

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

#### **d) Duty Drawback Scheme**

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

### **New duty drawback rates of 2005-2006**

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

### **Ready Made Garments**

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

### **Other Policy and Administrative Initiatives**

#### **Human Resource Development**

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

The Ministry of Textiles is also concerned over the need to improve the quality of textile training institutes in the country. Therefore, a Nodal Centre for up gradation of Textile Education has been established at the Indian Institute of 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 centers located at Chennai, Delhi, Kolkata, Hyderabad, Jaipur and Bangalore in order to impart training at shop floor level to meet the growing needs of apparel industry.

**Construction of Apparel International Mart**

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

**Setting up of modern laboratories**

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

**Apparel Park for Exports Scheme**

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

**Textile Centres Infrastructure Development Scheme (TCIDS)**

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

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



## DIVIDEND POLICY

Dividends, other than interim dividends, will be declared at the annual general meeting of the shareholders based on the recommendation of the Board of Directors. The Board may, at its discretion, recommend dividend to be paid to the members of the Company. The factors that may be considered by the Board before making any recommendations for the dividend, include but are not limited to profits earned during the financial year, liquidity of the Company, obligations towards repayment of debt including maintaining debt service reserves, future expansion plans and capital requirements, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time. The Board may also, from time to time, pay to the members interim dividend, as appears to the Board to be justified by the profits of the Company.

Some of the agreements that we have entered into with our Lenders require us not to declare dividend except out of profits relating to the year for which dividend is to be declared after making all due and necessary provisions. We cannot declare dividend in case of any default in repayment obligation to our Lenders.

Our Company has not paid any dividend so far.



## SECTION -V FINANCIAL INFORMATION

### OUR AUDITED RESTATED FINANCIAL STATEMENTS

#### Auditor's Report

**The Board of Directors,**  
Abhishek Mills Limited,  
Gat No.148, Tamgaon,  
Kolhapur-Hupari Road,  
Taluka Karveer,  
District Kolhapur – 416 234  
India

**A) a)** We have examined the annexed financial information of Abhishek Mills Limited (formerly Abhishek Cotspin Mills Limited) for the five financial years ended 31st March, 2006 and the period of six months ended on September 30, 2006 being the last date to which the accounts of the company have been made up and audited. The financial information is based on the accounts audited by M/s B J Ingrole & Co. Chartered Accountants for the year ended 31st March 2002, 2003, 2004, 2005, 2006 and for the six months period ended September 30, 2006, approved by the Board of Directors of the Company for the purpose of disclosure in the Offer Document issued by the Company in connection with the Public Issue of Equity Shares in the Company (referred to as “the Issue”) which have been prepared in accordance with the requirement of:

- (i) Paragraph B of Schedule II to the Companies Act, 1956 ('the Act')
- (ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to section 11 of Securities and Exchange Board of India, 1992 and related amendments and
- (iii) Our terms of reference with the Company dated January 10, 2006 requesting us to carry out work in connection with the offer document as aforesaid,

We report, that the restated profit / losses of the Company for the year ended 31st March 2002, 2003, 2004, 2005, 2006 and the six months period ended September 30, 2006 are as set out in **Annexure I** to this report; These profit /losses have been arrived at after charging all expenses including depreciation and after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the accounting policies and notes thereon appearing in **Annexure III** to this report;

We report, that restated assets and liabilities of the Company as at 31<sup>st</sup> March 2002, 2003, 2004, 2005, 2006 and the period ended September 30, 2006 are as set out in **Annexure II** to this report; after making such adjustments / restatements and regrouping as in our opinion are appropriate and subject to the accounting policies and notes thereon appearing in **Annexure III** to this report;

**b)** The Company has not paid dividend on equity shares for any of the previous financial years, and or the period upto September 30, 2006

**B)** We have examined the following financial information relating to the Company proposed to be included in the offer document, as approved by you and annexed to this report;

- (i.) Details of loans and advances showing the same with the related parties as appearing in **Annexure IV** to this report;
- (ii.) Accounting ratios as appearing in **Annexure V** to this report;
- (iii.) Capitalisation statement as at September 30, 2006 as appearing in **Annexure VI** to this report;
- (iv.) Statement of Tax Shelter as appearing in **Annexure VII** to this report;
- (v.) Statement of Cash flow as appearing in **Annexure VIII** to this report;
- (vi.) Statement of Tax Benefits enclosed as **Annexure IX** to this report;





- (vii.) Statement of Related parties (only for the years the Accounting Standard 18 is applicable) transaction enclosed as **Annexure X** to this report;
  - (viii.) Statement of Investments enclosed as **Annexure XI** to this report;
  - (ix.) Statement of Debtors including the related party debtors enclosed as **Annexure XII** to this report;
  - (x.) Statement of Unsecured loans taken including that from related parties enclosed as **Annexure XIII** to this report;
  - (xi.) Statement of Secured loan taken enclosed as **Annexure XIV** to this report;
  - (xii.) Statement of contingent liabilities enclosed in **Annexure XV**.
  - (xiii.) Statement of other income enclosed in **Annexure XVI**.
- a) In our opinion the financial information of the Company as stated in Para A and B above read with the significant accounting policies attached in Annexure III to this report, after making adjustments/restatements and regrouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the act and SEBI Guidelines.
- b) The statement of tax benefits states the tax benefits available to the Company and its shareholders under the provisions of the Income Tax Act, 1961 and other direct laws presently in force in India. The contents of this statement are based on information, explanation and representations obtained from the Company and on this basis of our understanding of the business activities and operations of the Company and the Income Tax laws of India as of date.
- c) This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific public offer of the Company and is not to be used, referred to or distributed for any purpose without our prior consent.

**For B J Ingrole and Co.**  
(Chartered Accountants)  
Sd/-

Place: Kolhapur  
**Dated: January 11, 2007**

**B J Ingrole**  
(Proprietor)  
**Membership Number: 14094**



**Annexure # 1**  
**Statements of Profits & Losses, as Restated**

(Rs in lacs)

Period ended on	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
<b>INCOME</b>						
Sales:						
a) Sale of Manufactured Goods	2749.99	4084.54	4308.39	3383.46	1906.65	2210.17
a) Sale of Traded Goods	-	-	-	-	-	20.24
a) Sale of Services Rendered	1336.14	2651.29	1550.71	-	-	140.00
<b>Total Sales</b>	<b>4086.13</b>	<b>6735.83</b>	<b>5859.10</b>	<b>3383.46</b>	<b>1906.65</b>	<b>2370.41</b>
Other Income	7.02	39.05	30.99	5.04	9.60	4.62
Increase / (Decrease) In stock	364.31	1061.26	564.86	266.84	143.30	(256.34)
<b>Total</b>	<b>4457.46</b>	<b>7836.14</b>	<b>6454.95</b>	<b>3655.34</b>	<b>2059.55</b>	<b>2118.69</b>
<b>EXPENDITURE</b>						
Raw Material Consumed	1391.67	1923.85	2254.55	1895.51	991.84	1094.58
Employees Costs	92.48	133.98	118.54	103.75	68.38	56.78
Other Manufacturing Costs	1394.16	2949.84	1826.98	503.84	404.82	442.24
Administrative & Other Costs	42.73	73.14	66.88	49.01	43.49	30.35
Selling & Distribution Costs	107.71	163.77	170.44	124.60	100.49	95.26
Interest & Other Finance Costs	208.55	347.99	309.88	337.88	110.13	110.02
Preliminary Expenses Written Off	0.91	1.81	1.18	0.55	0.55	0.55
Prior Period Adjustment	0.96	1.40	4.10	11.22	1.14	10.05
	<b>3239.17</b>	<b>5595.78</b>	<b>4752.55</b>	<b>3026.36</b>	<b>1720.84</b>	<b>1839.83</b>
<b>Net Profit Before Depreciation, Tax &amp; Extraordinary Items</b>	<b>1218.29</b>	<b>2240.36</b>	<b>1702.40</b>	<b>628.98</b>	<b>338.71</b>	<b>278.86</b>
Less: Depreciation	320.93	537.98	526.73	348.24	212.43	205.72
<b>Net Profit before Tax &amp; Extraordinary Items</b>	<b>897.36</b>	<b>1702.38</b>	<b>1175.67</b>	<b>280.74</b>	<b>126.28</b>	<b>73.14</b>
Less: Taxation						
Provision for Current Tax	212.56	394.11	63.01	0.00	1.50	-
Provision for Deferred Tax / (Reversal of Deferred Tax)	11.41	27.12	(70.46)	(21.56)	50.00	-
<b>Net Profit before Extraordinary Items as per Audited Financial Accounts</b>	<b>673.39</b>	<b>1281.15</b>	<b>1183.12</b>	<b>302.30</b>	<b>74.78</b>	<b>73.14</b>
Extraordinary Items (Depreciation Written Back)	-	-	-	-	-	397.38
<b>Net Profit after Extraordinary Items as per Audited Financial Accounts</b>	<b>673.39</b>	<b>1281.15</b>	<b>1183.12</b>	<b>302.30</b>	<b>74.78</b>	<b>470.52</b>
Impact On account of adjustments required by Paragraph 6.10.2.7 (b) of Chapter VI of the Guidelines (Ref Note # 2 (a))	(22.50)	40.26	(137.85)	(128.71)	34.53	(392.19)
1 Prior Period Adj.	0.96	0.44	2.70	7.12	(10.08)	8.91
2. Preliminary Exp.	0.00	7.39	0.08	0.08	0.08	0.08
3. Provision for Leave Salary	0.00	0.00	(0.04)	(1.31)	(0.84)	(0.52)
4. Provision for Gratuity	0.00	0.00	(1.30)	(0.43)	0.00	0.00
5. Depreciation Adjustment	0.00	0.00	0.00	0.00	0.00	(397.38)
6. Deferred Tax	-34.87	5.32	(68.83)	(112.61)	(4.63)	(3.28)



Period ended on	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
7. Reversal of Deferred Tax Adjustment	11.41	27.11	(70.46)	(21.56)	50.00	-
	<b>(22.50)</b>	<b>40.26</b>	<b>(137.85)</b>	<b>(128.71)</b>	<b>34.53</b>	<b>(392.19)</b>
<b>Adjusted Profits for the year</b>	<b>650.89</b>	<b>1321.41</b>	<b>1045.27</b>	<b>173.59</b>	<b>109.31</b>	<b>78.33</b>
Accumulated Profits from Previous Years	2604.70	1362.29	317.02	143.43	34.13	(44.20)
Add: Excess Depreciation of Earlier Year (Ref Note# 2(a))						
Less: Deferred Tax Liability (Opening) (Ref Note#2 (a))	0.00	0.00	0.00	0.00	0.00	0.00
<b>Less: Appropriations</b>						
Dividend and Corporate Dividend Tax	0.00	0.00	0.00	0.00	0.00	0.00
Transfer to General Reserve / Issue of Bonus Shares	0.00	79.00	0.00	0.00	0.00	0.00
<b>Balance Carried to Statement of Restated Assets and Liabilities</b>	<b>3255.59</b>	<b>2604.70</b>	<b>1362.29</b>	<b>317.02</b>	<b>143.43</b>	<b>34.13</b>



**Annexure # II**  
**Statement Of Assets & Liabilities, as Restated**

(Rs in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
<b>A) Fixed Assets:</b>						
Gross Block	8220.09	7902.29	6282.43	5872.46	3313.41	2389.35
Less: Depreciation	2391.44	2070.52	1532.54	1026.14	677.90	465.47
Net Block	5828.65	5831.77	4749.89	4846.32	2635.51	1923.88
<b>Less: Revaluation Reserves</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Block After adjustment For Revaluation Reserves</b>	<b>5828.65</b>	<b>5831.77</b>	<b>4749.89</b>	<b>4846.32</b>	<b>2635.51</b>	<b>1923.88</b>
<b>B) Investments</b>	<b>1.26</b>	<b>1.26</b>	<b>86.26</b>	<b>86.26</b>	<b>85.76</b>	<b>0.79</b>
<b>C) Current Assets, Loans And Advances:</b>						
Inventories	3917.81	3612.20	2363.74	1622.16	1120.98	593.14
Sundry Debtors	1968.79	979.97	1308.24	298.59	355.84	195.07
Cash And Bank Balance	520.88	386.97	226.95	210.34	431.39	131.34
Loans & Advances	601.34	569.38	800.45	510.77	481.35	385.56
Other Current Assets	0.00	0.00	0.00	0.00	0.00	0.00
	<b>7008.82</b>	<b>5548.52</b>	<b>4699.37</b>	<b>2641.85</b>	<b>2389.56</b>	<b>1305.10</b>
<b>D) Liabilities And Provisions:</b>						
Secured Loans	5561.07	5539.04	5238.15	3919.37	2551.40	892.12
Unsecured Loans	2.03	5.50	336.31	781.06	673.96	673.88
Current Liabilities And Provision	1846.75	960.45	594.01	1008.53	344.97	199.52
Deferred Tax Liability	320.34	285.47	290.79	221.96	109.35	104.72
	<b>7730.19</b>	<b>6790.46</b>	<b>6459.25</b>	<b>5930.92</b>	<b>3679.68</b>	<b>1870.24</b>
<b>E) Networth</b>	<b>5108.54</b>	<b>4591.09</b>	<b>3076.27</b>	<b>1643.51</b>	<b>1431.15</b>	<b>1359.52</b>
<b>F) Represented by</b>						
1. Share Capital	990.85	990.85	1500.00	540.32	540.32	540.32
2. Share Application Money	0.00	0.00	0.00	567.07	567.07	567.07
2. Reserves	1090.92	1090.92	221.77	221.77	221.77	221.77
<b>Add: Balance in Profit &amp; Loss a/c (As Restated)</b>	<b>3255.59</b>	<b>2604.70</b>	<b>1362.29</b>	<b>317.02</b>	<b>143.43</b>	<b>34.13</b>
Less: Revaluation Reserves	0.00	0.00	0.00	0.00	0.00	0.00
Reserves (Net Off Revaluation Reserve)	4346.51	3695.62	1584.06	538.79	365.20	255.90
<b>Total</b>	<b>5337.36</b>	<b>4686.47</b>	<b>3084.06</b>	<b>1646.18</b>	<b>1472.59</b>	<b>1363.29</b>
<b>G) Miscellaneous Expenditure to the Extent not Written-off or Adjusted</b>	<b>228.82</b>	<b>95.38</b>	<b>7.79</b>	<b>2.67</b>	<b>41.44</b>	<b>3.76</b>
<b>H) Networth (F)- (G)</b>	<b>5108.54</b>	<b>4591.09</b>	<b>3076.26</b>	<b>1643.51</b>	<b>1431.15</b>	<b>1359.52</b>



Schedules annexed to and forming part of the Restated Accounts for the half year ended on September 30, 2006 and five Financial Years ended March 31, 2006.

### **Annexure III**

#### **Significant Accounting Policies and Notes on Accounts:**

#### **1) Significant Accounting Policies**

##### **(a) Accounting Convention**

The Financial Statements are prepared on accrual basis and in accordance with the requirements of the Companies Act, 1956 and the applicable Accounting Standards.

##### **(b) Fixed Assets**

Fixed Assets are stated at cost of acquisition less accumulated depreciation. The cost includes all expenses incurred to bring the assets to its present location and condition. The interest on borrowed funds during the construction period for the expansion project has been allocated to the respective assets on proportionate basis. The other borrowing costs are charged to Profit and Loss Account, as there were no qualifying assets to capitalize the same.

##### **(c) Depreciation**

Depreciation on fixed assets is provided on 'Straight Line Method' at rates prescribed in Schedule XIV to the Companies Act, 1956.

##### **(d) Impairment**

The Company has reviewed the carrying amounts of fixed assets and the management has represented that there is no indication of any impairment loss in respect of fixed assets.

##### **(e) Inventories**

Raw Material is valued at cost on specific identification method. Stock in Process & Finished Goods are valued at lower of Cost of Net realizable value. Cost of these inventories includes Costs of Conversions and other Costs incurred in bringing them to the present location and condition. Waste stock is valued at market value. Work in Progress of Construction Division is valued at Cost.

##### **(f) Investments**

Long-term investments are carried in the financial statements at cost. There were no short term investments held by the Company.

##### **(g) Revenue Recognition**

Export Sales are recorded at negotiated / realized value upon dispatch of goods to customers except the sales covered in the dispatches negotiated / realized after the close of the year such invoices are recorded at rate prevailing at the date of Balance Sheet.

##### **(h) Foreign Currency Transactions**

Revenue in foreign currency is translated at the exchange rate at which the negotiation of documents takes place except for the foreign bills, which are negotiated beyond the closing date of financial year.

Monetary items denominated in the foreign currency remaining unsettled at the end of the year are reported using the closing rates as applicable.

Expenditure in foreign currency is translated at the rate prevailing at the time of settlement.

##### **(i) Miscellaneous Expenditure**

Preliminary expenses are being amortised over a period of 10 years.

##### **(j) Employee Retirement Benefits**

The Company has provided retirement benefits in the form of contribution to provident fund as a fixed percentage of salary to staff. Provision for Gratuity and Leave encashment has been made on accrual basis.

**(k) Taxation:**

Current tax is determined as the amount of tax payable in respect of estimated taxable income for the year as per Income Tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**(l) Construction Contracts:**

Construction revenue is recognised on percentage completion method and stage of completion is determined by making surveys of work performed.

**2) Notes To Accounts****(a) Adjustment for changes in Accounting Policies or in respect of Audit Qualifications.****1. Depreciation:**

The Company has changed the method of depreciation from WDV method to SLM method from the F.Y. 2001-02. The excess depreciation charged prior to change in accounting policy amounting to Rs.397.38 has been written back in the audited accounts for the financial year 2001-02. However, while preparing the restated financial statements covered by our report, the depreciation has been provided on SLM method and necessary adjustment has been made in the opening balance of accumulated profits as on April 1, 2000 brought forward from earlier years in respect of excess amount charged as depreciation in financial year earlier than 2000-2001.

**2. Deferred Revenue Expenses:**

The Company had decided to amortise pre-operative revenue expenditure over a period of ten years and accordingly, the total expenditure of Rs.0.78 lacs incurred in the financial year 1999-2000 is being amortised in ten equal annual installments in Audited Financial Statements. In the restated financial statements, the entire expenditure of Rs.0.78 lacs has been adjusted against the opening balance of accumulated Profit and Loss account as on April 1, 2000

**3. Deferred Tax Liability:**

Till 31st March 2002, the Company accounted for current income tax only and did not account for deferred tax. Consequent to the mandatory adoption of Accounting Standard 22 on "Taxes on Income" the Company started accounting for Deferred Tax also from the year 2002-03.

For the purposes of Restatement, deferred tax has now been recognised on the timing differences of all earlier years and the amount recognised in the restatement of accounts of 2000-01 includes the deferred tax liability upto 31st March 2000 which has been adjusted against accumulated Profit & Loss Account as on 1<sup>st</sup> April, 2000

**4. Provision for Retirement Benefits:**

The Company had not made any provision for gratuity and leave encashment payable to the staff and workers of the Company in audited annual accounts except for the year ended 31<sup>st</sup> March 2006 and half year ending 30<sup>th</sup> September 2006. In the restated financial statements, provision for the retirement benefits has been made for each of previous years as under.

(Rs. In lacs)						
Period / Year ended	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1. Leave Encashment	--	--	1.31	0.84	0.52	1.15
2. Gratuity	--	--	0.43	0.00	0.00	0.00



- (b) Impact On account of adjustments required by Paragraph 6.10.2.7 (b) of the Guidelines Adjustment on account of changes in accounting policies or audit qualifications

(Rs in lacs)

Period / Year ended	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
<b>Net Profit after tax as per Audited Accounts</b>	<b>673.39</b>	<b>1281.15</b>	<b>1183.12</b>	<b>302.30</b>	<b>74.78</b>	<b>470.52</b>
1 Prior Period Adj.	0.96	0.44	2.75	7.12	(10.08)	8.91
2. Preliminary Exp.	0.00	7.39	0.08	0.08	0.08	0.08
3. Prvision for Leave Salary	0.00	0.00	(0.04)	(1.31)	(0.84)	(0.52)
4. Provision for Gratuity	0.00	0.00	(1.30)	(0.43)	0.00	0.00
5. Depreciation Adjustment	0.00	0.00	0.00	0.00	0.00	(397.38)
6. Deferred Tax	-34.87	5.32	(68.83)	(112.61)	(4.63)	(3.28)
7. Reversal of Deferred Tax Adjustment	11.41	27.11	(70.46)	(21.56)	50.00	0.00
<b>Adjusted Profits for the year</b>	<b>650.89</b>	<b>1321.41</b>	<b>1045.32</b>	<b>173.59</b>	<b>109.31</b>	<b>78.33</b>

- (c) Earnings Per Share (Basic & Diluted)

Period / Year Ended	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
EPS (in Rs.)	*13.14	17.57	19.33	3.21	2.02	1.48
Profits available for Equity Share Holders (Rs. In lacs)	650.89	1321.41	1045.27	173.59	109.31	78.33
Weighted Average Number Of Outstanding Equity Shares	9,908,462	7,520,552	5,406,485	5,403,215	5,403,215	5,291,640

\* Annualised

**(d) Segment Reporting**

1. The Company has disclosed business segment as the primary segment. In the opinion of management the business segment comprise the following:

- (i) Textile business  
(ii) Civil Construction Business

The Textile division is a 100% export oriented unit. As per management's perspective the risks and returns from its sales do not materially vary geographically. Accordingly, there is no geographical segment to be reported under AS 17 issued by the Institute of Chartered Accountants of India.

2. Information about primary business segment:

(Rs. In lacs)

SI #	Period / Year Ended	September 30, 2006		March 31, 2006		March 31, 2005		March 31, 2004	
		Textile	Constr- uction	Textile	Constr- uction	Textile	Constr- uction	Textile	Constr- uction
<b>A</b>	<b>Segment Revenue</b>								
	Segment Revenue	2881.33	1569.11	4205.63	3591.46	4373.26	2050.7	3650.30	0.0
	Add: Other Income	7.02	0.00	39.05	0.00	30.99	0.00	5.04	0.00
	Total Segment Revenue	2888.35	1569.11	4244.68	3591.46	4404.25	2050.70	3655.34	0.00
	Less: Inter Segment Elimination	-	-	-	-	-	-	-	-
<b>B</b>	<b>Segment Result: Profit / (Loss) before Interest and Taxes</b>	<b>493.86</b>	<b>612.05</b>	<b>806.41</b>	<b>1251.29</b>	<b>681.27</b>	<b>805.77</b>	<b>624.08</b>	<b>0.00</b>
	Less: Interest & Finance Charges	208.54	0	347.99	0	309.88	0	337.88	0
	Profit / (Loss) Before Taxes	285.32	612.05	458.42	1251.29	371.39	805.77	286.20	0.00
	Provision for Current Taxes	0.00	180.00	18.72	375.39	63.01	0	0.00	0
	Provision for Deferred Taxes	0.00	0.00	-53.37	0.00	68.83	0.00	112.61	0.00
	Profit After Taxes	<b>285.32</b>	<b>432.05</b>	<b>493.07</b>	<b>875.90</b>	<b>239.55</b>	<b>805.77</b>	<b>173.59</b>	<b>0.00</b>
<b>C</b>	<b>Segment Assets:</b>	<b>9050.27</b>	<b>3788.46</b>	<b>9138.84</b>	<b>2242.71</b>	<b>7800.97</b>	<b>1734.55</b>	<b>7527.08</b>	<b>47.35</b>
	Miscellaneous Expense Not Written Off or Adjusted	228.82	0.00	95.38	0.00	7.79	0.00	2.67	0.00
		<b>8821.45</b>	<b>3788.46</b>	<b>9043.46</b>	<b>2242.71</b>	<b>7793.18</b>	<b>1734.55</b>	<b>7524.41</b>	<b>47.35</b>
<b>D</b>	<b>Segment Liabilities</b>	<b>9050.27</b>	<b>3788.46</b>	<b>9138.84</b>	<b>2242.71</b>	<b>7800.97</b>	<b>1734.55</b>	<b>7527.08</b>	<b>47.35</b>
<b>E</b>	<b>Capital Expenditure</b>	<b>228.55</b>	<b>0.00</b>	<b>95.07</b>	<b>0.00</b>	<b>8.10</b>	<b>0.00</b>	<b>2.90</b>	<b>0.00</b>
<b>F</b>	<b>Depreciation</b>	<b>320.93</b>	<b>0.00</b>	<b>537.98</b>	<b>0.00</b>	<b>526.73</b>	<b>0.00</b>	<b>348.24</b>	<b>0.00</b>

**(e) Payment to Directors**





(Rs. in lacs)

Period / Year ended	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1. Salary (Consolidated)	9.00	18.00	6.00	0.00	0.00	0.00

**(f) Payment to Auditors**

(Rs. in lacs)

Period / Year ended	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1. Audit Fees	0.08	0.10	0.10	0.10	0.10	0.10
2. Tax Audit Fees	0.03	0.05	0.05	0.05	0.05	0.05

**(g) Deferred Tax**

In accordance with the Accounting Standard AS22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has recognised deferred tax liability from the commencement of the business i.e. FY 99-2000. The balance outstanding as Deferred Tax Liability is as under:

(Rs in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
- on Account of Depreciations	320.34	285.47	290.79	221.96	109.35	104.72
-Others	0.00	0.00	0.00	0.00	0.00	0.00

**Computation of Deferred Tax Liability**

(Rs in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>	<b>Rs. in Lacs</b>					
- Depreciation as per Company Act	320.92	537.98	526.73	348.24	212.43	205.71
- Depreciation as per Income Tax Act	424.52	522.18	714.84	1136.84	287.22	352.02
- Difference in Depreciation	103.60	(15.80)	188.11	788.60	74.79	146.31
- Deferred Tax on account of Depreciation	34.87	(5.32)	68.83	303.61	27.48	52.23
- Deferred Tax Liability / (Asset)	<b>638.83</b>	<b>603.96</b>	<b>609.28</b>	<b>540.45</b>	<b>236.84</b>	<b>209.36</b>
-Deferred Tax Assets (Unabsorbed Losses)				496.10	62.19	137.12
-Tax impact due to Unabsorbed Losses				191.00	22.85	48.95
<b>Net Deferred Tax</b>	<b>34.87</b>	<b>(5.32)</b>	<b>68.83</b>	<b>112.61</b>	<b>4.63</b>	<b>3.28</b>
<b>- Deferred Tax Liability / (Assets)</b>	<b>320.34</b>	<b>285.47</b>	<b>290.79</b>	<b>221.96</b>	<b>109.35</b>	<b>104.72</b>

**h.) Sales Tax Incentive:**

The Company has been granted eligibility certificate under 1993 Package Scheme of Incentives through SICOM and is entitled for sales tax incentives by way of exemption from payment of sales tax for an amount of Rs.1438.25 lacs.



The Certificate of Eligibility is valid for a period from January 1, 2001 to May 31, 2007 during which the Company can avail the benefit by way of exemption from payment of sales tax. Further, the period of eligibility will automatically stand reduced if the incentives are fully availed before the expiry of the validity of the certificate i.e. May 31, 2007. The Company has availed the benefit under this scheme for an amount of Rs.261.37 Lacs upto December 31, 2005.

**i.) Claim for Refund of Electricity Duty:**

The Company has been granted refund of electricity duty under 1993 Package Scheme of Incentives. The Company has made a total claim for refund of duty amounting to Rs.107.46 lacs

**j.) Dues to Small Scale Undertakings:**

The Company does not possess information as to which of its suppliers are ancillary industrial undertaking / small scale industrial undertaking holding permanent registration certificates issued by Directorate of Industries of State or Union Territory. Consequently, the liability, if any, of interest which would be payable under the interest on delayed payments to Small Scale and Ancillary Industrial Undertaking Act, 1993 can not be ascertained. However, the Company has not received any claim in respect of interest.

- k.) In the opinion of Board of Directors the current assets, loans and advances as well as unquoted investments have realisable value in the ordinary course of business at least equal to the amounts at which they are stated.
- l.) Figures are rounded off to nearest rupee and the figures of the previous year have been regrouped so as to make them comparable with the figures of current year.



**Annexure IV**  
**Statement Of Loans And Advances, as Restated**

(Rs in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Particulars						
Advance Recoverable in Cash Or In Kind for Value to be received	367.24	407.64	571.08	453.32	440.38	348.67
Employee Loans and Advances	15.86	6.43	5.70	2.39	3.88	1.64
Advance Income Tax	33.96	33.96	0.84	0.89	0.90	0.00
Tax Deducted at Sources	8.83	7.83	5.38	4.41	3.29	2.06
Deposits- Government or Public Bodies	49.50	49.50	57.09	49.56	30.63	33.09
Deposits-Others	0.30	0.30	0.33	0.20	0.15	0.10
TUFS (Technology Upgradation Fund Scheme) Interest receivable from IDBI	103.6	52.90	160.03	0.00	0.00	0.00
Vat Receivable	21.56	10.33	0.00	0.00	0.00	0.00
Advance fringe Benefit tax	0.00	0.25	0.00	0.00	0.00	0.00
Cenvat Credit	0.49	0.24	0.00	0.00	0.00	0.00
Interest Receivable on Short Term Deposits from Bank	0.00	0.00	0.00	0.00	2.12	0.00
<b>Total</b>	<b>601.34</b>	<b>569.38</b>	<b>800.45</b>	<b>510.77</b>	<b>481.35</b>	<b>385.56</b>

The above include the following Loans & Advance to Related Parties:

**Advance Recoverable in Cash Or In Kind for Value to be received from related Parties:**

(Rs in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Promoters</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Group Entities:</b>						
Maruti Construction	0.00	0.00	24.52	0.00	0.00	0.00
R.M.Mohite & Co.	0.00	0.00	106.72	106.72	106.72	236.17
Sou A.D.Pawar	0.00	0.00	20.00	0.00	0.00	0.00
Sou R.V. Desai	0.00	0.00	10.00	0.00	0.00	0.00
<b>Directors</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Companies Where Directors are on the Board</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>161.24</b>	<b>106.72</b>	<b>106.72</b>	<b>236.17</b>

**Notes:**

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



# Annexure V

## Accounting Ratios

SI No	Period / Year Ended	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
A	Earnings Per Share (Basic) & (Diluted) (Rs.)	*13.14	17.57	19.33	3.21	2.02	1.48
	Profits available for Equity Share Holders (Rs. In lacs)	650.89	1321.41	1045.27	173.59	109.31	78.33
	Weighted Average Number Of Outstanding Equity Shares	9,908,462	7,520,552	5,406,485	5,403,215	5,403,215	5,291,640
B	Return On Networth (%)	* 25.24%	28.78%	48.03%	16.13%	12.65%	9.88%
C	Net Asset Value Per Share (Rs.)	51.56	46.34	36.27	19.92	15.99	14.67

\* Figures are Annualised

### Notes:

A. The Ratios have been computed as below:

1	Earning Per Share (Rs.)	$\frac{\text{Restated Net Profit Attributable to Equity Shareholders}}{\text{Weighted Avg. no. of Equity Shares Outstanding During the year}}$
2	Return on Networth (%)	$\frac{\text{Restated Net Profit After Tax}}{\text{Restated Net Worth Excluding Revaluation Reserve at the end of the year}}$
3	Net Asset Value Per Share (Rs.)	$\frac{\text{Restated Net Worth Excluding Revaluation Reserve at the end of the Year}}{\text{Number Of Equity Shares Outstanding at the end of the Year}}$

B. The Above ratios have been computed on the basis of the adjusted profits / Losses for the respective years as per the statement of Profit and Losses, as restated

C. Earning Per Share is computed in accordance with Accounting Standard. 20 " Earnings Per Share " Issued by the Chartered Accountants of India



**Annexure VI**  
**Capitalisation Statement**

(Rs in lacs)

Particulars	Pre-Issue as at September 30, 2006	As Adjusted for the Issue
Short Term Debt.	2622.76	2622.76
Long Term Debt.	2940.34	2940.34
<b>Shareholders Funds</b>		
Share Capital	990.85	*
Reserves (Net of Misc. Exp. Not W/off)	4117.69	*
Total Shareholders Funds	<b>5108.54</b>	*
Long Term Debt / Equity	<b>0.57:1</b>	

**Note:**

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



**Annexure VII**  
**Statement of Tax Shelters**

(Rs. in lacs)

Period / Year Ended	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
<b>Profits / (Loss) Before Tax as per Audited accounts (A)</b>	897.32	1702.38	1175.67	280.74	126.28	73.14
Tax Rate	33.66%	33.66%	36.59%	35.88%	36.75%	35.70%
<b>Tax at actual rate on book profits</b>	302.04	573.02	430.18	100.73	46.41	26.11
<b>Adjustments:</b>						
<b>Permanent Differences</b>						
Brought Forward Depreciation Losses from earlier years	0.00	0.00	(840.06)	0.00	0.00	0.00
Deduction under section 10B	0.00	(554.30)				
<b>Total Permanent Differences (B)</b>	<b>0.00</b>	<b>(554.30)</b>	<b>(840.06)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Timing Differences</b>						
Differences between Income Tax and Book Depreciation		15.80	(188.11)	(788.60)	(74.79)	(543.68)
Other Disallowances as per Tax Audit Report		3.22	24.66	0.55	2.00	10.82
Adjustments on account of Restating Profit & Loss a/c		-	-	11.22	-	397.38
(Disallowance) & Subsequent Allowance U/Sec 43B		-	-	-	-	-
(Disallowance) U/Sec 36(1) (va)		3.01	2.07	0.00	0.27	0.16
<b>Total Timing Differences (C)</b>	<b>0.00</b>	<b>22.03</b>	<b>(161.38)</b>	<b>(776.83)</b>	<b>(72.52)</b>	<b>(135.32)</b>
<b>Net Adjustments (B + C)</b>	<b>0.00</b>	<b>(532.27)</b>	<b>(1001.44)</b>	<b>(776.83)</b>	<b>(72.52)</b>	<b>(135.32)</b>
<b>Tax Saving Thereon</b>	<b>0.00</b>	<b>(179.16)</b>	<b>(366.43)</b>	<b>(278.73)</b>	<b>(26.65)</b>	<b>(48.31)</b>
<b>Income From Business as per Tax Returns (D)=(A-B-C)</b>	897.32	1170.11	174.23	(496.09)	53.76	(62.18)
Tax as per Tax Returns (Excl. Interest / Tax impact on Capital Gains)		393.86	63.76	Nil	Nil	Nil

**Annexure VIII****Statement of Cash Flows From the Restated Financial Statements**

(Rs. In lacs)

Period / Year ended	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Particulars						
<b>A Cash Flow from Operating Activities: Net Profit Before Tax</b>	650.89	1,321.41	1,045.27	173.59	109.31	78.33
<b>Add: Adjustments for</b>						
Depreciation	320.93	537.98	526.73	348.24	212.43	205.72
Adjustments in Depreciation with regard to Sale of Assets			(20.32)			
Miscellaneous Expenses Written Off	(133.44)	(87.58)	(5.14)	38.78	(37.68)	(0.14)
Bad Debts Written Off						
Interest & Finance Charges	208.54	347.99	309.88	337.88	110.13	110.02
Interest & Dividend Received	(7.02)	(8.69)	(5.54)	(4.60)	(9.00)	(4.44)
(Profit)/Loss on Sale of Fixed Asset / Investments						
	389.01	789.70	805.61	720.30	275.88	311.16
<b>Operating Profit Before Working Capital Charges</b>	<b>1,039.90</b>	<b>2,111.11</b>	<b>1,850.88</b>	<b>893.89</b>	<b>385.19</b>	<b>389.48</b>
<b>Adjustment for:</b>						
(Increase) / Decrease in Inventories	(305.61)	(1,248.46)	(741.58)	(501.18)	(527.84)	29.28
(Increase)/ Decrease in Debtors & Other Receivables	(988.82)	328.27	(1,009.65)	57.25	(160.77)	28.48
Increase / (Decrease) in Creditors & Other Current Liabilities	921.17	361.12	(345.69)	776.16	150.09	(555.76)
<b>Cash Generated From Operations</b>	<b>666.64</b>	<b>1,552.03</b>	<b>(246.04)</b>	<b>1,226.13</b>	<b>(153.33)</b>	<b>(108.53)</b>
Less: Taxes Paid						
<b>Net Cash from Operating Activities</b>	<b>666.64</b>	<b>1,552.03</b>	<b>(246.04)</b>	<b>1,226.13</b>	<b>(153.33)</b>	<b>(108.53)</b>
<b>B Cash Flow from Investing Activities:</b>						
(Purchase) of Fixed Assets - Net of sales	(317.80)	(1,619.86)	(409.97)	(2,559.05)	(924.07)	(138.94)
(Purchase)/ Sale of Investments (Net)	-	85.00	-	(0.50)	(84.98)	(0.29)
Interest / Dividends Received	7.02	8.69	5.54	4.60	9.00	4.44
Loans & Advances	(31.96)	231.07	(289.68)	(29.42)	(95.79)	(25.63)
<b>Net Cash (Used In)/ From Investing Activities</b>	<b>(342.74)</b>	<b>(1,295.10)</b>	<b>(694.11)</b>	<b>(2,584.36)</b>	<b>(1,095.84)</b>	<b>(160.41)</b>
<b>C Cash Flow From Financing Activities:</b>						
Proceeds from Issue of Share Capital (incl. Share Premium & Suspense)	-	281.00	392.61	-	-	500.00
Short Term Borrowings / (Repayments)(Net)	84.38	478.82	585.85	(94.98)	991.94	(11.56)



Unsecured Loans	(3.47)	(330.81)	(444.75)	107.10	0.08	(10.38)
Long Term Borrowings / (Repayments)(Net)	(62.36)	(177.93)	732.93	1,462.95	667.33	(137.15)
Dividends Paid (including tax thereon)	-	-	-	-	-	-
Interest & Finance Charges Paid	(208.54)	(347.99)	(309.88)	(337.88)	(110.13)	(110.02)
<b>Net Cash (Used in) / From Financing Activities</b>	<b>(189.99)</b>	<b>(96.91)</b>	<b>956.76</b>	<b>1,137.19</b>	<b>1,549.22</b>	<b>230.89</b>
Net Increase in Cash and Cash Equivalents	133.91	160.02	16.61	(221.05)	300.05	(38.04)
Cash & Cash Equivalents (Opening Balance)	386.97	226.95	210.34	431.39	131.34	169.38
Cash & Cash Equivalents (Closing Balance)	520.88	386.97	226.95	210.34	431.39	131.34
<b>Cash &amp; Bank Balance as per Balance Sheet</b>	<b>520.88</b>	<b>386.97</b>	<b>226.95</b>	<b>210.34</b>	<b>431.39</b>	<b>131.34</b>





## Annexure IX Statement of Tax Benefits:

### Statement Of Possible Benefits available to Abhishek Mills Limited (Formerly Known As Abhishek Cotspin Mills Limited) and its Shareholders

#### I. Benefits available under Direct Taxes:

##### 1. UNDER THE INCOME TAX ACT, 1961 ('ACT')

##### A. Benefits available to the Company:

a) Tax holiday under Section 10 B of the Act Section 10 B of the Act, allows a Company to claim a deduction from its total income, 90% of the profits derived by its 100 percent export-oriented undertaking(s) from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking(s) begins to manufacture or produce such articles or things or computer software. The amount allowable as deduction would be the proportion that the profits of the undertaking/s bear to the export turnover of the undertaking/s vis-à-vis the total turnover of the undertakings. The benefit is available subject to fulfillment of the conditions stipulated under that Section and no benefit shall be allowed with respect to any such undertaking for the Assessment Year beginning on or after 01/April/2010. As this Company is in the process of setting up two Export Oriented Units the said benefits will be available for the new undertakings upto 31/Mar/2010.

b) The Company will be entitled to claim depreciation allowance at the prescribed rates on tangible and intangible assets under Section 32 of the I-Tax Act 1961.

c) Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

d) By virtue of Section 10(35) of the Income Tax Act, the following income shall be exempt in the hands of the company.

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

(ii). Income received in respect of units from the Administrator of the specified undertaking; or

(iii). Income received in respect of units from the specified company; Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

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

e) In terms of Section 10(38) of the Income Tax Act, any long term capital gain arising to the company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund on or after 1st October 2004, where such transaction is chargeable to securities transaction tax, would not be liable to tax in the hands of the company.

For this purpose, "equity oriented fund" means-

(i). Where the investible funds are invested by way of equity shares in domestic companies to the extent of more than fifty per cent of the total proceeds of such fund; and

(ii). Which has been set up under a scheme of a Mutual Fund specified under Section 10(23D) of the Income Tax Act.

f) In terms of Section 111A of the Income Tax Act, any short term capital gain arising to the company from the transfer of a short term capital asset being an equity share in a company or unit of an equity oriented fund on or after 1st October 2004, where such transaction is chargeable to securities transaction tax, would be subject to tax only at a rate of 10 per cent (plus applicable surcharge and Education Cess)

g) As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified



bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

## **B. Benefits available to resident shareholders**

a) Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

b) In accordance with section 10(23D) of the Income Tax Act, all Mutual Funds registered under the Securities and Exchange Board of India Act or set up by public sector banks or a public financial institution or authorised by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax all their income, including income from investment in the shares of the Company.

c) Dividends exempt under Section 10(34) read with Section 115-O Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

d) As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge / educational cess). However as per the proviso to Section 112(1) if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a lower rate of 10 percent (plus applicable surcharge / educational cess). For this purpose, Indexation Benefit would mean the substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

e) Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.

f) In terms of Section 111A of the Income Tax Act, any short term capital gain arising from the transfer of a short term capital asset being an equity share in a company or unit of an equity oriented fund on or after 1st October 2004, where such transaction is chargeable to securities transaction tax, would be subject to tax only at a rate of 10 per cent (plus applicable surcharge and Education Cess)

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

h) As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an 'eligible issue of share capital' within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following Conditions: -

i) the issue is made by a public company formed and registered in India; and

j) the shares forming part of the issue are offered for subscription to the public.

k) There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

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



such transfer.

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

n) From the financial year 2004-05 onwards, Section 88E of the Act allows a rebate for an assessee, upon fulfilling certain conditions, where his total income includes any income which is chargeable under the head “Profits and gains of business or profession” arising from taxable securities transactions, of an amount equal to the securities transactions tax paid by him.

### **C. Benefits available to Non-Resident Indian shareholders**

#### **a) Income of a minor exempt up to certain limit**

Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Income Tax Act will be exempt from tax to the extent of Rs.1, 500 per minor child.

#### **b) Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

#### **c) Capital gains tax - Options available under the Act**

Where shares have been subscribed in convertible foreign exchange-Option of taxation under Chapter XII-A of the Act.

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

☐ As per the provision of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares will be subject to tax at the rate of 10 percent ( plus applicable surcharge), without indexation benefit.

☐ As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of, six months in any specified asset or savings certificates referred to in Section 10 (4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(48) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

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

☐ As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

☐ Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

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



#### **d) Where the shares have been subscribed in Indian Rupees**

□ As per the provisions of Section 112(1)(b) of the Act, long-term gains as computed above would be subject to tax at rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1), if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge).

#### **e) Exemption of capital gain from income tax**

□ Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.

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

□ As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:-

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

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

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

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

#### **f) Provisions of the Act vis-à-vis provisions of the tax treaty**

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

#### **D. Benefits available to other Non-residents**

##### **a) Income of a minor exempt up to certain limit**

Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Income Tax Act will be exempt from tax to the extent of Rs.1, 500 per minor child.

##### **b) Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

##### **c) Exemption of capital gains from Income tax**



□ Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.

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

- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:-

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

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family (‘HUF’), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

#### **d) Provisions of the Act vis-à-vis provisions of the tax treaty**

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

### **E. Benefits available to Foreign Institutional Investors (‘FIIs’)**

#### **a) Taxability of capital gains**

- As per the provisions of Section 115AD of the Act, FIIs will be taxed on the capital gains income at the following rates:

Sl #	Nature of Income	Rate of Tax
1	Long Term Capital Gain	10%
2	Short Term Capital Gain	30%

The above tax rates would be increased by the applicable surcharge. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII.

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

#### **b) Exemption of capital gain from Income tax**

□ Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.



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

- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

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

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

#### **F. Benefits available to Mutual Funds**

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

#### **G. Benefits available to Venture Capital Companies / Funds**

B) As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

### **2. BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957**

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

### **3. BENEFITS AVAILABLE UNDER THE GIFT TAX ACT**

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax. However Gifts exceeding Rs. 25, 000/- made on or after 01.09.2004 is to be included in the hands of the donee as income under the provisions of the Income Tax Act, subject to the provision of section 52(2)(v) of the Act.

### **4. BENEFITS AVAILABLE UNDER INDIRECT TAX LAWS**

The Company is going to register new units with Ministry of Commerce, Government of India under 100 % Export Oriented Units Scheme (100% EOU). The key benefits available under indirect tax laws to a 100 % EOU unit, subject to satisfaction of the specified conditions, are as under:

#### **(A) Customs Duty:**

Specified goods, which are in the nature of raw-materials, accessories, capital goods, office equipments, components etc procured by a 100 % EOU are exempt from customs duty as per EXIM Policy 2004-09.

#### **(B) Excise Duty:**

Exemption from Central Excise Duty on procurement of Capital Goods, raw materials, components etc., from domestic market by 100 % EOU. In respect of the exports effected by units other than 100% EOUs the company is entitled to claim Duty Draw Back or Credits under Duty Entitlement Pass Book Scheme as prescribed under EXIM Policy 2004-09. For Domestic



Operations, as the Company has exercised the option given to the Textile Industry, by the Excise Law, it has surrendered the Excise Registration Certificate in 2004-05. Hence the finished products of the Domestic Division also will not be subject to Excise Duty. However, the Duty element involved in the inputs should be borne by the Company. In spite of this, surrendering the registration is more beneficial since the duty on finished goods is high when compared to the duty on inputs.

**(C) Sales Tax:**

The Company has granted eligibility certificate under 1993 Package Scheme of Incentive of Government of Maharashtra through SICOM (implementing agent) and is entitled for Sales Tax Incentives by way of exemption from payment of sales tax in respect of existing spinning unit for an amount of Rs. 1438.25 lakhs. The Eligibility Certificate is valid for a period from 01.01.2001 to 31.05.2007 during which the company can avail the benefit by way of exemption from payment of Sales Tax. Further the export sales made by the company would not be subject to sales tax. The period of eligibility will automatically stand reduced if incentives are fully availed before the expiry of the validity of the certificate.





**Annexure X**  
**Related Parties and Transactions carried out with them**

As per Accounting Standard 18:

**List of Related Parties:**

**I Key Managerial Personnel:**

Mr. Anasaheb R. Mohite  
 Mr. Abhishek A. Mohite

**II Relatives of Key Managerial Personnel:**

Mr. R.M.Mohite  
 Mrs. Anjali A. Mohite  
 Mrs.A.D. Pawar  
 Mrs. R.V. Desai

**III Enterprise under Control or significant influence of Key Managerial Personnel.**

M/s R.M.Mohite & Co.  
 M/s Maruti Constructions

(Rs. in lacs)

	Period / Year Ended	September 30, 2006			March 31, 2006			March 31, 2005			March 31, 2004		
Sl#	Particulars of Transaction	For I above	For II above	For III above	For I above	For II above	For III above	For I above	For II above	For III above	For I above	For II above	For III above
(i)	Directors Remuneration	9.00			18.00			18.00			6.00		
(ii)	Rent paid		0.13			0.25			0.25			0.25	
(iii)	Preference Shares allotted							775.00	125.00				
(iv)	Income from Rendering services			1336.14			2651.29		30.00	2050.70			
(v)	Refund of Loan	3.72			50.06	280.75		52.56	392.19				
(vi)	Receipt of Loan		0.25								106.85		
(vii)	Redemption of Preference Shares				775.00	125.00							
(viii)	Bonus Shares Allotted				175.00	125.00							
(ix)	Equity Shares allotted with premium				885.75	295.25							
(x)	Salary paid		3.00			6.00			6.00			3.00	
(xi)	Conversion of Unsecured Loan into Debenture Application Money												275.98
(xii)	Repayment of Debenture Application Money									275.98			





**Annexure XI**  
**Statement of Investments**

(Rs in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
<b>Long Term</b>						
Shares of Parshwanath Co-op Bank Ltd.	1.00	1.00	1.00	1.00	0.50	0.50
Shares of Saraswat Co-op Bank Ltd.	0.25	0.25	0.25	0.25	0.25	0.25
National Saving Certificate	0.01	0.01	0.01	0.01	0.01	0.01
Share Application Money - Devchand Sugar	0.00	0.00	85.00	85.00	85.00	0.00
Shares in Shamrao Vithal Co-op Bank Ltd	0.00	0.00	0.00	0.00	0.00	0.03
<b>Total</b>	<b>1.26</b>	<b>1.26</b>	<b>86.26</b>	<b>86.26</b>	<b>85.76</b>	<b>0.79</b>



**Annexure XII**  
**Statement of Sundry Debtors**

(Rs. in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
A. Debtors outstanding for a period exceeding six months	0.00	0.00	0.00	0.00	45.56	0.99
B. Other Debts (Considered Good)	1968.79	979.97	1308.24	298.59	310.28	194.08
<b>Total</b>	<b>1968.79</b>	<b>979.97</b>	<b>1308.24</b>	<b>298.59</b>	<b>355.84</b>	<b>195.07</b>

**Notes:**

The above balances include receivables from Related Parties as given below.

(Rs. in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
A. R.M.Mohite & Co.	1340.12	503.98	801.32	0.00	0.00	0.00
B. Maruti Constructions	100.15	100.15	0.00	0.00	0.00	35.13
<b>Total</b>	<b>1440.27</b>	<b>604.13</b>	<b>801.32</b>	<b>0.00</b>	<b>0.00</b>	<b>35.13</b>



**Annexure XIII**  
**Statement of Unsecured Loans, as Restated**

(Rs. In lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
A. Shri R.M.Mohite (Chairman)	1.32	1.07	281.82	674.01	673.76	673.68
B. Shri A.R.Mohite (M.D.)	0.71	4.43	54.49	107.05	0.20	0.20
<b>Total</b>	<b>2.03</b>	<b>5.50</b>	<b>336.31</b>	<b>781.06</b>	<b>673.96</b>	<b>673.88</b>

**Notes: Details of major terms of  
unsecured loans**

Unsecured Loans	Nature of Loan	Loan outstanding as on September 30, 2006	Rate of Interest	Repayment Schedule		Security Offered
				No. of Instalments	Commencing from	
A. Shri R.M.Mohite (Chairman)	Unsecured	1.32	Nil	On Demand		NA
	Loans					
B. Shri A.R.Mohite (M.D.)	Unsecured	0.71	Nil	On Demand		NA
	Loans					



**Annexure XIV**  
**Statement of Secured Loans, as Restated**

(Rs. In lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
<b>Working Capital Facilities</b>						
PC from United Western Bank (now merged with IDBI Limited)	211.41	256.29	223.80	201.31	397.77	309.15
Pldge Limite from United Western Bank (now merged with IDBI Limited)	206.75	240.50	199.75	0.00	0.00	0.00
PC from Indian Overseas Bank	941.48	706.75	548.48	401.01	398.84	0.00
PC from Corporation Bank	813.89	799.85	664.10	0.00	0.00	0.00
PC from Saraswat Bank	0.00	0.00	0.00	573.32	575.00	200.00
CC from Shivneri Nagari Sah. Patsanstha	0.00	0.00	499.42	0.00	0.00	0.00
Bills Discounting /Advance against Export Bills	449.23	534.99	422.03	296.67	195.69	66.20
<b>Term Loan Facilities</b>						
TL from United Western Bank (now merged with IDBI Limited)	1281.38	1017.91	68.85	425.11	450.16	316.77
TL from Indian Overseas Bank	1208.49	1391.00	1806.40	1976.76	501.26	0.00
TL from Corporation Bank	224.00	272.00	363.31	0.00	0.00	0.00
TL from Saraswat Bank	201.72	282.44	403.28	0.00	0.00	0.00
<b>Other Facilities</b>						
Vehicle Loan from ICICI Bank	22.72	37.31	38.72	45.20	32.68	0.00
<b>Total</b>	<b>5561.07</b>	<b>5539.04</b>	<b>5238.15</b>	<b>3919.38</b>	<b>2551.40</b>	<b>892.12</b>

**Principal terms of secured loans and assets charged as securities as at September 30, 2006**

Secured Loans	Nature of loans	Loan Outstanding as on September 30, 2006 (Rs. in lacs)	Loan availed / sanctioned (Rs.in lacs)	Rate of Interest (%)	Repayment Schedule	
					No. of Instalments	Commencing from
<b>A. Term Loans</b>						
The United Western Bank Ltd. (now merged with IDBI Limited)	RTL	1281.38	1000.00	9%	20 Qtly Instmt.	01.04.07
			137.00	10%	15 Qtly Instmt.	01.04.07
			112.50	12.75%	60 Mthly Instmt.	01.01.07
		<b>1281.38</b>	<b>1137.00</b>			



Indian Overseas Bank	RTL	1208.49	1950.00	10%	20 Qtly Instmt.	01.04.04
			172.00	10%	20 Qtly Instmt.	01.04.04
		<b>1208.49</b>	<b>2122.00</b>			
Corporation Bank	FCTL	224.00	400.00	6months LIBOR + 3.25%	50 Mthly Instmt.	31.10.04
		<b>224.00</b>	<b>400.00</b>			
The Saraswat Co-op Bank Ltd.	WCTL	201.72	400.00	10%	10 Qtly Instmt.	25.07.05
		<b>201.72</b>	<b>400.00</b>			
<b>Total A</b>		<b>2915.59</b>				
<b>B. Working Capital</b>						
The United Western Bank Ltd. (now merged with IDBI Limited)	Working Cap - Packing Credit	211.41	230.00	8.50%		
	Pledge Limit	206.75	200.00	9%		
	FBP / FBN limit	145.68	150.00	8.50%		
	Adhoc FBP / FBN limit		100.00	8.50%		
		<b>563.84</b>	<b>680.00</b>			
Indian Overseas Bank	Working Cap.- Packing Credit	1018.10	1170.00	8.50%		
		<b>1018.10</b>	<b>1170.00</b>			
Corporation Bank	* Working Cap.- Packing Credit cum FDBN limit/ Temp Adhoc PC Limit	1040.82	1041.00	7.5%		
		<b>1040.82</b>	<b>1041.00</b>			
<b>Total B</b>		<b>2622.76</b>				
<b>C. Vehicle Loans</b>						
A. ICICI Bank		0.40	4.50	5.83%	EMI Rs. 13590	01.02.04
		2.45	8.50	3.76%	EMI Rs. 24925	01.09.04
		2.69	8.50	3.76%	EMI Rs. 24925	01.10.04
		3.52	12.00	4.89%	EMI Rs. 35760	01.12.04
		2.06	4.00	4.77%	EMI Rs. 11900	01.05.05
		5.48	8.50	6.01%	EMI Rs. 25735	01.02.06
		6.12	9.08	10.02%	EMI Rs. 29050	01.03.06
<b>Total C</b>		<b>22.72</b>				
<b>Total A+B+C</b>		<b>5561.07</b>				



**Note: Security Offered**

1. Pari-Passu first charge on the Gross Block of Fixed Assets
2. Packing Credit against Hypothecation of Inventory and FBP/ FBN/ EBD limites against accepted bills
3. Hypothecation of Inventory & Book Debts on Pari-Passu basis with Consortium Banks
4. Documents of Title to goods / accepted bills under L.C./ Hypothecation and first Pari-Passu charge on the entire Current Assets of Company with other Member Banks



**Annexure XV**  
**Statement of Contingent Liabilities**

(Rs. in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Particulars</b>						
Guarantees given by Banks and are counter-guaranteed by the company	79.34	79.34	79.34	72.34	0.00	0.00
Import Letters of Credit (Capital Goods)	28.05	0.00	0.00	0.00	0.00	0.00
Import Letters of Credit (Raw Cotton)	0.00	0.00	110.50	0.00	0.00	0.00
Excise Litigation (Exclusive of Interest & Penalty which is not quantified as on date of the balance sheet)	37.51	37.51	37.51	37.51	0.00	0.00
<b>Total</b>	<b>144.90</b>	<b>116.85</b>	<b>227.35</b>	<b>109.85</b>	<b>0.00</b>	<b>0.00</b>



**Annexure XVI**  
**Statement of Other Income, as Restated**

(Rs in lacs)

As at	September 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	Nature
<b>Particulars</b>							
Interest accrued / Received on Fixed Deposits	1.56	7.24	5.54	4.60	9.00	4.44	Non-operational & Recurring
Sales Tax Set off						0.01	Operational & Non-recurring
Dividends	0.05	0.05	0.02	0.05	-	0.03	Non-operational & Non-recurring
Insurance Claim	5.41		25.43				Non-operational & Non-recurring
FC Exchange Rate Diff.		30.35					Non-operational & Non-recurring
Others		1.41		0.39	0.60	0.14	Operational & Non-recurring
<b>Total</b>	<b>7.02</b>	<b>39.05</b>	<b>30.99</b>	<b>5.04</b>	<b>9.60</b>	<b>4.62</b>	





## MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS

The financial statements have been prepared in accordance with the Indian GAAP, the Companies Act, and the SEBI Guidelines and restated as described in the report of our statutory auditor M/s. B. J. Ingrole and Company, Chartered Accountants dated January 11, 2007 in the section titled "Financial Information" on page 81 of the Red Herring Prospectus.

Our financial year ends on March 31 of each year. Our historical financial performance may not be considered as indicative of future financial performance.

### Overview of the business of Abhishek Mills Limited

Our Company promoted by Mr. Ramchandra M. Mohite, Mr. Anasaheb R. Mohite and Dr. Anjali A. Mohite, is a part of R M. Mohite Group.

At present, we have presence in two segments i.e (a) yarn manufacturing through our spinning unit, which is designated as EOU; (b) construction. For six months period ended September 30, 2006, out of the aggregate turnover of Rs. 4450.44 lacs, sales turnover from our textile operations was around Rs. 2881.33 lacs and from our construction business was around Rs. 1569.11 lacs.

#### (a) Yarn Manufacturing:

Our spinning unit was set up in year 1999 with modern manufacturing facility of 13104 spindles for 100% combed cotton yarn at Kolhapur in the state of Maharashtra and caters to the demand for finer count in the premium segment of combed cotton yarn in the export market. Our unit is fully backed by product development, quality control and efficient sampling infrastructure to provide quality services to our customers. We currently employ 242 employees in our Company.

In the year 2003, we expanded our capacities to 25920 spindles including 2016 spindles of compact spinning with value added facilities like Autoconer, TFOs, Singeing. In the year 2005, we undertook further expansion by installing additional 7200 spindles that became operational from April 2006.

At present, we have 33120 spindles producing 100% combed cotton yarn and can manufacture yarn with finer counts in the range of 40s to 120s. We comply with 5% Uster norms which signifies that the quality of our yarn meets the international standards. Zellweger Uster A.G (Switzerland) is a global quality control equipment manufacturer, whose standards are accepted globally in spinning industry.

Our Company has effectively managed our export business by targeting the finer count premium segment, where there are comparatively fewer players due to stringent quality parameters and high level of technology and has created presence with export base in European countries like Germany, Italy, Switzerland and other countries including Vietnam, Bahrain, Hong Kong, Russia, Korea and Mauritius.

#### (b) Construction:

We ventured into construction business in the year 2000 and undertook job work for Morbe dam (earthen) project on Dhavri River, from M/s. R.M. Mohite & Co., our group firm, which is a category Class IA registered contractor with PWD, GoM and pursuing government contracts for last 30 years. This diversification was considered necessary to overcome maximum ceiling on contracts that can be performed by any registered contractor for several state corporations in Maharashtra.

Our Company, with more than 3 years experience in construction activity, became eligible and applied for registration as category Class IB registered contractor with PWD, GoM. On obtaining this registration, we will be eligible to bid for various infrastructure projects directly.

With our experience to cater to the premium segment of the fine yarn export market, we now intend to set up an integrated Yarn Dyed Shirting Fabric project to tap its growing domestic and overseas market. Further, our Company is also planning to increase its spinning capacity by adding another 12000 spindles to meet additional requirement of yarn for captive consumption.

### Significant developments subsequent to the last financial year

In the opinion of the Board of Directors, there have not arisen, since the date of the last financial statements any circumstances that materially or adversely affect or are likely to affect the profitability of our Company or our ability to pay liabilities within the next twelve months.



**Factors that may affect results of the operations**

- Changes in consumer preferences
- Changes in government policies relating to textile industry
- Imposition of anti-dumping duties by importing countries
- Appreciation in Indian rupee in relation to US dollar, Euro or other currencies
- Variation in the price of Raw Cotton which depends on the output of cotton crop
- Ability of the Company to effectively market its new product i.e Yarn Dyed Shirting Fabric
- Delay in getting registration with PWD, GoM as a construction contractor
- Changes in government policies on infrastructure development



## Discussion on Results of Operations

A summary of our past financial results based on our Restated Accounts is given below:

Period ended on	Mar-06	% of Total Income	Mar-05	% of Total Income	Mar-04	% of Total Income	Mar-03	% of Total Income
<b>Particulars</b>								
<b>INCOME</b>								
Sales:								
a) Sale of Manufactured Goods	4084.54		4308.39		3383.46		1906.65	
a) Sale of Traded Goods	-		-		-		-	
a) Sale of Services Rendered	2651.29		1550.71		-		-	
<b>Total Sales</b>	<b>6735.83</b>		<b>5859.10</b>		<b>3383.46</b>		<b>1906.65</b>	
Other Income - Operational	1.42		-		0.39		0.60	
<b>Total Operational Income</b>	<b>6737.25</b>	<b>99.44</b>	<b>5859.10</b>	<b>99.47</b>	<b>3383.85</b>	<b>99.86</b>	<b>1907.25</b>	<b>99.53</b>
Other Income - Non Operational	37.63	0.56	30.99	0.53	4.65	0.14	9.00	0.47
<b>Total Income</b>	<b>6774.88</b>	<b>100.00</b>	<b>5890.09</b>	<b>100.00</b>	<b>3388.50</b>	<b>100.00</b>	<b>1916.25</b>	<b>100.00</b>
<b>EXPENDITURE</b>								
Raw Material Consumed	1923.85	28.40	2254.55	38.28	1895.51	55.94	991.84	51.76
Employees Costs	133.98	1.98	118.54	2.01	103.75	3.06	68.38	3.57
Other Manufacturing Costs	2949.84	43.54	1826.98	31.02	503.84	14.87	404.82	21.13
<b>Total Direct Expenses</b>	<b>5007.67</b>	<b>73.92</b>	<b>4200.07</b>	<b>71.31</b>	<b>2503.10</b>	<b>73.87</b>	<b>1465.04</b>	<b>76.45</b>
Add/(Less): Variation in Stock and WIP	(1061.26)	-15.66	(564.86)	-9.59	(266.84)	-7.87	(143.30)	-7.48
<b>Cost of Goods Sold and Work Executed</b>	<b>3946.41</b>	<b>58.25</b>	<b>3635.21</b>	<b>61.72</b>	<b>2236.26</b>	<b>66.00</b>	<b>1321.74</b>	<b>68.98</b>
<b>Gross Profit</b>	<b>2828.47</b>	<b>41.75</b>	<b>2254.88</b>	<b>38.28</b>	<b>1152.24</b>	<b>34.00</b>	<b>594.51</b>	<b>31.02</b>
Administrative & Other Costs	73.14	1.08	66.88	1.14	49.01	1.45	43.49	2.27
Selling & Distribution Costs	163.77	2.42	170.44	2.89	124.60	3.68	100.49	5.24
Interest & Other Finance Costs	347.99	5.14	309.88	5.26	337.88	9.97	110.13	5.75
Preliminary Expenses Written Off	1.81	0.03	1.18	0.02	0.55	0.02	0.55	0.03
Prior Period Adjustment	1.4	0.02	4.10	0.07	11.22	0.33	1.14	0.06
Depreciation	537.98	7.94	526.73	8.94	348.24	10.28	212.43	11.09
<b>Profit before Tax</b>	<b>1702.38</b>	<b>25.13</b>	<b>1175.67</b>	<b>19.96</b>	<b>280.74</b>	<b>8.29</b>	<b>126.28</b>	<b>6.59</b>
<b>Less : Provision for Taxation</b>								
Provision for Current Tax	394.11	5.82	63.01	1.07	0.00	0.00	1.50	0.08
Provision for Deferred Tax / (Reversal of Deferred Tax)	27.12	0.40	(70.46)	-1.20	(21.56)	-0.64	50.00	2.61
<b>Net Profit before Extraordinary Items as per Audited Financial Accounts</b>	<b>1281.15</b>	<b>18.91</b>	<b>1183.12</b>	<b>20.09</b>	<b>302.30</b>	<b>8.92</b>	<b>74.78</b>	<b>3.90</b>
Extraordinary Items (Depreciation Written Back)	-		-	0.00	-	0.00	-	0.00
<b>Net Profit after Extraordinary Items as per Audited Financial Accounts</b>	<b>1281.15</b>	<b>18.91</b>	<b>1183.12</b>	<b>20.09</b>	<b>302.30</b>	<b>8.92</b>	<b>74.78</b>	<b>3.90</b>
Impact On account of adjustments required by Paragaph 6.10.2.7 (b) of Chapter VI of the Guidelines ( Ref Note # 2 (a))	40.26	0.59	(137.80)	-2.34	(128.71)	-3.80	34.53	1.80
<b>Adjusted Profits for the year</b>	<b>1321.41</b>	<b>19.50</b>	<b>1045.32</b>	<b>17.75</b>	<b>173.59</b>	<b>5.12</b>	<b>109.31</b>	<b>5.70</b>

- Our manufacturing expenses comprise of stores consumed, repairs and maintenance of plant and machinery etc.
- The gross profit margin has increased from 31.02% in FY 2003 to 41.75% in FY 2006 mainly due to the increase in construction revenues, better sales realisation of cotton yarn and fall in prices of cotton which is main raw material for our textile division.



Our Company has grown with CAGR of 52.30% and 132.26% in the total operational income and PAT respectively over last three financial years from FY 2003 to FY 2006. The higher growth in profitability is primarily due to increase in revenues from construction activity, which has higher operating margin.

### Segmental Information

	Period / Year Ended	September 30, 2006		March 31, 2006		March 31, 2005		March 31, 2004	
SI #	Particulars	Textile	Construction	Textile	Construction	Textile	Construction	Textile	Construction
<b>A</b>	<b>Segment Revenue</b>								
	Segment Revenue	2881.33	1569.11	4205.63	3591.46	4373.26	2050.7	3650.30	0.0
	Add: Other Income	7.02	0.00	39.05	0.00	30.99	0.00	5.04	0.00
	Total Segment Revenue	2888.35	1569.11	4244.68	3591.46	4404.25	2050.70	3655.34	0.00
	Less: Inter Segment Elimination	-	-	-	-	-	-	-	-
<b>B</b>	<b>Segment Result: Profit / (Loss) before Interest and Taxes</b>	<b>493.86</b>	<b>612.05</b>	<b>806.41</b>	<b>1251.29</b>	<b>681.27</b>	<b>805.77</b>	<b>624.08</b>	<b>0.00</b>

### Review of results of operations

#### Comparison of FY 2006 with FY 2005

##### Total Operational Income

Our Company has derived its income from two segments i.e Textile and Construction during FY 2006. The Total Operational Income net of excise duty and sales tax has increased from Rs 5859.10 lacs in FY 2005 to Rs. 6737.25 lacs in FY 2006 indicating a growth of 14.99%. With textile division operating at full capacity as in FY 2005, this growth in Total Operational Income was due to increase in construction revenues to Rs 3591.46 lacs in FY 2006 from Rs 2050.70 lacs in FY 2005.

##### Raw Material Consumption

The main raw material for our Textile division is cotton and for Construction division is rubbles, clay, sand, cement and steel. The raw material consumption has decreased from Rs. 2254.55 lacs in FY 2005 to Rs. 1923.85 lacs in FY 2006 showing a decline of 14.67%. This decline is primarily due to lower cotton prices.

##### Manufacturing Expenses

The major expenses under this head for Textile division are stores and spares, electricity and other factory overheads and for Construction division are lubricants and fuel. The manufacturing expenses have increased from Rs. 1826.98 lacs in FY 2005 to Rs. 2949.84 lacs in FY 2006 showing an increase of 61.46%. This steep increase in the manufacturing expenses is due to significant increase in expenditure on fuel and lubricants for our construction activity, which had higher proportion in Total Operational Income in FY 2006 as compared to FY 2005.

##### Employees Remuneration and Benefits

The employees' remuneration and benefits have shown year on year growth of 13.03%, which is partly due to annual salary increments and partly due to additional labour cost for construction division.

##### Administrative and Other Expenses

In absolute terms administrative and other Expenses have increased by 9.36% in line with overall growth in scale of business.

##### Interest and Financial Charges

Interest and financial charges comprise of interest payments to banks and financial institutions, others and bank charges. In absolute terms interest and financial charges have increased by 12.30% in FY 2006 over FY 2005. This was due to increase in long term debt in FY 2006 for installation of additional 7200 spindles, which have become operational from April 2006.

##### Selling and Distribution Expenses

In absolute term selling and distribution Expenses have shown marginal decline of 3.91% in FY 2006 over FY 2005, they account for 2.42% and 2.89% of Total income for FY 2006 and FY 2005 respectively thus showing a marginal decrease in FY 2006.



## Comparison of FY 2005 with FY 2004

### Total Operational Income

Our Company has derived its income from two segments i.e Textile and Construction during FY 2005 as compared to FY 2004 in which only Textile division was operational. The Total Operational Income net of excise duty and sales tax has increased from Rs 3383.85 lacs in FY 2004 to Rs. 5859.10 lacs in FY 2005 indicating a growth of 73.15%, consequent to robust growth of 27.34% in textile division due to higher capacity utilization and better price realizations and contribution of Rs 1550.71 lacs from construction division due to resumption of work on Morbe Dam project.

### Raw Material Consumption

The main raw material for our Textile division is cotton and for Construction division is rubbles, clay, sand, cement and steel. The raw material consumption has increased from Rs. 1895.51 lacs in FY 2004 to Rs. 2254.55 lacs in FY 2005 showing an increase of 18.94%. This increase is primarily due to starting of work on Morbe Dam project. However, raw material consumption as a percentage of Total Income for FY 2005 was 38.28% as compared to 55.94% for FY 2004. This is due to sharp decline in cotton prices during FY 2005 from the highs witnessed during FY 2004.

### Manufacturing Expenses

The major expenses under this head for Textile division are stores and spares, electricity and other factory overheads and for Construction division are lubricants and fuel. The manufacturing expenses have increased from Rs. 503.84 lacs in FY 2004 to Rs. 1826.98 lacs in FY 2005 showing an increase of 262.61%. This steep increase in the manufacturing expenses is due to significant increase in expenditure on fuel and lubricants for our construction activity.

### Employees Remuneration and Benefits

The employees' remuneration and benefits have shown year on year growth of 14.26%, which is partly due to annual salary increments and partly due to additional labour cost for construction division.

### Administrative and Other Expenses

In absolute terms administrative and other Expenses have increased by 36.46% in line with overall growth in scale of business.

### Interest and Financial Charges

Interest and financial charges comprise of interest payments to banks and financial institutions, others and bank charges. In absolute terms interest and financial charges have declined by 8.29%. This was due to lower cost of borrowing on the average long term borrowed funds that has come down to 7.98 % from 8.75 % as the Company has borrowed the funds at subsidised interest rate under TUFs.

### Selling and Distribution Expenses

In absolute term selling and distribution Expenses have shown an increase of 36.79% in FY 2005 over FY 2004, they account for 2.89% and 3.68% of Total income for FY 2005 and FY 2004 respectively thus showing a marginal decrease in FY 2005.

## Comparison of FY 2004 with FY 2003

### Total Operational Income

The Total Operational Income net of excise duty and sales tax has increased from Rs 1907.25 lacs in FY 2003 to Rs. 3383.85 lacs in FY 2004 indicating a growth of 77.42%, consequent to robust growth of 77.46% in textile division due to installation of additional 12816 spindles, higher capacity utilization and better price realizations.

### Raw Material Consumption

The raw material consumption was Rs. 1895.51 lacs in FY 2004 against Rs. 991.84 lacs in FY 2003. Raw material consumption as a percentage of Total Income for FY 2004 was 55.94% as compared to 51.76% for FY 2003. This is primarily due to sharp increase in cotton prices during FY 2004 as compared to FY 2003.

### Manufacturing Expenses

The manufacturing expenses were Rs. 503.84 lacs in FY 2004 as compared to Rs. 404.82 lacs in FY 2003, showing an increase of 24.46% in absolute terms. However ratio of such expenses with Total Income declined to 14.87% in FY 2004 from 21.13% in FY 2003 showing better cost efficiencies achieved by our Company.

### Employees Remuneration and Benefits

The employees' remuneration and benefits have increased to Rs. 103.75 lacs as compared to Rs. 68.38 lacs showing a growth of 51.73%. This steep increase was due to broadening of organisational structure with recruitment of new employees to take care of increased scale of operations in Textile division with installation of additional 12816 spindles.



### **Administrative and Other Expenses**

Administrative and other expenses have increased marginally by 12.29% due to increased scale of textile operations.

### **Interest and Financial Charges**

Interest and financial charges have increased by 206.80% due to additional borrowings of Rs 2302 lacs for installation of additional 12816 spindles.

### **Selling and Distribution Expenses**

In absolute term selling and distribution expenses have gone up by 23.99% however such expenses as the percentage to Total Income have declined from 5.24% in FY 2003 to 3.68% in FY 2004.

### **Other Points:**

#### **Unusual or infrequent events or transactions**

There have been no unusual or infrequent transactions affecting our business for last three financial years.

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

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

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

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

#### **Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known**

Nil

#### **The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices**

Our Company had forayed into construction activity during the FY 2001 by accepting construction work of Morbe Dam project. In accordance with the work sub contracted to us, our Company started the construction activity during FY 2005. Accordingly, total operational income of FY 2005 and FY 2006 includes Rs 1550.71 lacs and Rs. 2651.29 lacs derived from our construction division.

#### **Total turnover of each major industry segment in which the Company operated**

The Company operated in two industry segments – Textile segment and Construction segment. Total turnover from each segment for FY 2006 is Rs. 4084.54 lacs and Rs. 2651.29 lacs respectively.

#### **Status of any publicly announced new products or business segment**

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

#### **The extent to which the business is seasonal**

The scale of operations in Construction division is affected during monsoons. Further the major raw material of our Company is Raw Cotton and that is seasonal. However the Company has sufficient working capital limits for peak season to procure Raw Cotton.

#### **Any significant dependence on a single or few suppliers or customers**

We are not significantly dependent on any single or few suppliers or customers.

#### **Competitive conditions**

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

Our Company faces stiff competition for its products across the world. Our Company exports mainly to Mauritius, Europe, Vietnam, Bahrain, Hong Kong, Mauritius and Korea. On the basis of cost competitiveness, we face competition not only from Indian manufacturers but also from manufacturers of other Asian countries such as China, Pakistan, Bangladesh etc. Therefore import of yarns from Pakistan etc can be a potential threat to spinning industry specially making medium counts.



However, we lay special emphasis on maintaining quality and customer satisfaction from our customers of existing products, which may help us to sell our proposed product.

**Over the period we have built up excellent relationship with renowned customers. Our strengths in producing higher grade Cotton Yarn and track record of timely execution of orders have given us competitive advantage in global as well as in domestic market.**



## SECTION VII

### OUTSTANDING LITIGATION

Except as stated below there are no outstanding litigations against the Company or against any other company whose outcome could have a materially adverse effect on the Company; no litigation against Directors involving violation of statutory regulations or alleging criminal offence; no pending proceedings initiated for economic offences against the company or the directors; no past cases in which penalties were imposed by the concerned authorities against the Company or the Directors; no outstanding litigation or defaults, including disputed tax liabilities and/or prosecution under any enactment mentioned in Schedule XIII of the Companies Act, likely to effect the operations or finances of the Company; no non-payment of statutory dues, proceedings initiated for economic offences/civil offences, including a finding of guilt in past cases, or any disciplinary action taken by the SEBI or any stock exchange against the Company or the Directors

#### A.) Filed By or Against our Promoters

No litigations are pending which have been filed by/against our Promoters.

#### B.) Filed by our Company

No litigations are pending which have been filed by our Company.

#### C.) Filed Against our Company

1. A Show Cause Notice dated 15th July 2003 was issued by the Commissioner of Central Excise, Pune II to our Company, viz. demanding excise duty of Rs. 3,750,661/- with a proposal to impose penalty thereon.

It was stated in the said show cause notice that during the period March 2000 to June 2002 our Company manufactured cotton yarn with the help of imported raw material viz. paper cones.

The Excise Department's case was that our Company was wrongfully selling cotton yarn in DTA under the provisions of Notification No. 8/97 CE dated 1st March 1997. Under Notification No. 8/97 a 100% EOU is allowed to sell in DTA excisable goods manufactured wholly from the raw materials produced or manufactured in India at concessional rate of duty.

The Additional Commissioner, Central Excise, Pune II adjudicated the Show Cause Notice vide Order in Original No. 07/ADC/C.EX/2004 dated 4th March 2004 issued under F.No. V(52) 15-84/Adj/PII/2003. The duty demanded of Rs. 3,750,661 was confirmed and a penalty of Rs. 3,750,661 was imposed on us.

Our Company being aggrieved by the abovementioned Order preferred an Appeal being Appeal No. PII/BKS/ST-38/2004 dated 1st September 2004 to Commissioner (Appeals) Central Excise, Pune II. The Commissioner (Appeals) granted a stay to the Order in Original subject to our Company depositing Rs. 9 lacs.

The Appeal was finally disposed off by the Commissioner (Appeals) in favour of us. Thereafter, we applied for a refund of Rs. 9 lacs. By an Order dated 6th September 2005 the Deputy Commissioner, Central Excise, Kolhapur II Division, sanctioned the refund of Rs. 9 lacs to us.

Thereafter the Department, Commissioner of Central Excise, Pune II, filed an Appeal before CESTAT. The said Appeal is pending.

2. A suit has been filed by Abhishek Industries Ltd. on June 17, 2006 against our Company before the Court of the District Judge, Sangrur inter alia for an Order for permanent injunction restraining our Company from using the trade and corporate name "ABHISHEK" and/or any other deceptive variation thereof as a corporate name or as a trade name in whole or in part, whether in connection to any goods or business or otherwise. Abhishek Industries Ltd. had also filed an application for interim stay seeking to restrain our Company from inter alia, using the trade and corporate name "ABHISHEK" and /or any deceptive variations thereof as a corporate name or any trade name in whole or in part whether in connection to any goods or business or otherwise, and also to restrain ourselves from issuing our public offer/public issue under the trade and corporate name "ABHISHEK" and/or any deceptive variation thereof, till the decision of the above suit.

Vide an ex parte Order dated 17th June 2006, the District Judge, Sangrur allowed the said interim application. Being aggrieved by the Order dated 17th June 2006, our Company filed an Appeal being FAO No. 2941 of 2006 before the





Hon'ble High Court of Punjab & Haryana at Chandigarh. The High Court of Punjab and Haryana vide its Judgement dated 19th July 2006 allowed the Appeal and set aside the ex parte Order dated 17th June 2006 passed by the District Judge, Sangrur. The District Judge was further directed by the Hon'ble High Court of Punjab & Haryana to decide the Stay Application filed by Abhishek Industries Ltd afresh. The Stay Application was heard afresh by the District Judge, Sangrur and the said Stay Application was dismissed by an Order dated 19th August 2006 passed by the District Judge, Sangrur. The trial of the suit has been adjourned from time to time by the District Judge, Sangrur and the matter is now scheduled to come up before the District Court on 23rd February 2007.

Our Company has filed a Caveat before the Hon'ble High Court of Punjab & Haryana at Chandigarh apprehending an Appeal by Abhishek Industries Ltd challenging the Order dated 19th August 2006 of the Hon'ble District Judge, Sangrur. Abhishek Industries Ltd. has filed an Appeal before the Hon'ble High Court of Punjab & Haryana at Chandigarh bearing No. FAO 92 of 2007, notice for which was served on us on January 11, 2007 challenging therein the Order dated 19th August 2006 and which appeal came up before the High Court of Punjab and Haryana on January 30, 2007 in which reply filed by our Company was taken on record, however hearing has been adjourned to February 27, 2007.

#### **D.) Litigation Of Group Associates**

##### **Filed by Shivneri Nagari Pat Sanstha Maryadit**

1. Sum. Criminal Case No. 1210 of 2005 has been filed in the Court of the Chief Judicial Magistrate, Kolhapur, at Kolhapur by Shivneri Nagari Pat Sanstha Maryadit against one Mr. Abhinandan Babasaheb Khot. The said Complaint has been filed under Section 138 of the Negotiable Instruments Act, 1881. The said Complaint relates to the dishonour of a cheque for the sum of Rs. 1,50,000/- drawn in favour of Shivneri Nagari Pat Sanstha Maryadit by the accused. The said cheque is towards part repayment of a loan given by Shivneri Nagari Pat Sanstha Maryadit to the accused. The matter is presently pending before the Hon'ble Court and is scheduled to come up before the Hon'ble Court on January 24, 2007 for hearing.
2. Sum. Criminal Case No. 6132 of 2005 has been filed in the Court of the Chief Judicial Magistrate, Kolhapur, at Kolhapur by Shivneri Nagari Pat Sanstha Maryadit against one Mr. Pandit Shankar Patil. The said Complaint has been filed under Section 138 of the Negotiable Instruments Act, 1881. The said Complaint relates to the dishonour of a cheque for the sum of Rs. 1,00,000/- drawn in favour of Shivneri Nagari Pat Sanstha Maryadit by the accused. The accused is a guarantor in respect of a loan taken from Shivneri Nagari Pat Sanstha Maryadit by one Mr. Y.K. Piste. The said cheque is towards repayment of the loan taken from Shivneri Nagari Pat Sanstha Maryadit. The matter is presently pending before the Hon'ble Court and is scheduled to come up before the Hon'ble Court on January 15, 2007. In meantime, Mr. Pandit Shankar Patil has deposited Rs. 12,054 against principal dues and balance is outstanding.
3. A suit bearing C.C.S. No.903 of 2003 has been filed in the Co-operative Court, Kolhapur by Shivneri Nagari Pat Sanstha Maryadit. The said suit is filed under Section 91 of Maharashtra Co-operative Societies Act, 1960 for the repayment of monies borrowed by Mr. Tyeb F. Nadaf under a signed promissory note. The amount borrowed under the promissory note is Rs.1,50,000/- @ 18% interest p.a. for a duration of 2 yrs. The said sum if not paid within 2 yrs. bears a penalty of 2% p.a. Mr. Krishna Kurne & Mr. Ikhtyar Mujavar stand as sureties for the said sum and have also been made Defendants No. 2 & 3 respectively in the said suit. Shivneri Nagari Pat Sanstha Maryadit has claimed total sum of Rs. 123,579 comprising of principle, interest and cost. Shivneri has prayed to the Hon'ble Court that the amount of Rs.1,23,579/- alongwith interest @ 18% p.a. and penalty @ 2% p.a. be paid from 1st July, 2003 till realization.

The matter is presently pending before the Hon'ble Court and is now scheduled to come up before the Hon'ble Court on January 19, 2007 for judgement..

4. The following recovery proceedings have been filed by Shivneri Nagari Sahakari Pat Sanstha Maryadit before the Hon'ble Co-operative Court, Karveer, Kolhapur.

<b>S. No.</b>	<b>Case No.</b>	<b>Notice Issued to</b>	<b>Amount (Rs.)</b>	<b>Next date of hearing</b>
1.	1299 of 2006	Anandrao R. Mudhalkar Sanjay N. Sutar Chandrakant L Mahagoankar	1,48,535/-	January 19, 2007
2.	1300 of 2006	Arvind D. Vesankar Dhanpal R. Sutar Suresh M. Bandagar	87,437	January 19, 2007



3.	1301 of 2006	Suresh G. Athne Vasanti K. Patil Suhas K. Patil	10,583	January 19, 2007
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#### **Filed Against Shivneri Nagari Pat Sanstha Maryadit**

1. A dispute bearing Dispute No. 996 of 2006 has been filed in the Co-operative Court – I Kolhapur at Kolhapur by one Shri Shiripal S. Kinikar the “Disputant” against (1) Shivneri Nagari Sahakari Pat Sanstha Ltd. (2) Special Recovery Officer, Shivneri Nagari Sahakari Pat Sanstha Ltd. and (3) Shri Appaso B. Patil, the “Opponents” under Section 91 of the Maharashtra Co-operative Society Act, 1960. On a perusal of the papers, it appears that Shri Shiripal S. Kinikar is a guarantor for the Opponent No. 3 in respect of a loan the Opponent No. 3 had taken from Opponent No. 1. The main prayer in the dispute is for an order discharging the Disputant for the suretyship / guarantorship in respect of the loan taken by the Opponent No. 3. An application has also been filed by the Disputant for ad interim / interim reliefs. The said ad interim application was heard by the Hon’ble Court on 12th September 2006 when the Hon’ble Court was pleased to grant ad interim reliefs. The Order has further directed that a Show Cause Notice be issued to the Opponent Nos. 1 and 2 as to why the ad-interim injunction should not be confirmed till the decision of the Dispute. The matter now stands adjourned to 14th February 2007.

#### **R. M. Mohite and Co.**

A Special Civil Suit bearing No. 45 of 1987 was filed in the Court of the Civil Judge Senior Division, Alibag by the City and Industrial Development Corporation of Maharashtra “CIDCO” against M/s. R. M. Mohite & Company through its erstwhile partners Shri Maruti Vyanku Vadar, Shri Bhagwan Nagu Mohite, Shri Bala Dadu Bajage and Shri Anasaheb Ramchandra Mohite. The said suit has been filed against the Defendants for committing breach of a contract entered into with the Plaintiffs. The contract was executed on 7<sup>th</sup> February, 1984. The said Contract was inter-alia for civil work, including excavation and construction work. The Plaintiffs are claiming a sum of Rs. 2,641,535.98 as damages sustained by them for breach of contract by the Defendant. The Plaintiffs have also prayed for interest @ 18% per annum from the date of the suit till realisation of the amount. Prayer (d) of the Plaintiffs has prayed for necessary orders to be passed for attachment before judgment under Order 38 R. 5 of the CPC.

The Defendant has filed written statement dated 13th January, 2003 setting out their defence to the said claim against them.

The suit was transferred from the Court of the Civil Judge Senior Division Alibag Raigad District to the Court of the Civil Judge Senior Division at Panvel.



### GOVERNMENT APPROVALS/LICENSING ARRANGEMENTS

Subject to renewals of approvals and licences as listed below, we can undertake this Issue as well as our current business activities and no further major approvals are required from any Government authority for us to continue our activities.

#### General Corporate Approvals

Serial No.	Issuing Authority	Registration/ License No.	Nature	Validity
1.	ROC, Mumbai	11-073706	Certificate of Incorporation	N.A
2.	ROC, Pune	11-073706	Certificate of Commencement of Business	N.A
3.	Commissioner of Income Tax, Kolhapur	AACCA0323P	Permanent Account Number (PAN)	N.A
4.	Commissioner of Income Tax, Kolhapur	KLPA01306E	Tax Deduction Account Number under Section 203A of the Income Tax Act, 1961.	N.A
5.	Superintendent (STC) Central Excise, Kolhapur II Division, Kolhapur	AACCA0323PST001	Certification of Registration under Section 69 of the Finance Act, 1994 "Service Tax".	N.A
6.	Sales Tax Officer, Kolhapur	416001S1330	Certificate of Registration under Section 22/22A of Bombay Sales Tax Act, 1959	N.A
7.	Sales Tax Officer, Kolhapur	416001C954	Certificate of Registration under Central Sales Tax (Registration and Turnover) Rules, 1957	N.A
8.	Profession Tax Officer, Kolhapur	2/6/5/25/8/2604	Certificate of Enrollment under sub-section 2 or 2a of Section 5 of Maharashtra State Tax on Profession, Trades, Callings and Employment Act, 1975	N.A
9.	Regional /Assistant Provident Fund Commissioner, Sub-Regional Office, Kolhapur.	MH/KP/100801	Registration under Employees Provident Fund & Miscellaneous Provisions Act, 1952	N.A



## Existing Business Approvals

Serial No.	Issuing Authority	Registration/ License No.	Nature	Validity
10(a)	Government of India, Ministry of Industry, EOU Section	Reg.No. EOB/265/96 dated 16.8.1996	Registration under 100% export oriented scheme for manufacture of cotton yarn (other than swings thread) and permission to establish new undertaking	Not Applicable
10(b)	Deputy Development Commissioner, Ministry of Commerce, Government of India.		Legal Agreement dated 22.9.1996.	
10 (c)	Joint Development Commissioner, SEEPZ.	Letter No. SEEPZ/28(18)/95 12542	Letter of extension of validity period of permission dated 16.8.1996.	
10 (d)	Assistant Development Commissioner, SEEPZ.	Letter No. SEEPZ:28:187:96:9794	Broad-banding of item of manufacture i.e. grey knitted yarn.	
10 (e)	Assistant Development Commissioner.	Letter bearing No. SEEPZ:28:187:96:3302 dated 31 <sup>st</sup> March 2005.	Approval of continuation of EOU status.	2005-06 to 2009-10
10 (f)	Development Commissioner.		Legal Agreement dated 29.4.2005	
10 (g)	Assistant Development Commissioner.		Addenda to Legal Agreement dated 29.4.2005	
11.	Assistant Development Commissioner, SEEPZ.	Letter No. SEEPZ:28:187:96:-10024	Permission for DTA Sale under Para 6.8(b) of Export-Import Policy 2002-2007.	
12.	Commissioner of Customs & Excise	Sr. No. 46198	Certificate of Registration with the Central Excise Department	Valid till the holder carries on the activity for which this certificate has been issued or is surrendered whichever is earlier
13.	Deputy Commissioner, Central Excise & Customs, Kolhapur II Division, Kolhapur.	01/Customs/C/Private Bonded Warehouses/98,	License for Private Bonded Warehouse under Section 65 of Customs Act, 1962.	
14.	Joint Development Commissioner (Ministry of Commerce & Industry) SEEPZ SEZ Andheri, Mumbai	Green Card No. 01465	Approval under the Special Scheme of Government of India as a SEZ unit/ EOU	31 <sup>st</sup> March 2010
15.	Foreign Trade Development Officer.	No. 3194005553	Importer-Exporters Code	



16.	Regional Officer, MPCB, Kolhapur	Consent No. 2676 / 359 / 06 dated 28-4-2006	Consent granted under Water Act, 1974, Air Act, 1981 and Hazardous Waste (Management And Handling) Rules, 1989	31 <sup>st</sup> March 2008
17.	General Manager, SICOM Ltd.	Eligibility Certificate No. FIN(I)/1993/EXEMPTION/EC-4287	Eligibility Certificate for new unit for sales tax incentive	1-1-2000 to 31-5-2007 or maximum amount of incentives Rs.14,38,25,000/-
18.	Deputy Commissioner of Sales Tax (Incentives and Enforcements), Maharashtra State, Mumbai.	S-E-3/LM/1517	Certificate of Entitlement	1101 to 31507 OR Maximum Amount of Incentives Rs.14,38,25,000/-
19.	Superintending Officer, Kolhapur, MSEB.	C.No. 26741-900405-0	High tension power supply by MSEB.	
20.	Director, Industrial Safety & Health, Government of Maharashtra	082004	Registration under Factories Act, 1948.	December 31, 2007
*21.	Assistant Commissioner of Labour & Reg. & Lic. Officer under Contract Labour (Regulation & Abolition) Act, 1970, Kolhapur.	201	Registration of Employer under Section 7 of Contract Labour (Regulation & Abolition) Act, 1970.	
22.	Assistant Commissioner of Customs EOU/Mumbai.	F.No. S/16 100% EOU-114/99	Registration in the EDI System of new Customs House, Mumbai.	
23.	Superintendent Central Excise, Range: Karveer, Kolhapur.	ECC Code No. 6007030174	Registration with the Superintendent of Central Excise and Customs.	
24.	Competent Officer of the Export Promotion Council.	MY/MP/23438 (2000) - A	Cotton and Textiles Export Promotion Council.	31.3.2011
25.	Inspector of Weight and Measures Department, Government of Maharashtra, Kolhapur.	Inspection Report No. 1. 004862		June 29, 2007
		2. 036688		March 22, 2007
		3. 036689		March 22, 2007
		4. 036690		March 22, 2007
26.	Government of India, Ministry of Industry	2626/S1A/IMO/94	Acknowledgement	
27.	RBI	BA 008210	Allotment of Code Number	



\*3 Note: Company has made Renewal Application of the License for the period of 1 year upto 31<sup>st</sup> December 2007.

### Approvals for Proposed Business

The Company is presently in the process of expanding and diversifying its operations and is therefore in the process of setting up new facilities for the same.

Sr.No.	Approval	Status
1.	MPCB	Consent granted for a period upto the commissioning of the Unit under (i) Section 25 of the Water (Prevention & Control of Pollution) Act, 1947 (ii) Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and (iii) Rule 5 of Hazardous Wastes (Management & Handling) Rules, 1989.
2.	MSEB	Applied for under cover of Company letter dated 13 <sup>th</sup> February 2006, bearing ref.no. AML/SE/05-06/087.
3.	Industrial Boiler Regulation Authority	To be applied
4.	Section 9A of the Aircraft Act 1934 for erection of Chimney	To be applied
5.	SEEPZ, broad banding of item of manufacture	To be applied
6.	Permission from concerned Village panchayat	To be applied
7.	Central Sales Tax Act, 1956	To be applied
8.	Bombay Sales Tax Act, 1959	To be applied
9.	Central Excise Rules, 2000	To be applied
10.	VAT	To be applied
11.	Permission/Approval for new building	NOC received from Gram Panchayat, Tamgaon.
12.	Weights and Measures Act	To be applied



## SECTION VIII

### Other Regulatory And Statutory Disclosures

#### Authority For The Present Issue

Pursuant to Section 81(1A) of the Companies Act, 1956, present Issue of Equity Shares has been authorised vide Special Resolution passed at the Extra Ordinary General Meeting of the Company held on May 15, 2006 and a resolution passed by the Board of Directors on May 02, 2006.

#### Prohibition by SEBI

Our Company, our Directors, our Promoters, other companies/entities promoted by our Promoters and companies/entities with which our Directors are associated as directors, have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI. Our Company, our Directors, our Promoters, other companies/entities promoted by our Promoters have not been detained as wilful defaulters by RBI or Government authorities and there are no violation of securities laws committed by them in the past or pending against them.

#### Eligibility For The Issue:

As per clause 2.2.1 of SEBI (DIP) Guidelines an unlisted Company may make an initial public offering (IPO) of equity shares or any other security, which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

(a) The Company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets:

Provided that if more than 50% of the net tangible assets are held in monetary assets, the Company has made firm commitments to deploy such excess monetary assets in its business/project;

(b) The Company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;

(c) The Company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);

(d) In case the Company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the Company from the activity suggested by the new name; and

(e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + Promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.

We are eligible for the Issue as per Clause 2.2.1 of the SEBI (DIP) Guidelines as explained under:

1. We have net tangible assets of at least Rs. 3 crores in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
2. We have a pre-Issue net worth of not less than Rs.1 crore in each of the three preceding full years;
3. We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of immediately preceding five years;
4. During the preceding year, we have changed our name from Abhishek Cotspin Mills Limited to Abhishek Mills Limited and more than 50% of the revenue earned for the preceding one full year is from the activity suggested by the new name.
5. The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended March 31, 2005

In terms of a certificate issued by M/s B.J.Ingrole & Co. Chartered Accountants, our statutory auditors dated January 11, 2007 the Company satisfies the above eligibility criteria as follows:



(Rs in lacs)

Particulars	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Net Tangible Assets <sup>(1)</sup>	11381.55	9535.52	7574.43	5110.83	3229.77
Monetary Assets <sup>(2)</sup>	1936.32	2335.63	1019.69	1268.58	711.96
Monetary Assets as % of Net Tangible Assets	17.01	24.49	13.46	24.82	22.04
Pre-Issue Net worth <sup>(3)</sup>	4639.14	2176.32	1076.44	864.08	792.45
Distributable Profits <sup>(4)</sup>	1369.46	1045.32	173.59	109.31	78.33

1. Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by ICAI.
2. Monetary Assets comprise Cash and Bank balances, Loans and Advances, Sundry Debtors balances..
3. Net worth have been computed as the aggregate of equity share capital and reserves, excluding Share application money and miscellaneous expenditures, if any.
4. Distributable profits have been computed in terms of section 205 of the Companies Act.

#### Disclaimer Clause

**AS REQUIRED, A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI.**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY THE SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER UTI BANK LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER VIZ UTI BANK LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MAY 31, 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 DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

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

**WE CONFIRM THAT:**

**(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;**

**(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 THIS DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER.**

**(D) WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THIS DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID ; AND**

**(E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

**WE CERTIFY THAT WRITTEN CONSENT FROM THE SHAREHOLDERS HAVE BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM 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 THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.**

**ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE HAVE BEEN COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WOULD BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."**

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THIS DRAFT RED HERRING PROSPECTUS.**

#### **GENERAL DISCLAIMER**

Investors may note that the Company and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the Company and/or the BRLM and that anyone placing reliance on any other source of information would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding among the BRLM and the Company dated May 31, 2006 and the Underwriting agreement to be entered among the Underwriters and our Company.

All information shall be made available by the Company, the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.

#### **DISCLAIMER IN RESPECT OF JURISDICTION**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares) permitted insurance companies and pension funds and to NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI as defined under the Indian laws.

This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI. Accordingly, the Equity Shares, represented



thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in 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) (Designated Stock Exchange)**

As required, a copy of this Red Herring Prospectus has been submitted to the BSE. The **Bombay Stock Exchange Limited** ("the Exchange") has given vide its letter NoDCS/SG/SM/2006 dated July 27, 2006 permission to this Company to use the Exchange's name in this Red Herring Prospectus as one of the Stock Exchanges on which the Company's securities are proposed to be listed. The Exchange has scrutinised this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner-

- a Warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or
- b Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- c Take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed that the Red Herring Prospectus has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

#### **DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE (NSE)**

As required, a copy of this Red Herring Prospectus has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter No. NSE/LIST/26964-P dated August 4, 2006-, and further vide its letter ref: NSE/LIST/37260-V dated January 15, 2007 and letter ref: NSE/LIST/38678-Q dated February 05, 2007 granted permission to the Company to use the Exchange's name in this Red Herring Prospectus as one of the Stock Exchanges on which the Company's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital (i.e. the paid up capital shall not be less than 100 mn. and market capitalisation shall not be less than Rs. 250 mn. at the time of listing). The Exchange has scrutinised this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does not in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Company, its Promoter, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

#### **UNDERTAKING FROM PROMOTERS AND DIRECTORS**

We accept full responsibility for the accuracy for the information given in the Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which make any statement in the Red Herring Prospectus misleading and we further confirm that we have made all reasonable inquiries to ascertain such facts. We further declare that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in this offer document. The Promoter/Directors declare and confirm that no information / material likely to have a bearing on the decision of investors in respect of the shares offered in terms of the Red Herring Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/ material has been suppressed/withheld and/or amounts to a mis-statement/mis-representation, the Promoter/Directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.



## FILING

A copy of this Red Herring Prospectus, has been filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, Maharashtra at Pune and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies, Maharashtra at Pune.

## LISTING

Initial listing applications have been made to the Bombay Stock Exchange Limited (Designated Stock Exchange) and National Stock Exchange of India Limited for permission to list the Equity Shares and for an official quotation of the equity shares of the Company. The BSE will be the Designated Stock Exchange.

In case, the permission for listing of the equity shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 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 expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

Our Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of basis of allotment for the Issue.

## CONSENTS

The written consents of Promoters, Directors, Company Secretary, Auditors, Legal Advisors, Book Running Lead Manager to the Issue, Registrars to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Maharashtra at Pune as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration.

## EXPERT OPINION

Except as stated in the sections titled "Objects of the Issue" and "Financial Information" beginning on pages 22 and 81 respectively, of the Red Herring Prospectus, we have not obtained any expert opinions.

## EXPENSES OF THE ISSUE

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the BRLM, Registrar to the Issue, Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses are estimated as follows:

## DETAILS OF FEES PAYABLE

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertising expenses and listing fees. The estimated Issue expenses are as follows:

(Rs. In lacs)

Particulars	Expenses	As a % of the Issue size
Management fees, underwriting commission and brokerage	[•]	[•]
Marketing and advertisement expenses	[•]	[•]
Stationary, printing and registrar expenses	[•]	[•]
Legal fees, listing fees, book building charges, auditors fees	[•]	[•]
Miscellaneous	[•]	[•]
<b>Total</b>	[•]	[•]

All expenses with respect to the Issue would be borne by our Company, except as agreed between the BRLM and our Company.



### **FEES PAYABLE TO THE BRLM, BROKERAGE AND SELLING COMMISSION**

The total fees payable to the BRLM, including brokerage and selling commission for the Issue will be as per the MoU executed between our Company and the BRLM dated May 31, 2006, copy of which is available for inspection at the Registered Office/Corporate Office of our Company.

### **FEES PAYABLE TO THE REGISTRAR TO THE ISSUE**

The total fees payable to the Registrar to the Issue will be as per the MoU executed between our Company and the Registrar dated May 29, 2006, copy of which is available for inspection at the Registered /Corporate Office of our Company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

### **PREVIOUS PUBLIC OR RIGHTS ISSUES**

This is the first public issue of the Company. We have not made any public issue previously.

### **PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH**

We have not made any allotments of Equity Shares for consideration other than cash except as under

<b>Financial Year</b>	<b>Particulars</b>	<b>Allotment basis</b>	<b>New Shares Issued</b>
2005-06	Bonus issue	One equity share for every two existing equity share	30,00,000

### **COMMISSION OR BROKERAGE ON PREVIOUS ISSUES**

We have not made any public or rights Issue since our inception and have accordingly not paid any commission or brokerage.

### **PARTICULARS REGARDING PREVIOUS PUBLIC ISSUES MADE BY COMPANIES UNDER THE SAME MANAGEMENT DURING THE LAST THREE YEARS**

None of the listed companies under the same management within meaning of the Section 370(1B) of the Act have made any capital issues during last three years.

### **PROMISE VIS-A-VIS PERFORMANCE**

#### **(A) LAST THREE ISSUES MADE BY ABHISHEK MILLS LTD.**

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 of the Promoter Group.

### **OUTSTANDING DEBENTURES, BONDS, REDEEMABLE PREFERENCE SHARES OR OTHER INSTRUMENTS**

There are no outstanding debentures or bonds or redeemable preference shares issued by us as of the date of this Red Herring Prospectus

### **STOCK MARKET DATA**

This being an initial public Issue, no stock market data is available.

### **MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES OF THE COMPANY**

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement executed between the Registrar to the Issue, and the Company, provide for retention of records with the Registrar to the Issue for a period as specified under the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 from the last date of dispatch of letters of intimation to successful applicants, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, depository participant and the respective Syndicate Member or collection center where the application was submitted.

### **DISPOSAL OF INVESTOR GRIEVANCES**

Company estimates that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be fifteen days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, Company or Registrar will seek to redress these complaints as expeditiously as possible.



Company has appointed Mr. Ramesh K. Chandawarkar, Head - Finance as the Compliance Officer and he may be contacted in case of any pre-Issue or post Issue related query. He can be contacted at:

**Abhishek Mills Limited**

Registered and Corporate Office

Gat No. 148, Tamgaon, Kolhapur-Hupari Road,

Taluka Karveer, District Kolhapur, Maharastra

Telephone: + 91 231 2676191, 2676671 Fax: + 91 231 2676194

Email: abhicots@vsnl.com

**CHANGES IN THE AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF**

We have not changed our auditors during past three years

**CAPITALIZATION OF RESERVES OR PROFITS DURING THE LAST FIVE YEARS**

We have capitalized Rs 300 lacs from our accumulated distributable profits by way of issuance of bonus shares in financial year 2005-06. The bonus issue was made in the ratio of one equity share for every two existing equity shares. Total 30 lacs new equity shares were issued by way of bonus issue.

**REVALUATION OF ASSETS DURING THE LAST FIVE YEARS**

We have not revalued our assets during the last five years.



## SECTION IX

## ISSUE RELATED INFORMATION

## ISSUE STRUCTURE

**Public Issue of 41,00,000 Equity Shares of Rs. 10/- each for cash at an Issue Price of Rs. [●] per Equity Share aggregating Rs. [●] lacs (“the Issue”). The Issue comprises 2,05,000 Equity Shares of Rs 10/- each aggregating to Rs. [●] crores for Employee Reservation Portion and Net Issue to Public of 38,95,000 Equity Shares of Rs 10/- each aggregating to Rs. [●] lacs. The Issue would constitute 29.27% of the Post Issue paid up Capital of the Company.**

	<b>Employee Reservation Portion</b>	<b>QIBs including Mutual Funds</b>	<b>Non-Institutional Bidders</b>	<b>Retails Individual Bidders</b>
Number of Equity Shares *	Up to 2,05,000 Equity Shares	Upto 19,47,500 Equity Shares or Net Issue to Public less allocation to Non Institutional bidders and Retail bidders.	Minimum of 5,84,250 Equity Shares or Net Issue to Public less allocation to QIBs and Retail Individual Bidders.	Minimum of 13,63,250 Equity Shares or Net Issue to public less allocation to QIBs and Non – Institutional Bidders
Percentage of Issue Size available for allocation	Up to 5% of Issue size	Up to 50% of the Net Issue to the public or Net Issue to Public less allocation to Non-Institutional Bidders and Retail Individual Bidders (Out of the portion available for allocation to qualified institutional buyers, 5% shall be allocated proportionately to mutual funds. Mutual fund applicants shall also be eligible for proportionate allocation under the balance available for Qualified Institutional Buyers)	Minimum 15% of Net Issue to Public or Net Issue to public less allocation to QIBs and Retail Individual Bidders.	Minimum 35% of Net Issue to Public or Net Issue to Public less allocation to QIBs and Non-Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	60 Equity Shares and thereafter in multiple of 60 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 60 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 60 Equity Shares.	60 Equity Shares and in multiple of 60 Equity Shares thereafter
Maximum Bid	Such number of Equity Shares that the number of Equity Shares Bid for should not exceed 2,05,000 Equity Shares.	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceeds Rs. 100,000
Mode of Allotment	Compulsorily in Dematerialised form	Compulsorily in Dematerialised form	Compulsorily in Dematerialised form	Compulsorily in Dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share



	<b>Employee Reservation Portion</b>	<b>QIBs including Mutual Funds</b>	<b>Non-Institutional Bidders</b>	<b>Retails Individual Bidders</b>
Size of allocation	Minimum of 60 Equity Shares and in multiples of 1 Equity Share Thereafter	Minimum of 60 Equity Shares and in multiples of 1 Equity Share Thereafter	Minimum of 60 Equity Shares and in multiples of 1 Equity Share Thereafter	Minimum of 60 Equity Shares and in multiples of 1 Equity Share Thereafter
Who can Apply * *	Permanent Employees and Directors of the Company as on cutoff date i.e. January 10, 2007	Public financial institutions, as specified in section 4A of the Companies Act, scheduled commercial banks, foreign institutional investors registered with SEBI, multilateral and bi-lateral development financial institutions, venture capital funds, Foreign Venture Capital Investors registered with SEBI and State Industrial Development Corporations, Insurance companies registered with Insurance Regulatory and Development Authority Provident Funds with minimum corpus of Rs. 2500 lacs and Pension Funds with minimum Surplus of Rs. 2500 lacs who are authorised under their constitution to hold and invest in Equity Shares	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific, institutions, societies and trusts	Individuals including NRIs and HUFs (in the name of Karta) applying for up to Rs. 1,00,000/-
Terms of Payment	Margin Amount applicable to Employee Reserved Portion at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to QIB Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate
Margin Amount	Full Bid Amount on Bidding	10% of the Bid Amount in respect of bids placed by QIB Bidder	Full Bid Amount on bidding	Full Bid Amount on bidding

\* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in QIBs, Non-Institutional and Retail Individual categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of our Company, BRLM and subject to applicable provisions of SEBI Guidelines.

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

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





## TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, 1956 Securities Contracts (Regulation) Act, 1956, Securities Contracts (Regulation) Rules, 1957, the Memorandum and Articles of the Company the terms of this Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the allocation advices, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### Ranking of Equity Shares

The Equity Shares being offered are subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects, with the other existing Equity Shares of the Company, including right to receive dividend and other corporate benefits (including dividend), if any, declared by the Company after the date of Allotment. .

### Mode of payment of Dividend

We shall pay dividend to the shareholders as per the provisions of the Companies Act, 1956.

### Face Value, Issue Price, Floor Price and Price Band

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Red Herring Prospectus at an Issue price of Rs. [●] per share. The Company undertakes that at any given point of time there shall be only one denomination of the Equity Shares of the Company.

### Compliance with SEBI Guidelines

The Company shall comply with all disclosures and accounting norms as specified by SEBI from time to time.

### Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders have the following rights:

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

For a detailed description of the main provisions of the Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section titled “Main Provisions of the Articles of Association” on page 164 of this Red Herring Prospectus.

### Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors.

Since trading of the Equity Shares will be compulsorily in dematerialised mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiple of one Equity Share subject to a minimum of 60 Equity Shares to successful bidders. For details of allocation and allotment, see “Issue Procedure– Basis of Allotment and Allocation” on page 140 of the prospectus.

### Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

### Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled





to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of the Company or at the registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

**Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the Company. 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.**

### **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Act, which is reproduced below: "Any person who:

- (a) make 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."**

### **Minimum Subscription**

"If the Company does not receive the minimum subscription of 90% of the net issue 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 prescribed under Section 73 of the Companies Act, 1956."

If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of 15% per annum for the delayed period.

### **Withdrawal of the Issue**

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

### **Arrangements for Disposal of Odd Lots**

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

### **Restriction on Transfer and Transmission of Shares**

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.



**Application by Non Residents/NRIs/FIIs**

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis as other categories for the purpose of allocation.

**As per the policy of the RBI, Overseas Corporate Bodies cannot participate in this Issue**

The Equity Shares have not been and will not be registered under the U. S. Securities Act of 1933, as amended (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 of benefit of, "U. S. Persons" (as defined in the Regulations of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.



## ISSUE PROCEDURE

### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue to the public shall be allotted on a proportionate basis to QIBs out of which 5% are reserved for Mutual Funds and the balance will be available for all QIBs including Mutual Funds. Further, not less than 15% of the net issue to the public shall be available for allotment on a proportionate basis to Non-Institutional Bidders and not less than 35% of the net issue to the public shall be available for allotment on a proportionate basis to the Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price

Bidders are required to submit their Bids through the members of the Syndicate. The Syndicate Members have the right to reject a Bid received from QIBs at the time of receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders and bids under the Employee reservation portion, our Company would have a right to reject the Bids only on technical grounds.

***Investors should note that Equity Shares would be allotted to all successful allottees only in the dematerialised form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.***

### Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allotment of Equity Shares, dispatch of CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid Cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Eligible Non residents, NRIs or FIIs applying on a repatriation basis	Blue
Employee Reservation Portion	Pink

### Who can Bid?

1. Indian nationals resident in India who are major, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: ABC Hindu Undivided Family applying through ABC, where ABC is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, scheduled commercial banks, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable); as defined Section 4 A of Companies Act;
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ Societies and who are authorised under their constitution to hold and invest in Equity Shares;



10. Eligible non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable laws;
11. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares.
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with minimum corpus of Rs. 2500 lacs and who are authorised under their constitution to hold and invest in Equity Shares;
14. Pension funds with minimum corpus of Rs. 2500 lacs and who are authorised under their constitution to hold and invest in Equity Shares;
15. Multilateral and bilateral development financial institutions; and
16. Permanent employees of the Company as on the cut-off date i.e. January 10, 2007

**Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.**

#### **Participation by Associates of BRLM and the Syndicate Members:**

Associates of BRLM and the Syndicate Members may Bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates of BRLM and the Syndicate Members shall be on a proportionate basis.

Further, the BRLM and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs) may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.**

#### **How to Apply-availability of Forms, Red Herring Prospectus and mode of payment**

##### **Application by Mutual Funds**

**As per the current regulations, the following restrictions are applicable for investments by mutual funds:**

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any Company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds

No mutual fund under its scheme should own more than 10% of any Company's paid-up capital carrying voting rights. These limits would have to be adhered to by the Mutual Funds for investment in the Equity Shares.

In case of a Mutual Fund, a separate bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple bids provided that the bids clearly indicate the scheme concerned for which the bid has been made.

##### **Application of NRIs**

Bid cum Application forms have been made available for NRIs at the Registered office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary



(NRO) Account shall use the form meant for Resident Indians (white in colour.). All instruments accompanying bids shall be payable in Mumbai.

### **Application by FIIs**

**As per current regulations, the following restrictions are applicable for investment by FIIs:**

No single FII can hold more than 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in the Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual

As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date no such resolution has been recommended to the shareholders of the Company for adoption.

### **Bids by NRIs or FIIs on Repatriation basis**

Bids and revision to bids must be made:

- On the bid cum application form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single or joint names (not more than three).
- Bids by NRIs for a Bid amount of up to less than Rs 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid amount of more than or equal to Rs. 1,00,000 would be considered under Non-Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity shares and in multiples of 60 Equity Shares so that the Bid amount exceeds Rs. 1,00,000; for further details. Please refer to the sub-section titled “Maximum and Minimum Bid size”
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Financial Institutions but not in the names minors, firms or partnerships, foreign nationals or their nominees or OCB's
- Refunds, dividends and other distributions, if any, will be payable in India Rupees only and net of band charges and/or commission, in case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision form through Indian Rupee drafts purchased abroad, such payments in India Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by the space provided for this purpose in the Bid Cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account or conversion of foreign currency.

**As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:**

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of the Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100 % of the Company's paid-up equity capital.

**The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modifications or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.**

### **Maximum and Minimum Bid Size**

#### **For Retail Individual Bidders**



The Bid must be for a minimum of 60 Equity Shares and in multiples of 60 Equity Shares thereafter, subject to maximum Bid amount of Rs. 1,00,000. In case of revision of Bids, the Retail bidders have to ensure that the Bid amount does not exceed Rs. 1,00,000. In case the maximum Bid amount is more than Rs. 1,00,000, due to revision of the Bid or revision of the Price Band or on exercise of the option, then the same would be considered for allocation under the Non-Institutional Bidders category. The cut-off option is an option available only to the Retail Individual Bidders indicating their agreement to bid and purchase the Equity Shares at the final issue price as determined at the end of the Book Building process.

#### **For Non-Institutional Bidders and QIBs Bidders**

The Bid must be for a minimum of such number of Equity Shares, so as to ensure that the minimum Bid amount exceeds Rs.1,00,000. Further, the Bid should be in multiples of 60 Equity Shares. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under SEBI existing guidelines a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000/-. In case the Bid Amount reduces to Rs 1,00,000/- or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under Retail portion.

Non-Institutional Bidders and QIB Bidders are not allowed to Bid at Cut-Off Price. A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

#### **Right to Reject Bids**

In case of QIB bidders, our Company, in consultation with the BRLM and/or Syndicate Members may reject bids at the time of submission of the bid provided that the reasons for rejecting the same shall be provided for such bidder in writing. In case of QIB bidders, Non Institutional Bidders and Retail Individual Bidders who bid, the Company has the right to reject bids on technical grounds. Consequent reference shall be made by cheque or pay order or draft and will be sent to the bidders address at the bidders risk.

#### **For Bidders in the Employee Reservation Portion:**

The Bid by Eligible Employees must be for a minimum of 60 Equity Shares and in multiples of 60 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 2,05,000 Equity Shares. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at "Cut-off".

#### **Information for the Bidders**

- a.) Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.
- b.) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- c.) Any investor (who is eligible to invest in the Equity Shares of the Company) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from the registered office of the Company or from any of the BRLM or Syndicate Members.
- d.) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- e.) Investors who are interested in subscribing to our Company's Equity Shares should approach the BRLM or Syndicate Members or their authorised agent(s) to register their Bid.

#### **Method and Process of Bidding**

- a) The Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement
- b) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM, or Syndicate Member or their authorised agent(s) to register their Bid



- c) The Bidding Period shall be open for atleast 3 working days and not more than 7 working days. In case the price band is revised, the revised price band will be published in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated and the Bidding period will be extended for a further period of three working days, subject to the total Bidding period not exceeding 10 working days. During the bidding period, the Bidders may approach the Syndicate to submit their Bid. Every Member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the bids
- d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph 'Bids at Different Price Levels' under section titled 'Issue Procedure' on page no 140 of this Red Herring Prospectus and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid
- e) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph 'Build up of the Book and Revision of Bids' under section titled 'Issue Procedure' on page 140 of this Red Herring Prospectus.
- f) The BRLM, and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form
- g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- h) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph 'Terms of Payment and Payment into Escrow Account' under section titled 'Issue Procedure' on page 140 of this Red Herring Prospectus.

#### **Bids at Different Price Levels**

- a) The Price Band has been fixed at Rs. 95 to Rs. 110 per Equity Share of Rs.10 each, Rs. 95 being the Floor Price and Rs. 110 being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re 1/-
- b) In accordance with SEBI Guidelines, the Company, in consultation with the BRLM, can revise the Price Band during the Bidding period, in which case the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially and as disclosed in this Red Herring Prospectus. In addition to this, the cap on the Price Band should not be more than 20% of the floor of the Price Band
- c) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of ten working days. Any revision in the Price Band and the revised Bidding / Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper in Marathi, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Members and the Bidding Period shall be extended for a further period of three days, subject to the total bidding period not exceeding 10 days.
- d) The Company in consultation with the BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders





- e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at “Cut off”. However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected
- f) Retail Individual Bidders or eligible employees who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders or eligible employees bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders or eligible employees (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders or eligible employees who bid at cut-off price shall receive the refund of the excess amounts from the Escrow Account/ refund account(s)
- g) In case of an upward revision in the Price Band announced as above, the Retail Bidders or eligible employees who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 1,00,000/- for Retail Bidders or Rs. 1,00,000/- for Eligible Employees, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 1,00,000 for retail Bidders or for Eligible Employees, the Bid will be considered for allocation under the Non-Institutional portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- h) In case of downward revision in the Price Band announced as above, Retail Bidders or eligible employees who have bid at Cut-Off Price could either revise their Bid or the excess amount at the time of bidding would be refunded from the Escrow Account/ refund account(s)
- i) In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application shall remain 60 Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs.5,000/- to Rs.7,000/-.

### Option to Subscribe

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only. Bidders **will not have** the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

### Escrow Mechanism

#### Escrow Account for the Issue

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account for the Issue shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow collection Banks as per the terms of the Escrow Agreement with the Company and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLM, and Syndicate Members to facilitate collection from the Bidders.

#### Terms of Payment and Payment into the Escrow Collection Account

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph ‘Payment Instructions’ under section titled ‘Issue Procedure’ on page no. 140 of this Red Herring Prospectus and submit the same to the





members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account or Refund Account with the Bankers to the Issue, as applicable. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

In case of QIBs, each QIB shall, with the submission of the bid cum application form draw a cheque or demand draft for 10% of the maximum amount of his bid in favour of the Escrow account of the Escrow collection bank. The balance amount shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected and the margin amount will be refunded.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which and the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

### **Electronic Registration of Bids**

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the members of Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges
- (c) Aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
  - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
  - Investor Category – Employee, Individual, Corporate, NRI, FII, or Mutual Fund, etc.
  - Numbers of Equity Shares bid for
  - Bid price
  - Bid-cum-Application Form number
  - Whether payment is made upon submission of Bid-cum-Application Form
  - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder



- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or to the Company
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind
- (g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the time of receipt of Bids. However, a Syndicate Members shall disclose the reason for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders, bids under the Employee Reservation Portion and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed in the section titled 'Issue Procedure' on page no. 140 of this Red Herring Prospectus
- (h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, and BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

#### **Build Up of the Book and Revision of Bids**

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a regular basis
- (b) The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Red Herring Prospectus
- (c) Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate
- (d) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis
- (e) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum- Application Form
- (f) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete his or her Bid cum Application Form, the details of all the options in his or her Bid cum Application Form or earlier Revision Form and revisions for all the options as per his Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options in the Revision Form unchanged. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms
- (g) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form
- (h) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from



downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus.

- (i) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid**
- (j) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM based on the physical book shall be final and binding to all concerned.

#### **Price Discovery and Allocation / Allotment**

- a. After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with our Company
- b. Our Company in consultation with the BRLM shall finalise the “Issue Price”, the number of Equity Shares to be allotted and the allocation to QIB Bidders, which will be on proportionate basis.
- c. The allocation for QIBs would be not more than 50%, of Net Issue of which 5 % shall be reserved for Mutual Funds on a proportionate basis. The allocation to Non-Institutional Bidders would be not less than 15% of the Issue Size and allocation for Retail Individual Bidders will be not less than 35% of the Issue Size on proportionate basis, subject to valid Bids being received at or above the Issue Price. The allocation for Employee reservation portion shall not exceed 2,05,000 equity shares.
- d. Under subscription, if any, in the Non-Institutional Portion and / or Retail Portion would be allowed to be met with spill over of demand from any of the other categories, at the sole discretion of the Company and BRLM. Any under subscription in equity shares reserved for allocation to eligible employees would be treated as a part of the Net issue to the public and allocated in accordance with the basis of allotment described in the paragraph “Basis of Allotment” under section titled ‘Issue Procedure’ on page 140 of this Red Herring Prospectus.
- e. Allocation to QIBs, Non-Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them
- f. The BRLM, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders
- g. The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- h. The allotment details shall be put on the website of the Registrar to the issue.

#### **Signing of Underwriting Agreement and RoC Filing**

- (a) The Company, the BRLM and the Syndicate Members shall enter into an underwriting agreement on finalisation of the Issue Price and allocation(s) to the Bidders
- (b) After signing the Underwriting Agreement, the Company will update and file the Red Herring Prospectus with RoC, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects

#### **Filing of the Prospectus with the RoC**

The Company will file a copy of the Prospectus with the Registrar of Companies, Maharashtra at Pune, in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956

#### **Announcement of Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English National



Daily with wide circulation, one Hindi National Newspaper and a regional language Newspaper with wide circulation at Kolhapur.

### Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement, in addition to the information (in the format and containing the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines), that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

### Issuance of Confirmation of Allocation Note

- (a) The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue
- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account of the Company at the time of bidding shall pay in full the amount payable into the Escrow Account of the Company by the Pay-in Date specified in the CAN
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account of the Company at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account of the Company. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder

### Designated Date and Allotment of Equity Shares

- (a) After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders' depository account. Allotment of the Equity Shares to the allottees would be made within two working days of the date of Allotment
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be offered only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act
- (c) The Company would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment.
- (d) Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue

### GENERAL INSTRUCTIONS

#### Do's:

- a. Check if you are eligible to apply;
- b. Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) or Eligible Employee Bid Cum Application Form (pink in colour) as the case may be;
- c. Ensure that the Bid is only within the Price Band;
- d. Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
- e. Ensure that the DP account is activated;
- f. Investors must ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should



- ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- g. Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
  - h. Ensure that you have been given a TRS for all your Bid options; and
  - i. Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS
  - j. Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects. and
  - k. Ensure that you mention your Permanent Account Number (PAN) allotted under the I. T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy PAN Card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid-cum-Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I. T. Act along with the application.
  - l. Ensure that the Bid-Cum-Application Form Number is mentioned on the reverse of the cheque / demand draft.

#### **Don'ts:**

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid to a price that is less than the Floor of the Price Band or higher than the Cap of the Price Band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- f) Do not bid at Cut-off price for Non-institutional and QIB Bidders;
- g) A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws or regulations.
- h) Submit Bids accompanied by Stockinvest
- i) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

#### **Bids by Permanent Employees of the Company**

- For the purpose of this reservation, Employee means permanent employees of our Company and directors of our Company as on January 10, 2007.
- Bids under Employee Reservation Portion by Employees shall be made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour Form).
- Employees, as defined above, should mention the employee number at the relevant place in the Bid cum Application Form
- The sole/ first bidder should be Employees as defined above.
- Only Employees, as defined above, would be eligible to apply in this Issue under this Reservation Portion.
- Bids by Employees, as defined above, will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Employees, as defined above, who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Employees whose minimum Bid amount exceeds Rs. 100,000.
- The maximum bid in this category can be for 2,05,000 Equity Shares.



- If the aggregate demand in this category is less than or equal to 2,05,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees, as defined above, to the extent of their demand.
- Under subscription in this category would be added back to the Net Issue to Public.
- If the aggregate demand in this category is greater than 2,05,000 equity shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to paragraph 'Basis of Allotment' under section titled 'Issue Procedure' on page 140 of this Red Herring Prospectus.

### Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM, or Syndicate Members.

### Bids and Revisions of Bids

Bids and revisions to Bids must be:

- Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis and pink colour for eligible employees).
- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, the Bid cum Application Form and Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- For Retail Individual Bidders, the Bids must be for a minimum of 60 Equity Shares and in multiples of 60 thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 60 Equity Shares. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- For Employees, the Bid must be for a minimum of 60 Equity Shares and shall be in multiples of 60 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 2,05,000 Equity Shares.
- In single name or in joint names (not more than three).
- Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his or her official seal.

### Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

### Bidders Depository Account Details

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS**





**HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (herein after referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.**

**These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid -cum application Form would not be used for these purposes by the Registrar.**

**Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.**

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or is liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

#### **Bids under Power of Attorney**

**In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.**

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by provident funds with minimum corpus of Rs. 2500 lacs and pension funds with minimum corpus of Rs. 2500 lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms that we may deem fit, in consultation with the BRLM.



### **Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis**

- NRI, FIIs and Foreign Venture Capital funds Bidders to comply with the following: Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office at Gat No. 148, Tamgaon, Kolhapur-Hupari Road, Taluka Karveer, District Kolhapur, Maharashtra, Telephone: + 91 231 2676191, 2676671 Fax: + 91 231 2676194 or from members of the Syndicate or the Registrar to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.
- NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid Cum Application form meant for Resident Indians (white in colour).

### **Bids and revision to Bids must be made:**

- On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three).
- **By NRIs** – For a minimum of 60 Equity Shares and in multiples of 60 thereafter subject to a maximum Bid amount of Rs.1,00,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs.1,00,000 would be considered under Non Institutional Category for the purposes of allocation. For further details please see paragraph 'Maximum and Minimum Bid Size' under section titled 'Issue Procedure ' on page no. 140 of this Red Herring Prospectus.
- **By FIIs** – for a minimum of such number of Equity Shares and in multiples of 60 that the Bid Amount exceeds Rs. 1,00,000. For further details please see paragraph 'Maximum and Minimum Bid Size' under section titled 'Issue Procedure ' on page no. 140 of this Red Herring Prospectus.
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

The Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in this Issue to eligible NRI's, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non-Residents, NRIs, FIIs and foreign venture capital funds and all Non-Residents, NRIs, FIIs and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U. S. Securities Act of 1933, as amended (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 of benefit of, "U. S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in United States to 'qualified institutional buyers' as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.





## Payment Instructions

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

### Payment into Escrow Account to the Issue:

- (i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the members of the Syndicate.
- (ii). In case of QIBs, Margin Amount of 10% on bid amount shall be payable by the Bidders at the time of Bidding. On receipt of the CAN, in case the Margin Amount is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the difference shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- (iii). The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
  - In case of Resident QIBs Bidders: **“Escrow Account – AML Public Issue – QIB Resident”**
  - In case of Non Resident QIBs Bidders: **“Escrow Account – AML Public Issue – QIB NR”**
  - In case of Resident Bidders: **“Escrow Account – AML Public Issue”**
  - In case of Non Resident Bidders: **“Escrow Account – AML Public Issue -NR”**
  - In case of Eligible Employees: **“Escrow Account–AML Public Issue–Eligible Employees”**
  - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
  - In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- (iv). Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
- (v). The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.
- (vi). On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.
- (vii). On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

**Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker’s clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques /bank drafts drawn on banks not participating in the clearing**



**process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/Postal Orders will not be accepted.**

#### **Payment by Stockinvest**

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

#### **Submission of Bid-cum-Application Form**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the BRLM or Syndicate Member at the time of submitting the Bid. **The BRLM/ members of the Syndicate may at its discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.**

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the BRLM or the Syndicate Member will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

#### **Other Instructions**

##### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched to his or her address.

##### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bids made by eligible employees both under employee reservation portion as well as in the net issue to the public shall not be treated as multiple bids.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all portion

##### **Procedure for Application by Mutual Funds**

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the name of scheme concerned for which the Bid has been made. The application made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

##### **PAN or GIR Number**

Where Bid(s) is/are for Rs.50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I. T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support



of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

### UNIQUE IDENTIFICATION NUMBER – MAPIN

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 and circular issued in connection thereto by its circular bearing number MAPIN/CIR-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

### Company Right to Reject Bids

The Syndicate Members have right to reject a Bid received from QIB at the receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders and Eligible Employees, The Company and BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

### Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

- a. Amount paid doesn't tally with the highest number of Equity Shares bid for;
- b. Age of First Bidder not given;
- c. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- d. **PAN not stated if Bid is for Rs. 50,000 or more or copy of PAN, Form 60 or Form 61, as applicable, or GIR number furnished instead of PAN. See the section titled "Issue Procedure—PAN or GIR No" beginning on page 140 of this Red Herring Prospectus;**
- e. Bids for lower number of Equity Shares than specified for that category of investors;
- f. Bids at a price less than lower end of the Price Band;
- g. Bids at a price more than the higher end of the Price Band;
- h. Bids at cut-off price by Non-Institutional and QIB Bidders;
- i. Bids for number of Equity Shares which are not in multiples of 60;
- j. Category not ticked;
- k. Multiple bids as defined in this Red Herring Prospectus;
- l. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- m. Bid-cum-Application Form does not have the stamp of the BRLM, or Syndicate Members;
- n. Bid-cum-Application Form does not have Bidder's depository account details;



- o. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum-Application Form
- p. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.
- q. Bids accompanied by money order/postal order/cash /Stockinvests;
- r. Signature of sole and / or joint bidders missing;
- s. Bids by OCBs;
- t. In case no corresponding record is available with the Depositories that matches the parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant's identity (DP ID).
- u. Bids by U. S residents or US persons other than "qualified institutional buyers" as defined in Rule 144A of the U. S. Securities Act of 1933.
- v. Bids under Employee reservation portion for more than 2,05,000 Equity Shares.

#### **Equity Shares in Dematerialised 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 dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a) an agreement dated January 22, 2007 between NSDL, us and Registrar to the Issue;
- b) an agreement dated January 2, 2007 between CDSL, us and Registrar to the Issue.

**All bidders can seek allotment only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.**

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e. Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f. If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.



- h. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i. The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

As this Issue comprises of Fresh Issue, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Issue.

### **Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque/ draft number and issuing bank thereof.

The Company has appointed Mr. Ramesh K. Chandawarkar as Compliance Officer. He can be contacted at the Registered Office of the Company.

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

### **Basis of allotment or allocation**

#### **A. For Retail Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size, less allotment to Non Institutional Bidders, QIB Bidders and Employees shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 13,63,250 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 13,63,250 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of 60 Equity Shares. For the method of proportionate basis of allotment, please refer to paragraph 'Method of Proportionate Basis of Allotment' under section titled 'Issue Procedure' on page no.140 of this Red Herring Prospectus.

#### **B. For Non Institutional Bidders**

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size, less allotment to QIBs Bidders, Retail Individual Bidders and Employees shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 5,84,250 Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 5,84,250 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of 60 Equity Shares. For the method of proportionate basis of allotment please refer to paragraph 'Method of Proportionate Basis of Allotment' section titled 'Issue Procedure' on page no. 140 of this Red Herring Prospectus.



### C. For QIBs

- Upto 50% of the Net Issue to the Public i.e. 19,47,500 Equity shares shall be allotted to QIBs of which 5% is reserved for Mutual Funds i.e 97,375 Equity Shares and balance shares will be available for allocation to all QIBs including Mutual Funds on proportionate basis.
- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size, less allotment to Non Institutional Bidders, Retail Individual Bidders and Employees shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Bids from Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIBs shall be determined as follows:
    - (i) The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (ii) The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (iii) Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.

The aggregate allotment to QIB Bidders shall be upto 19,47,500 Equity Shares

### D. For Employee Reservation portion

Only Eligible Employees are eligible to apply under the Employee Reservation Portion.

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,05,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 2,05,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 60 Equity Shares. For the method of proportionate basis of allotment please refer section paragraph 'Method of Proportionate Basis of Allotment' under section titled 'Issue Procedure' on page no. 140 of this Red Herring Prospectus.

**The unsubscribed portion, if any, out of the Equity Shares in the Employee Reservation Portion will be added to the categories of Non Institutional Bidders and Retail Bidders, in a proportion to be determined by the Company in consultation with the BRLM.**

**Method of proportionate basis of allocation in the QIB, Retail, Non-Institutional and Employee Reservation Portion**





In the event of the Issue being over-subscribed, we shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders will be categorized according to the number of Equity Shares applied for by them.
- (b) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (d) If the proportionate Allotment to a Bidder is a number that is more than 60 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (e) In all Bids where the proportionate Allotment is less than 60 Equity Shares per Bidder, the Allotment shall be made as follows:
  - Each successful Bidder shall be Allotted a minimum of 60 Equity Shares;
  - The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder shall be Allotted a minimum of 60 Equity Shares.
- (f) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

## DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND REFUND ORDERS

We shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid/Issue Closing Date. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where applicant is otherwise disclosed as eligible to get refunds through NEFT, Direct Credit or RTGS.

In case of other applicants, the Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through ECS, NEFT, Direct Credit or RTGS.

Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue.

We shall ensure dispatch of refund orders, if any, by “Under Certificate of Posting” or registered post or speed post or ECS, NEFT, Direct Credit or RTGS as applicable, only at the sole or First Bidder’s sole risk within 15 days of the Bid /Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of Allotment.



We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines we further undertake that:

- 1 allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid /Issue Closing Date;
- 2 dispatch of refund orders, except for Bidders who have opted to receive refunds through ECS, NEFT, Direct Credit and RTGS, within 15 (fifteen) working days of the Bid /Issue Closing Date would be ensured; and
- 3 we shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through ECS, NEFT, Direct Credit and RTGS. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

#### **Mode of making refunds**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference

1. NEFT  
Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.
2. ECS  
Payment of refund shall be undertaken through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned fifteen centers.
3. Direct Credit  
Applicants applying through the web/internet whose service providers opt to have the refund amounts for such applicants being by way of direct disbursement by the service provider through their internal networks, the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.





#### 4. RTGS

Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

Note: We expect that all payments including where refund amounts exceed Rs. 1,000,000 (Rupees One Million) shall be made through NEFT, however in some exceptional circumstances where 246 refund amounts exceed Rs. 1,000,000 (Rupees One Million), refunds may be made through RTGS.

**For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.**

#### Undertakings by the Company

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for despatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within the specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

#### Utilization of Issue proceeds

The Board of Directors of the Company Certify that:

- all monies received out of this Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

Pending utilisation of net proceeds of this Issue as specified under the section "Objects of the Issue" the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

#### Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy 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 to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the FIPB and the RBI. Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our



shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian Company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, and Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

### **Foreign Investment**

Foreign investment in India is regulated by the Foreign Exchange Management Act, 1999 (FEMA), the regulations framed by the Reserve Bank of India (RBI) and policy guidelines issued by the Ministry of Industry (through various Press Notes issued from time to time). Foreign investment in companies in the Textile sector is under the automatic route (i.e., prior approval of the FIPB is not required).

Foreign investment by way of subscription to equity shares in companies in the Textile sector currently does not require the prior approval of the RBI (vide Press Note 8 of 2000) or the FIPB, except for a post subscription filing with the RBI in Form FC-GPR within 30 days from the issue of shares by the Company. GoI has indicated that in all cases where foreign direct investment is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per current foreign investment policies, foreign direct investment ("FDI") in the construction sector is allowed upto 100% under the automatic route.



## SECTION X

## MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and/or on their consolidation/splitting as detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

Article Heading	Article Clause	Particulars
<b>CAPITAL AND INCREASE AND REDUCTION OF CAPITAL</b>		
Amount of Authorised Capital	3.	The Authorised Share Capital of the Company is Rs.1,00,00,000/- (Rupees One Crore only) divided into 10,00,000 (Ten Lacs) Equity Shares of Rs.10/- (Rupees 10 only) each with power to increase or reduce or modify the said capital and to divide the shares in the Capital for the time being of the Company into several classes and to attach thereto respectively such preferential qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company, and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided for by the Articles of Association of the Company.
		<b>28-04-2000</b>
		“RESOLVED THAT the Authorised Capital of the Company be increased from Rs.1,00,00,000/- (Rs. One Crore Only) to Rs.5,00,00,000/- (Rs. Five Crores Only) by creation of 40,00,000 Equity Shares of 10/- each ranking pari passu with the existing equity shares.
		<b>28-05-2001</b>
		“RESOLVED THAT the Authorised Capital of the Company be increased from Rs.5,00,00,000/- (Rs. Five Crores Only) to Rs.6,00,00,000/- (Rs. Six Crores Only) by creation of 10,00,000 Equity Shares of 10/- each ranking pari passu with the existing equity shares.
		<b>28-09-2005</b>
		“RESOLVED THAT the existing Article 3 of the Articles of Association of the Company be and is hereby altered by substituting the same by the following para as Article 3 “The Authorised Share Capital of the Company is Rs.24,00,00,000/- (Rupees Twenty Four Crores Only) divided into 1,50,00,000/- (One Crore Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten Only) each and 90,00,000/- (Ninety Lacs) 6% Non Cumulative Redeemable Preference Shares of Rs.10/- (Rupees Ten Only) each’.”
Increase of Capital by the Company and how carried into effect.	4	The company in General Meeting may, from time to time, by an Ordinary Resolution 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 of 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 meeting of the Company and with a right of voting at general meeting of the Company in conformity with Section 87 of the Act. Whenever the capital of the Company has been increased under the provisions of these Articles, the Directors shall comply with the provisions of Section 97 of the Act.
New Capital Same as existing capital.	5.	Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the original capital and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting, dividend, appropriation and otherwise.
Redeemable Preference Shares	6.	Subject to the provision 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.



Article Heading	Article Clause	Particulars
Voting rights of Preference Share Holders	7.	The holder of Preference shares shall have a right to vote only on Resolution which directly affect the rights attached to his Preference shares. The Preference Share-holders shall also be entitled to vote at any meeting of the Company subject to the provisions of section 87 of the Act.
Provision to apply on issue of Redeemable Preference Shares	8.	<p>(a) On the issue of Redeemable Preference Shares under provisions of Articles 6 hereof the following provisions shall take effect:</p> <ol style="list-style-type: none"> <li>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.</li> <li>No such shares shall be redeemed unless they are fully paid.</li> <li>The premium if any, payable on redemption must have been provided for out of the profit of the Company or the Company's Security Premium Account before the shares are redeemed.</li> <li>Where any such shares 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 Act relating to the reduction of the share capital of the Company shall except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.</li> </ol> <p>(b) The redemption of Preference Shares under this Article by the Company shall not be taken as reducing the amount of its authorised share capital.</p> <p>(c) Where in pursuance of the Articles, the Company has redeemed or is about to redeem any preference shares it shall have power to issue shares upto the nominal amount of the shares redeemed or to be redeemed as if those shares had never been issued, and accordingly the share capital of the Company shall not, for the purpose of calculating the fees payable under Section 611 of the Act, be deemed to be increased by the issue of shares in pursuance of this sub-clause. Provided that, where new shares are issued before the redemption of the old shares, the new shall not, so far as relates to stamp duty, be deemed to have been issued in pursuance of this sub-clause unless the old shares are redeemed within one month after the issue of the new shares.</p> <p>(d) The Capital Redemption Reserve Account may, not with standing any thing with this Article, be applied by the Company, in paying up unissued shares of the Company to be issued to the members of the Company as fully paid bonus shares.</p>
Modification of rights	9A	If at any time share capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares, all or any rights and privileges attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, subject to the provision of Section 106 and 107 of the Act and whether or not the Company is being wound up be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of 3/4th of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. This Article shall not derogate from any power, which the company would have if these Articles were omitted. The provision of the Articles relating to general meeting shall, mutatis mutandis, apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined above is not present, those persons who are present shall be the quorum.



Article Heading	Article Clause	Particulars
Reduction of Capital	10.	Subject to the provisions of sections 78, 80 and 100 to 105 (both inclusive) of the Act the Company may from time to time by Special Resolution reduce its Capital and any Capital Redemption Reserve account or 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 again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.
Consolidation of its shares	11.	Subject to the provision of section 94 of the Act the Company may by ordinary resolution consolidate the shares of the Company into shares of higher denomination than as aforementioned so that the shares when so consolidated shall together be in nominal value to equal to the nominal value of the shares before such consolidation and so that the same proportionate liability shall remain and continue on the shares so increased as existed on the original shares before such consolidation.
Sub-division of shares	12.	Subject to the provision of section 94 of the Act the Company may by ordinary resolution from time to time sub-divide the shares of the Company into shares of smaller denomination than as aforementioned so that the shares when so sub-divided shall together be equivalent in nominal value to the nominal value of the shares before such division and so that the same proportionate liability shall continue on the shares so sub-divided as existed on the original shares before such division.
Conversion of shares into stocks	13.	The Company may by ordinary resolution convert any paid-up shares into stock and reconvert any such stock into paid-up shares of any denomination.
Cancellation of shares	14.	The Company may by ordinary resolution cancel shares which at the date of the passing of the resolution in that behalf, 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.
<b>SHARES AND CERTIFICATES</b>		
Register and index of members.	15.	The Company shall cause to be kept a Register and Index of Members in accordance with Section 150, 151 and 152 of the Act respectively, with details of shares and debentures held in material and dematerialized forms in any media as may be permitted by law including in any form of electronics media. The Register and index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and index of Members and Register and index of Debenture holders, as the case may be, for the purpose of the Act The Company shall be entitled to keep in any State or country outside India a Branch Register of Member resident in the State or country.
Shares to be numbered progressively and no share to be subdivided.	16.	The Shares in the capital shall be numbered progressively according to their several denominations and except in the manner herein before 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 provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form.
Dematerialisation of securities	16A	<p><b>Dematerialisation of Securities</b></p> <p>i) Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, 1996, as amended from time to time or any statutory modification thereof or re-enactment thereof.</p> <p>(ii) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities held in the Depository and/or offer fresh securities in the dematerialised form pursuant to the Depositories Act and the rules framed thereunder, if any.</p>



Article Heading	Article Clause	Particulars
Option for investors		(iii) Every person subscribing to or holding securities of the Company shall have the option to receive the security certificate or to hold the security with a Depository. The Company shall intimate such Depository about 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 and the Beneficial Owner of the security.
Securities in depositories to be in fungible form		(iv) All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners.
Rights of Depositories and beneficial owners		<p>v) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owner.</p> <p>(b) Save as otherwise provided in (v)(a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.</p> <p>(c) Every person holding securities of the Company and whose name is entered as Beneficial Owner in the records of the Depository shall be deemed to be the member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.</p>
Company not bound to recognize any interest in shares other than that of registered holder.		(vi) Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the register of members as holders of any share or where the name appears as Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except otherwise expressly provided by these Articles) any right in respect of a share other than an absolute right thereto in accordance with these Articles, (on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be at its sole discretion to register any share/security in the joint names of any two or more persons or the survivor or survivors of them)
Transfer of securities		(vii) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.
		(viii) Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a Participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.
Rematerialisation of securities		(ix) If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.
Service of documents		(x) Notwithstanding anything contained in the Act or these Articles to the contrary, the records of the beneficial ownership may be served by such Depository to the Company by means of electronic mode or by delivery of floppies or discs.
		(xi) Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on securities, forfeiture of securities and transfer and transmission of securities shall be applicable to shares held in Depository so far as they apply to securities held in physical form subject to the provisions of the Depositories Act.





Article Heading	Article Clause	Particulars
		(xii) Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
Further issue of capital	17.	<p>(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 un-issued share capital or out of increased share capital, then such further shares shall be offered to the persons who at the date of offer, are holder of the equity shares of the Company, in proportion as nearly as circumstances admit, to capital paid up on these shares at that date. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer is not accepted, will be deemed to have been declined. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to hereinabove shall contain a statement of this right, provided that the directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him. After expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company.</p> <p>(b) Notwithstanding anything contained in the preceding sub-clause, the further shares aforesaid may be offered to any person (whether or not these persons include the persons in the preceding sub clause) in any manner whatsoever</p> <p>(i) if a special resolution to that effect is passed by the Company in General Meeting; or</p> <p>(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 (Including the casting vote, if any, of the Chairman) by Members who being entitled so to do, vote in person, or where proxies are allowed, by proxy exceed the votes, if any, cast against the proposal by Members so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.</p> <p>(bb) Nothing in Clause 17 (a) above shall be deemed:</p> <p>(a) To extend time within which the offer should be accepted;</p> <p>(b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made as declined to take the shares comprised in the renunciation.</p> <p>(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.</p>
Shares under control of Directors	18.	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 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 provided for in Section 75 of the Act.



Article Heading	Article Clause	Particulars
Power also to Company in General Meeting to Issue shares	19.	In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 17 and 18 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 a Member or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount and subject to compliance of prevailing of SEBI guidelines. As such general meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company either (subject to the compliance with the provisions of Sections 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 take any other provisions whatsoever for the issue, allotment or disposal of any shares.
Acceptance of Shares	20.	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 purpose of these Articles, be a Member.
Deposit & call etc. to be a debt payable immediately	21.	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 allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by up him accordingly.
Liability of Members	22.	Every Member or his heirs, executors or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being, remain unpaid thereon 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.
Share Certificate	23.	<p>(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 the letter of allotment or the fractional coupons of requisite value, save in case of issues against letters of acceptance or of renunciation or in case of issue 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 Board for the purpose, and the two Directors or their attorneys and the Secretary or other person shall sign the share certificate, provided that if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a 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. For any further certificate the Board shall not be entitled to change any fees. The company shall comply with the provisions of Section 113 of the Act. The share certificates shall be issued in market lots and where the share certificates are issued in either more or less than the market lots, into market lots, subdivision or consolidation of share certificate shall be done free of charges.</p> <p>(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 subject to joint ownership, may be delivered to any one of such joint owners on behalf of all of them.</p> <p>(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, equipment or other material used for the purpose.</p>





Article Heading	Article Clause	Particulars
Renewal of share certificate	24.	<p>(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 pages 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.</p> <p>(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 the stub or counterfoil to the effect that it is “issued in lieu of share Certificate No. sub-divided/replaced/on consolidation of shares”.</p> <p>(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 terms, if any, as to evidence and indemnity and as to the payment of out-of-pocket expenses incurred by the Company in investigating evidence, as the Board thinks fit.</p> <p>(d) When a new share certificate has been issued in pursuance of clause (c) of this Article, it shall state on the fact of it and against the stub 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.</p> <p>(e) Where a new share certificate has been issued in pursuance of clause (a) or clause (c) of this Article, particulars of every such certificate shall be entered in a 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.</p> <p>(f) All blank forms to be used for issue of share certificates shall be printed and the 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, engravings, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the Secretary or of a 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.</p> <p>(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 certificate referred to in sub-article (f).</p> <p>(h) All books referred to in Clause (g) of this Article shall be preserved in good permanently.</p>
The first named of joint holders deemed sole holder.	25.	If any share stands in the names of two or more persons, a person first named in the Register shall as regards receipt of dividends or bonus or service of notices and all or any other matter connected with the Company except voting at meetings, and the transfer of the shares, be deemed the sole holders 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 shares and for all incidents thereof according to the Company’s Regulations.
Company not bound to recognise any interest in shares other than that of registered holder.	26A	Subject to Section 187(c) of the Act, except as required by law, no person shall be recognized by the Company as holding any share upon any trust and the Company shall not be bound by or be complied in any way to recognize (even when having noticed thereof) equitable, contingent future or partial interest in any shares (except only as by these Articles or as ordered by the Court of a competent jurisdiction or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder



Article Heading	Article Clause	Particulars
Funds of Company may not be applied in purchase of shares of the Company	27.	None of the funds of the Company shall be applied in the purchase of any shares 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.
Buy back of shares	27A	Notwithstanding anything contained in these Articles and in pursuance of Section 77A, 77AA and 77B of the Act, the Board of Directors may, when and if thought fit, buy back such of the Company's own shares or securities as it may consider appropriate subject to such limits, restrictions, terms and conditions, approvals as may be required under the provisions of the Companies Act including the amendment thereof
Plurality of share for a member	28.	If any share holder taking more than one share desires to have separate certificate in respect of each share or group of shares or holding one certificate for his shares applies for two or more certificates in place of the certificate he holds, the same may be supplied to him at the discretion of the Board of Directors at the cost of 50 paise per share certificate plus stamp duty in respect of each such certificate plus stamp in respect of each such certificate that may have to be so made out. The discretion of the directors shall not be open to any objection.
Shares with conditions	29.	The certificate of any share or shares, which may be issued under special condition shall indicate such condition thereon.
<b>INTEREST OUT OF CAPITAL</b>		
Interest may be paid out of capital	32.	Whether any shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building or the provision of any plan, which can not be made profitable for the 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.
<b>CALLS</b>		
Directors may make calls.	33.	Subject to the provisions of Section 91 of the Act 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 resolution passed at a meeting of the Board (and not by circular resolution) make such calls as it thinks fit upon the Member in respect of all moneys 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.
Notice of calls.	34.	Fifteen days notice in writing of any call shall be given by the Company specifying the time and the place of payment and the person or persons to whom such call shall be paid.
Calls to date from resolution	35.	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.
Call may be revoked or postponed.	36.	A call may be revoked or postponed at the discretion of the Board.
Liability of joint holders	37.	The joint-holders of a share shall be jointly or severally liable to pay all calls in respect thereof.
Directors may extend time.	38.	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; but no Member shall be entitled to such extension save as a matter of grace and favour.
Calls to carry unpaid interest	39.	If any member fails to pay any calls due from him on the day appointed for 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



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interest		time to time be fixed by the Board not exceeding 15 percent per annum but nothing in this Article shall render it obligatory for the board to demand or recover any interest from any such member.
Sums deemed to be calls	40.	Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the 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 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.
Proof on trial of suit for money due on shares	41.	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 whose shares the money is sought to be recovered appears entered on the Register of Members as the holder, at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the shares in respect of which such money is 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 so sued in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call nor that a quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made duly convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.
Partial payment not to preclude forfeiture	42.	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 this 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 share as hereinafter provided.
Payment in anticipation of calls may carry interest.	43.	<p>(a) The Board may, if it think 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 sums actually called up and upon the moneys so paid in advance or upon so much thereof from time to time and at any time 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 may 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.</p> <p>(b) No member paying any such sum in advance shall be entitled to voting rights in respect of moneys so paid by him until the same would but for such payment become presently payable.</p>
<b>LIEN</b>		
Company to have lien on shares.	44.	The Company shall have a first and paramount lien upon all the shares (other than fully paid shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created except upon the footing and upon the conditions that this Article will have full effect. Any such lien shall extend to all dividends, bonus and their accretions from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any on such shares.
As to enforcing lien by sale	45.	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 a member of the board to execute the transfer thereof on behalf of and in the same 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 debts, liabilities or engagements for fourteen days



Article Heading	Article Clause	Particulars
		after such notice.
Application of proceeds of sale	46.	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 shares at the date of the sale.
<b>FORFEITURE OF SHARE</b>		
If money payable on shares not paid, notice to be given to Member	47.	If any Member fails to pay any call or installment of a call on or before the day appointed for the payment of the same or any such extension thereof 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 have been incurred by the Company by reason of such non-payment.
Form of Notice	48.	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 and such interest thereon at such rate not exceeding 9 per cent per annum as the Directors shall determine from the date on which such call or installment ought to have been paid and expenses as aforesaid are to be paid. 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.
In default of payment, shares to be forfeited.	49.	If the requirements of any 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 thereafter before payment of all 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.
Notice of forfeiture to a Member	50.	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.
Forfeited share to be property of the Company and may be sold etc.	51.	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 who the original holder thereof, or to any other person, upon such terms and in such manner as the Board shall think fit.
Member still liable to pay money owing at time of forfeiture and interest	52.	Any member whose shares have been forfeited shall not with standing the forfeiture, be liable to pay and shall forth with 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 forfeiture until payment, at such rate not exceeding 9 percent per annum as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.
Effect of forfeiture	53.	The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.
Evidence of forfeiture	54.	A duly verified 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 claiming to be entitled to the shares.



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Validity of sale under Article 45 and 51.	55.	Upon any sale after forfeiture or for enforcing a lien purported exercise of the powers herein before given, the Board may appoint some persons to execute an instrument of transfer of the shares sold and cause the purchasers name to be entered in the Register in respect of the shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and any against the Company exclusively.
Cancellation of share Certificates in respect of forfeited shares.	56.	Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or the certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate or certificates in respect of the said shares or the person or persons entitled thereto.
Power to annul forfeiture	57.	The Board may at any time before any share so forfeited shall have been sold, reallocated or otherwise disposed of annul the forfeiture thereof upon such conditions as it thinks fit.
<b>TRANSFER AND TRANSMISSION OF SHARES</b>		
Register of Transfers	58.	The Company shall keep a "Register of Transfer" and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any security held in material form .
Form of transfer	59.	The instrument of transfer shall be in writing in the usual common form 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 transfer of shares and the registration thereof.
Transfer form to be completed and presented to the Company.	60.	The instrument of transfer duly stamped and executed by the transferor and the transferee shall be delivered to the Company in accordance with the provisions of the Act. The instrument of Transfer shall be accompanied by such evidence as the Board may require to prove the title of Transferor and his right to transfer the shares and every registered Instrument of Transfer shall remain in the custody of the Company until destroyed by order of the Board. The transferor shall be deemed to be the holder of such shares until the name of the Transferee shall have been entered in the register of Members in respect thereof. Before the registration of a transfer the certificate or certificates of the shares must be delivered to the Company.
Transfer Books and Register of members when closed.	61.	The Board shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the Office of the Company is situate to close the Transfer Books, the Register of Members or Register of Debentures-holders, at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year.
Directors may refuse to register transfers	62.	Subject to the provisions of Section 111 of the Act, and Section 22A of the Securities Contract (Regulation) Act 1956, the Board may, at its own absolute and uncontrolled discretion and without assigning any reason decline to register or acknowledge any transfer of shares, whether fully paid or not, (notwithstanding that the proposed transferee be already a Member) but in such cases it shall, within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal to register such transfer provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any person or persons indebted to the Company on any account whatsoever except where the Company has a lien on the shares. In particular and without prejudice to the generality of the above powers, the Board may subject to the provisions of Section 111 of the Companies Act, 1956, so decline to register in exceptional circumstances when it is felt that the transferer is either alone or jointly with any person or persons indebted to the Company in any amount whatsoever.
	62A	Without prejudice to the generality of provisions of the Act, 1959, the Board may refuse to register transfer of shares listed on any recognized stock exchange in the name of the Transferee on any one or more of the following grounds namely:



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		<p>(a) that the instrument of transfer is not proper, or has not been duly stamped and executed or that the certificate relating to the share has not been delivered to the company, or that any other requirement under the law relating to registration of such transfer has not been complied with;</p> <p>(b) that the transfer of shares is in contravention of any law.</p> <p>(c) that the transfer of shares is likely to result in such a change in the composition of the Board of Directors as would be prejudicial to the interest of the Company or to the public interest;</p> <p>(d) that the transfer of share is prohibited by any order of any Court, Tribunal or other authority under any law for the time being in force.</p>
Notice of application when to be given.	63.	Where, in the case of partly paid shares, and application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.
Death of one or more joint holders of shares.	64.	In the case of the death of any one or more of the persons named in the Register of Members as the joint-holders of any shares, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such shares and legal representative where he was a sole-holder, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person.
Title to shares of deceased Member	65.	The executors or administrators or holders of a Succession Certificate or the legal representatives of a deceased Member (not being one of two or more joint-holders) shall be the only persons recognised by the Company as having any interest in or title to the shares registered in the name of such Member, and the Company shall not be bound to recognise such executors or administrators or holders of a Succession Certificate or the legal representatives unless such executors or administrators or legal representatives shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be, from a duly constituted Court in the Union of India; provided that in any case where the Board in its absolute discretion thinks fit, the Board may dispense with production of Probate or Letters of Administration or Succession Certificate, upon such terms as to indemnify or otherwise as the Board in its absolute discretion may think necessary and under Article 68 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased, as a Member.
No transfer to infant, etc.	66.	No share shall in any circumstances be transferred to any infant, insolvent or person of unsound mind.
Compliance with the Estate Duty Act, 1953.	67.	If any member of the Company dies, and the Company through any of its principal officers within the meaning of the Estate Duty Act, 1953 has knowledge of the death, it shall not be lawful for the Company to register the transfer of any shares standing in the name of the deceased Member unless the Company is satisfied that the transferee has acquired such shares for valuable consideration or there is produced to it a certificate from the Controller, Deputy Controller, or Assistant Controller of Estate Duty that either the Estate Duty in respect thereof has been paid or will be paid or none is due as the case may be. Where the Company has come to know through any of its principal officers of the death of any Member, the Company shall, within three months of the receipt of such knowledge, furnish to the Assistant Controller or the Deputy Controller of Estate Duty who is exercising the functions of the Income-tax Officer under the Income-Tax Act in relation to the Company, such particulars as may be prescribed by the Estate Duty Rules, 1953.
Registration of persons entitled to shares other wise than by transfer	68.	Subject to the provisions of the Act and Articles 59 and 60 any person becoming entitled to shares in consequence of the death, lunacy bankruptcy or insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles, may with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Shares or





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transfer		elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour his nominee an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the shares.
Persons entitled may receive dividend without being registered as Member.	69.	A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided, be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the shares.
Fee on Transfer or transmission	70.	No fee shall be charged in respect of the transfer or transmission of any number of shares to the same party.
Company not liable for disregard of a notice prohibiting registration of a transfer	71.	<p>The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said 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 or give effect to any notice which may be given to it of any equitable right, title or interest, or 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.</p> <p>All the limitations, restriction and provisions of the regulation specified in the Act relating to the right to transfer and registration of transfer of shares shall be applicable accordingly.</p>
<b>SHARE WARRANTS</b>		
Power to issue share warrants.	72.	The Company may issue share warrants subject to, and in accordance with the provisions of Section 114 and 115 of the Act; 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 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, showing that the bearer thereof is entitled to the shares specified and may provide by coupons or otherwise for the payment of future dividends on the shares included in such warrant. The provisions relating to the share certificate, in so far as they are applicable shall apply to the issue of share warrants or new share warrants. The bearer of a share warrant shall be subject to the conditions for the time being in force whether before or after the issue of such warrants. Share warrants shall not be taken into account as constituting or contributing to the qualification of a director.
Transfer and transmission of share warrants.	73.	A share warrant shall entitle the bearer to the share included in it and the share shall be transferred by the delivery of the share warrant. The provision of the regulation of company with the respect to the transfer and transmission of shares shall not apply thereto.
Surrender of share warrant	74.	The bearer of share warrants shall, on surrender of the warrant to the company for cancellation and on payment of such sum as the directors may from time to time prescribe, be entitled to have his name entered as a member in the register of members in respect of the shares included in the warrant.
Deposit of share warrant.	75.	The bearer of a share warrant 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 a requisition for calling a meeting of the Company and attending and voting and exercising the other privileges of a member of any meeting held after expiration of two clear days from the



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		time of deposit, as if his name were inserted in the register of members as the holder of the shares included in the deposited warrant. Not more than one person shall be recognised as depositor of the share warrant. The Company shall, on two days written notice, return the deposited share to the depositor.
Restrictions on the rights of bearer of share warrants	76.	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 privilege of a member at meeting of the Company, or be entitled to receive any notice from the Company, but the bearer of a warrant shall be entitled in all other respects to the same privileges and advantages as if his name was registered as the holder of the shares included in the warrant and he shall be member of the Company.
Issue of new share warrant or coupon	77.	The Board of Directors may from time to time make rules as to the terms on which (if they shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement loss or destruction.
<b>CONVERSION OF SHARES INTO STOCKS</b>		
Power to convert shares into stock	78.	The Company may by an ordinary resolution in general meeting convert any paid-up shares into stock of any denomination and may reconvert any stock into paid-up shares. The provisions relating to the transfer and transmission of shares shall mutatis mutandis apply to the transfer and transmission of stock as were applicable to paid-up shares of the Company therein force and subject to such regulations as the Company may determine. But the directors may from time to time if they think fit fix the minimum amount of stock transferable and direct that fraction of a rupee shall not be dealt with but shall have power nevertheless at their discretion to waive such rule in particular case.
Stockholders rights	79.	The holders of the stock shall according to the amount of the stock held by them, have the same rights privileges and advantages as regards participations in meetings and in dividends and for the other purposes, 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) shall be conferred by any such aliquot part of stock as would not if existing in share, have conferred that privilege of advantage. Such of the regulations of the company (other than those relating to share warrants) as are applicable to paid-up shares shall apply to stock and the words 'share' and 'share-holder', therein shall include 'stock' and 'Stockholder'.
<b>COPIES OF MEMORANDUM AND ARTICLES TO BE SENT TO MEMBERS</b>		
	80.	Copies of the Memorandum and Articles of Association of the Company and other documents referred to in 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 one Rupee for each copy.
<b>GENERAL MEETINGS</b>		
Statutory meeting	88.	There shall be held a statutory meeting of the Company of not less than one month nor more than six months from the date at which the Company shall be entitled to commence business at such time and place the directors may determine after forwarding, at least twenty-one days before the day on which the meeting is to be held, a report called the statutory report, certified by two directors of the Company inclusive of the Managing Directors, if any and certified as correct by the Auditors of the Company in respect of shares allotted by the Company and the cash received in respect of such shares and the receipts and payment of the Company.
This statutory report shall set out:		
		<p>(a) the total number of shares allotted distinguishing shares allotted as fully or partly paid up otherwise than in cash, and stating in the case of shares partly paid up the extent to which they are so paid up and in either case the consideration for which they have been allotted;</p> <p>(b) the total amount of cash received by the Company in respect of all the shares allotted distinguishing as aforesaid;</p>





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		<p>(c) an abstract of the receipts of the Company and of the payments made there out upto date within seven days of the date of the report, exhibiting under distinctive headings the receipts of the company from shares and debentures and other sources, the payment made there out, and particulars concerning the balance remaining in hand, and an account or estimate of the preliminary expenses of the Company showing separately any commission or discount paid on the issue or sale of shares or debentures.</p> <p>(d) the names, addresses and occupations of the directors, auditors and managers, if any, and secretary of the Company and changes, if any which have occurred since the date of the incorporation;</p> <p>(e) the particulars of any contract which or the modification or the proposed modification of which is to be submitted to the meeting for its approval, together with particulars of the modifications or proposed modification;</p> <p>(f) the extent to which under-writing contracts, if any, have been carried out and the reasons therefor;</p> <p>(g) the arrears, if any due on calls from directors, and managers; and;</p> <p>(h) the particulars of any commission or brokerage paid or to be paid on in connection with the issue or sale of shares or debentures to any director; or manager.</p>
Statutory report to be delivered to Registrar	89.	The Directors shall cause the copy of the statutory report certified as above to be delivered to the Registrar for registration forthwith after the sending thereof to the members of the Company and shall cause a list showing the names, descriptions and addresses of the members of the Company and the number of shares held by them respectively to be produced at the commencement of the meeting and remaining open and accessible to any member of the Company throughout continuance of the meeting.
<b>MEETINGS OF MEMBERS</b>		
Annual General Meeting Annual Summary	90.	The Company shall in each year hold a General Meeting in addition to any other meetings in that year. All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings. An Annual General Meeting of the Company shall be held within six months after the expiry of each financial years 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 may be held. Every 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 at the Board may determine and the notices calling the meetings shall specify it as the Annual General Meeting. The Company may in any one Annual General meeting fix the time for its subsequent Annual General Meeting. Every members of the Company shall be entitled to attend either in person or by 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 concerns 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 Accounts, Auditor's Report (if not already incorporated in the Audited Statement of Accounts) the proxy Register with proxies and the Register of the Directors' share-holdings of which latter Register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of Member, 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.
Extraordinary General Meeting	91.	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.



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Requisition of Members to state object of meeting.	92.	Any valid requisition made by Members must state the object or objects of the Meetings proposed to be called and must be signed by the requisitionists and be deposited at the Office; The requisition may consist of several documents in like form each signed by one or more requisitionist.
On receipt of requisition Directors to call meeting and in default requisitionist may do so.	93.	Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting, and if they do not proceed within the twenty one days from the date of 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 1/10 <sup>th</sup> 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.
Meeting called by requisitionists.	94.	Any meeting called under the 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.
Twenty-one days' notice of meeting to be given	95.	At least Twenty-one days' notice of every General Meeting, Annual or Extraordinary, and by whomsoever called specifying the day, place and hours of meetings, 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 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 of 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 Sheets 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 items 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 that other company of every Director and the manager, if any of the company shall also be set out in the statements 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.
Omission to give notice not to invalidate a resolution passed.	96.	The accidental omission to give any such notice as aforesaid, to any of the Members or the non-receipt thereof, shall not invalidate any proceedings and/or resolution passed at any such meeting.
Meeting not to transact business not mentioned in notice.	97.	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 upon which it was convened.
Quorum at General Meeting.	98.	Five Members present in person shall be a quorum for a General Meeting.
Body Corporate deemed to	99.	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.



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deemed to be personally present.		
If quorum not present, meeting to be dissolved or adjourned	100	If, at the expiration of half an hour from the time appointed for holding a meeting of the company a quorum shall not be present, the meeting if convened by or upon the requisition of Members shall stand dissolved, but in any other case the meeting shall stand adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday at the same time and place or to such other day and at such other time and place in the city or town in which 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, if not being less than two shall be a quorum and may transact the business for which the meetings was called.
Chairman of General Meeting	101	The Chairman (if any) of the Board of 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 with fifteen minutes of the time appointed for holding such meeting or if he shall be unable or unwilling to take the Chair then 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 Member present shall elect one of their Members to be chairman.
Business confined to election of chairman whilst chair vacant	102	No business shall be discussed at any General Meeting except the election of a Chairman, whilst the Chair is vacant.
Chairman with consent may adjourn meeting.	103	The chairman with the consent of the Members may adjourn any meeting from time to time but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
Questions at General Meeting how decided	104	At any General Meeting a resolution put to the 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 voting on any resolution on a show of hands) ordered to be taken by the Chairman of the meeting on his own motion, or demanded by any member or members present in person or by proxy and holding shares conferring not 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. A declaration by the Chairman that on a show of hands, a resolution has or has not been carried either unanimously or by a particular majority 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 cast in favour or against such resolution.
Chairman's casting vote	105	In the case of equal votes the chairman shall both by 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 a member.
Poll to be taken if demanded	106	If a poll is demanded as aforesaid the same shall subject to Article 104 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 the 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 the poll was demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.
Scrutineers at poll.	107	Where a poll is to be taken, Chairman of the meeting shall appoint two scrutineers to scrutinize the votes 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



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		office and fill vacancies in the office of scrutineer arising from such removal or from any other cause.
In what case poll taken without adjournment	108	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.
Demand for poll not to prevent transaction of other business.	109	The demand for a poll except on the questions 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 question on which the poll has been demanded.
<b>VOTES OF MEMBERS</b>		
Members in arrears not to vote	110	No members 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 exercised, any right of lien.
Number of votes to which member entitled	111	<p>Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions 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.</p> <p>Provided, however, if any preference share holder 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 resolution placed before the meeting which directly affect the rights attached to his preference shares.</p>
Casting of votes by a Member entitled to more than one vote.	112	On a poll taken at a meeting of the Company a Member entitled to more than one vote or his proxy or other persons entitled to vote for him, as the case may be need not, if he votes, use all his votes or cast in the same way all the votes he uses.
How Members not competent and minor may vote	113	A Member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian; and any such committee or guardian may, on a poll vote by proxy. If any Member be a minor the vote in respect of his share or shares be by his guardian, or any one of his guardians, if more than one to be selected in case of dispute by the Chairman of the meeting.
Votes of joint Members	114	<p>If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a member) to act as his proxy in respect of such shares, as if he were solely entitled thereto 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, than one of the said persons 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.</p> <p>Several executors or administrators of a deceased Member, in whose name shares stand shall for the purpose of these Articles be deemed joint holders thereof.</p>
Voting in person or by proxy.	115	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 proxy or by representative duly authorised in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represent as that body could exercise if it were an individual member.



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Votes in respect of shares of deceased and insolvent member.	116	Any person entitled under Article 68 to transfer any share may vote at any General meeting in respect thereof in the same manner as if he were the registered holder of such shares provided that forty-eight hours atleast before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the Directors may require or the directors shall have previously admitted his right to vote at such meeting in respect thereof.
<b>PROXY</b>		
Appointment of proxy	117	Every proxy (whether a Member or not) shall be appointed in writing under the hand of the appointer or his attorney or if such appointer is a body corporate under the common seal of such corporation or be signed by an officer or any attorney duly authorised by it, and any Committee, or guardian may appoint such proxy, The proxy so appointed shall not have any right to speak at the meetings.
Proxy either for specified meeting or for a period.	118	An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every meeting of the company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.
Proxy to vote only on a pole	119	A Member present by proxy shall be entitled to vote only on a poll.
after the expiration of twelve months from the date of its execution. Deposit of instrument of appointment	120	The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office not later than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid
Form of proxy	121	Every instrument of proxy whether for specified meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act.
Validity of votes given by proxy notwithstanding death of Member.	122	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 attorney under which such proxy was signed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the Office before the meeting.
Time for objections to votes.	123	No objection shall be made to the validity of any vote, except at any meeting or poll at which 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.
Chairman of the meeting to be the judge of the validity of every vote.	124	The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.
Minutes of General Meetings and inspection thereof by	125	<p>(a) The Company shall cause minutes of the proceedings of every General Meeting to be kept by making within thirty days of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.</p> <p>(b) each page of every such book shall be initialled or signed and the last page of the record or proceedings of each meeting in such book shall be dated and signed by the</p>



Article Heading	Article Clause	Particulars
thereof by Members.		<p>Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.</p> <p>(c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.</p> <p>(d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.</p> <p>(e) All appointments of officers made at any meeting aforesaid shall be included in the minutes of the meeting.</p> <p>(f) Nothing herein contained shall require or be deemed to require the inclusion in any such minutes of any matter which in the opinion of the chairman of the meeting (i) is or could reasonably be regarded as defamatory of any person, or (ii) is irrelevant or immaterial to the proceedings of (iii) is detriment as to the interest of the Company the chairman of the meeting shall exercise an absolute discretion regarding the inclusion of any matter in the minute on the aforesaid grounds.</p> <p>(g) Any such minutes shall be evidence of the proceedings recorded therein.</p> <p>(h) The book containing the minutes of General Meetings shall be kept at the Office of the Company and shall be opened during business hours, for such period, not being less in the aggregate than two hours in each day as the Directors determine, to the inspection of any member without charge.</p>
<b>DIRECTORS</b>		
Number of Directors.	126	<p>(a) Annasaheb Ramchandra Mohite, Ramchandra Maruti Mohite and Avinash Vishwasrao Patil are the first Directors of the Company.</p> <p>(b) 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, (including Debenture and Alternate Directors) shall not be less than three or more than twelve</p>
	127	<p>Notwithstanding anything to the contrary contained in these articles, so long as any moneys remain owing by the company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation Of India Limited (IFCI), The Industrial Credit &amp; Instrument Corporation Of India Limited (ICICI), The Industrial Reconstruction Corporation Of India Limited (IRCI), Life Insurance Corporation Of India (LIC), Unit Trust Of India (UTI) General Insural Corporation Of India (GIC), National Insurance Company Limited., The Oriental Fire And General Insurance Company Limited (OFGI), The New India Assurance Company Limited (NIA), United India Insurance Company Limited (UI) or a State Financial Corporation or any financial institution owned or controlled by the Central Government or state Government or the Reserve Bank of India or by two or more of them or by Central Government or State Government by themselves (each of the above is hereinafter in this Article referred to as "the Corporation") out of any loans/ debenture assistance granted by them to the Company or so long as the corporation holds or continues to hold Debenture/shares in the company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any Guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole-time or non-whole-time (which Director or Directors is/or hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their places/s.</p> <p>The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee director/s. shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. The Company agrees that if the Board of Directors of the Company has constituted or proposed to constitute any management committee or other committee(s), It shall, if so required by the corporation include the Nominee Director as a member of such management committee or other committee(s). Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Directors of the Company. The Nominee Director(s) so appointed shall hold the said office only so long as any moneys</p>





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		remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold Debentures/shares in the Company as a result of underwriting or by Direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished by the Corporation.
		The Nominee director/s appointed under this Article shall be entitled to receive all notices of and attend all General meetings, Board Meetings and of the meetings of the Committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.
		The Nominee Director/s shall be entitled to the same sitting fees, commission, remuneration and expenses as are applicable to the Directors of the Company. The company shall pay the sitting fees and other expenses to the Nominee Director/s directly, but the commission, remuneration or other monies and fees to which the Nominee director/s is entitled shall accrue due to the Corporation and shall accordingly be paid by the Company directly to the Corporation.
		Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company Directly to the Corporation.
		Any expenses that may incurred by the Corporation or such Nominee director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be, to such Nominee Director/s.
		Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s, such Nominee director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised or available to a whole-time Director in the management of the affairs of the Company. Such whole time Director/s shall be entitled to receive such remuneration, fees, commission, and monies as may be approved by the Corporation'.
Debentures Directors	128	If it is 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 the 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 and shall not be liable to retire by rotation or be removed by the Company.
Appointment of Alternate Director	129	The Board may appoint an Alternate Director to act for a Director (hereinafter called "The Original Directors".) during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to 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 re-appointment of retiring Director in default of another appointment shall apply to the Original Director and not to the alternate Director.
Directors' power to add to the Board	130	Subject to the provisions of Section 260 and 264 of the Act, the Board shall have power at any time and from time to time to appoint any other qualified person to be an Additional Director, but so that the total number of Directors shall not at any time exceed the maximum fixed under Article 126. Any such Additional Director shall hold office only upto the date of the next Annual General Meeting.



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Director's power to fill casual vacancies	131	Subject to the provision of Sections 260, 262 264 and 284(6) of the Act, the Board shall have power at any time and from time to time to appoint any other qualified person to be a Director to fill a casual vacancy. Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated by him.
Qualification of Directors.	132	A Director shall not be required to hold any share qualification.
Remuneration of Directors	133	(a) Subject to the provisions of the Act, a Managing Director or Managing Directors and any other director/s who is/are in the whole-time employment of the Company may be paid remuneration either by way of monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.
		(b) Subject to the provisions of the Act, a Director other than any Director appointed under Articles 127 and 128 who is neither in the whole time employment nor a Managing Director may be paid remuneration either:
		i) by way of monthly, quarterly or annual payment, or
		ii) by way of commission
		(c) The fee payable to a Director (including a Managing or whole time Director, if any) for attending a meeting of the Board or Committee thereof shall be Rs.250 or such other sum as the Company in general meeting may from time to time determine.
Travelling Expenses incurred by Director not & bonafide resident or by Director going out on Company's business	134	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 for travelling, 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 travelling or other expenses incurred in connection with business of the company.
Directors may act notwithstanding any vacancy.	135	The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by Article 126 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.
When office of Directors to become vacant	136	Subject to Sections 283 and 314 of the Act the office of a Director shall become vacant if:
		(a) he is found to be unsound mind by a Court of competent jurisdiction; or (b) he applies to be adjudicated an insolvent; or (c) he is adjudged an insolvent; or (d) he fails to pay any call made on him in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the 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 absents himself from three consecutive meetings of the Directors or from all meetings of the Directors for a continuous period of three months, whichever is longer,





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		<p>without leave of absence from the Board; or</p> <p>(f) he becomes disqualified by an order of the Court under Section 203 of the Act; or</p> <p>(g) he is removed in pursuance of Section 284 of the Act; or</p> <p>(h) he (whether by himself or by any person for his benefit or on account) or any firm in which he is partner or any private Company of which he is a Director, accepts a loan or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or</p> <p>(i) he acts in contravention of Section 299 of the Act; or</p> <p>(j) he is convicted by a Court of an offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months; or</p> <p>(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</p> <p>(l) he resigns his office by a notice in writing addressed to the Company</p>
Director may contract with company	137	Subject to the provisions of Section 297 and other applicable provisions, if any, of the Act, any Director of the company or his relative, firm in which such Directors or relative is a partner, or any other partner in such firm or a private company of which the Director is a member or Director, may enter into any contract with the Company of the sale, purchase or supply of any goods, materials or services or for underwriting subscription of any shares in or debentures of the Company.
Director of interests	138	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 in 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 any such other company or two or more of them together hold or holds not more than two percent of the paid-up-share capital in any such other company or the Company, as the case may be.
General Notice of Interest	139	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 contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for 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 of effect 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 the first meeting of the Board after it is given.
Interested Directors not to participate or vote in Board's proceedings	140	No director shall as a Director, take any part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangements; nor shall his presence count for the purpose of forming a quorum at the time of any such discussions or vote; and if he does vote, his vote shall be void. Provided, however, that nothing therein 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 being sureties or a surety for the Company;



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		(b) Any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely-
		i) in his being;- a) a director of such company; and b) the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such director by the company. or ii) in his being a member holding not more than 2 percent of its paid-up share capital.
Directors etc. may hold office or place of profit.	141	Subject to the provisions of Section 314 and other applicable provisions, if any, of the Act, no Director of the Company, no partner or relative of such Director, no firm in which such Director or a relative of such director is a partner, no private company of which such Director is a Director or member, and no director or manager of such private company, may hold any office or place of profit in the Company.
Register of Contractors in which Directors are interested	142	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 particulars as may be relevant having regard to the application thereto of Section 297 or Section 299 of the Act as the case may be. The Register aforesaid shall also specify, in relation to each Director of the Company the names of the bodies corporate and firms for which notice has been given by him under Articles 138 and 139.
		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 therefrom and copies may be required by any member of the Company to the same extent, in the same manner, and on payment of the same fee as in the case of the Register of Members of the Company and the provisions of Section 163 of the Act shall apply accordingly.
Directors may be directors of companies promoted by the company	143	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 shareholder of such company except in so far as Section 309(6) or Section 314 of the Act may be applicable.
Retirement and rotation of Directors	144	At every Annual General meeting of the Company, one-third of such of the Directors for the time being as are liable to retire by rotation or if there number is not three or multiple of three, the number nearest to one-third shall retire from office. The Debenture Director or any Director appointed under Article 127 and the Managing Director for time being, shall not be subject to retirement under this clause and shall not be taken into account in determining the rotation of retirement or the number of Directors to retire.
Assignment of Directors retiring by rotation and filling of vacancies	145	Subject to Section 256(2) of the Act the Directors to retire by rotation under Article 144 at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between person who became Directors on the same day, those who are to retire, shall, in default of and subject to any agreement among themselves, be determined by lot.
Eligibility for re-election	146	A retiring Directors shall be eligible for re-election
Company to appoint successors	147	Subject to Section 258 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.



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Provision in default of appointment	148	(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 retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy the retiring Director shall be deemed to have been re-appointed at the adjourned meeting unless:
		i) at that meeting or at the previous meeting resolution for the reappointment 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 expressed his unwillingness to be so reappointed;
		iii) he is not qualified or is disqualified for appointment;
		iv) a resolution, whether special or ordinary, is required for the appointment or reappointment by virtue of any provisions of the Act; or
		v) the provision to sub-section (2) of Section 263 of the Act is applicable to the case.
Company may increase or reduce the number of Directors	149	Subject to Section 258 and 259 of the Act, the Company, may, by Ordinary resolution from time to time, increase or reduce the number of Directors, and may alter their qualifications and the company may (Subject to the provisions of Section 284 of the Act) remove any 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 he is appointed would have held the same if he had not been removed.
Notice of candidature for office of Director except in certain cases.	150	(a) 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 the office of the Company a notice in writing under his hand signifying his candidature for the office, of Director or the intention of such member to propose him as a candidate for that office.
		(b) Every person (other than 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.
		(c) A person other than a Director re-appointed after retirement by rotation or immediately on the expiry of his term of office, or an Additional or Alternate Director, or a person filling a casual vacancy in the office of a Director under Section 262 of the Act appointed as a Director or reappointed as an Additional or Alternate Director, immediately on the expiry of his term of office shall not act as 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,
Register of Directors etc. and notification of change to Register	151	(a) The Company shall keep at its Office a Register containing the particulars of its Directors, Managing Director/s, Manager and Secretary, and shall comply with the provisions of Section 303 of the Act in all respects.
Register of shares or debentures held by		(b) The company shall in respect or each of its Directors also keep at its Office a Register, as required by Section 307 of the Act, and shall duly comply with the provisions of the said Section in all respects.



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Directors		
Disclosure by Directors of appointment to any other body corporate	152	(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 offices in any other body corporate disclose the particulars relating to his office in the other body corporate which are required to be specified under sub-section (2) of Section 303 of the Act.
Disclosure by a Director of his holding of shares and debentures of the Company etc.		(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.
Board may appoint Managing Director or Managing Directors	153	Subject to the provisions of Act and of these Articles, the Board shall have power to appoint and re-appoint from time to time any of its member as Managing Director or Managing Directors of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board think fit, and subject to the provisions of Article 154 the Board may by resolution vest in such Managing Director or Managing Directors such of the powers hereby vested in the Board generally as it thinks fit and such powers may be made exercisable for such periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of a Managing Director may be by way of monthly payment fee for each meeting or participation in the profits, or by any or all these modes, or any other mode not expressly prohibited by the Act.
Restriction on management	154	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 extent mentioned in 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.
Certain persons not to be appointed Managing Directors	155	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



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		(c) is, or has at any time been, convicted by a Court of an offence involving moral turpitude.
Special position of Managing Director	156	A Managing Director shall not while he continues to hold that office, be subject to retirement by rotation, in accordance with Article 145. If he ceases to hold the office of the Director he shall ipso facto and immediately cease to be a Managing Director.
<b>PROCEEDING OF THE BOARD OF DIRECTORS</b>		
Meeting of Directors	157	The Directors may meet together as a Board for the dispatch of business from time to time, shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings as they think fit.
When meeting to be convened	158	A director may at any time and the Secretary upon the request of director shall convene a meeting of the Board by giving notice in writing to every director.
Notice of Meetings	159	Notice of every meeting of the Board shall be given in writing to every director for the time being in India and at his usual address in India, to every other Director.
Quorum	160	Subject to the Section 287 of the Act, the quorum for 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 one), or two Directors, whichever is higher. Provided that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength the number of the remaining directors, that is to say, the number of Directors who are not interested, present at the meeting, being not less than two, shall be the quorum during such time.,
Adjournment of Meeting for want of quorum	161	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.
Chairman	162	The Directors may from time to time elect from amongst their number, a Chairman of the Board and determine the period for which he is to hold office. If at any meeting of the Board, the Chairman is not present within fifteen minutes after the time appointed for holding the same. The Directors present may choose one of their number to be Chairman of the meeting.
Questions at Board meetings how decided	163	Questions arising at any meeting of the Board of Directors shall be decided by a majority of votes of the Directors present and entitled to vote thereat, and in the case of equality of votes, the Chairman shall have a second or a casting vote.
Powers of Board Meeting	164	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.
Directors of Board Meeting	165	Subject to the restrictions contained in Section 292 of the Act the Board may delegate any of their powers 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 persons 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 of conformity with such regulations and in fulfilment of the purpose of their appointment but not otherwise, shall have the like force and effect as if done by the Board.
Meeting of committee, how to be governed.	166	The meeting and proceedings of any such Committee of 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.
Resolution by	167	No resolutions shall be deemed to have been duly passed by the Board or by a committee by circulation thereof, unless the resolution has been circulated in draft, together with the



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circulation		necessary papers, if any, to all the Directors, or to all the Members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee as the case may be, and to all other directors or Members of the Committee, at their usual address in India and has been approved by such of the Directors or Members of the Committee as are then in India, or by a majority of such of them, as are entitled to vote on the resolution.
	168	All acts done by any meeting of the Board or by a Committee of the Board, or by any person acting as a Director shall not withstanding 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 these Articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director and has not vacated 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 in valid or to have determined.
Minutes of proceedings of meetings of the Board	169	(a) Subject to the provisions of Section 193 of the Act, the Company shall cause minutes of all proceedings of every meeting of the Board and Committee thereof to be kept by making, within thirty days, of the conclusion of every such meetings entries thereof in books kept for the purpose with their pages consecutively numbered of all resolutions and proceedings of all meetings of the Company and of the Directors.
		(b) Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
		(c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
		(d) the minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
		(e) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
		(f) The minutes shall also contain -
		(i) the names of the Directors present at the meetings;
		(ii) in the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from, or not concurring with the resolution.
		(g) Nothing contained in sub-clause (a) to (f) shall be deemed to require the inclusion in any such minutes of any matter which, in the opinion of the Chairman of the meeting -
		(i) is, or could reasonably be regarded as, defamatory of any person.
		(ii) is, irrelevant or immaterial to the proceedings; or
		(iii) is detrimental to the interests of the Company.
		The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this sub-clause.
		(h) Minutes of meeting kept in accordance with the aforesaid provisions shall be evidence of the proceedings recorded therein.
Powers of Directors	170	The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum 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, or any other Act and to such regulations or provisions, as may be prescribed by the Company in General Meeting; but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulations had not been made. Provided





Article Heading	Article Clause	Particulars
		<p>that the Board shall not except with the consent of the Company in General Meeting –</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(b) remit, or give time for the repayment of any debt due by a Director;</li> <li>(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 is referred to in clause (a) or of any premises or properties used for any such undertakings and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;</li> <li>(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, reserve not set apart for any specific purpose.</li> </ul> <p>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</p> <ul style="list-style-type: none"> <li>(e) Subject to Section 293 A and 293 B of the Act, contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts in the aggregate of which, in any financial year shall not, exceed five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act, during the three financial years immediately preceding.</li> </ul>
Certain powers of the Board.	171	<p>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 Board of Director shall have the following powers, that is to say, power:</p> <ul style="list-style-type: none"> <li>(a) To enter into partnership and without prejudice to the generality and in any way restricting or limiting the powers otherwise legally exercisable by the company under the Indian Partnership Act, 1932, or statutory modification thereof or any other enactment, law, rule, custom regulating or dealing therewith, the company is hereby specifically empowered to enter into partnership with any person who can legally enter into partnership including a Body Corporate to carry on any one or more of the object/s for which the company is established or which the company is or will in future by specific power or by implication or necessity will be entitled to carry on. Provided, however, the power vested in the company can be exercised only subject to the provision of the Companies Act, 1956 and after providing such necessary provision, restriction, permission or covenant in the deed of partnership as are necessary so that the company can not be said to have violated or not complied with the provisions of the Companies Act, 1956 through the Act of the firm or the help of partner.</li> <li>(b) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.</li> <li>(c) To pay and charge to the capital account of the Company any commission or interest lawfully payable there out under the provisions of Sections 76 and 208 of the Act.</li> <li>(d) Subject to Section 292 and 297 of the Act, to purchase or otherwise acquire for the Company any property, rights, or privileges which the Company is authorised to acquire, 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 reasonable and satisfactory.</li> <li>(e) 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, mortgage, or other securities of the Company and</li> </ul>



Article Heading	Article Clause	Particulars
		<p>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, mortgage, or other securities may be either specially charged upon all or any part of the property of the Company and its uncalled or not so charged.</p> <p>(f) To secure the fulfillment of any contract or engagement entered in to by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.</p> <p>(g) To accept from any Member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.</p> <p>(h) 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 such trust and to provide for the remuneration of such trustee or trustees.</p> <p>(i) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers, or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due, and of any claim or demand by or against the Company and to refer any difference to arbitration and observe and perform any awards made thereon.</p> <p>(j) To act on behalf of the Company in all matters relating to bankrupts and insolvents.</p> <p>(k) To accept deposits from members and public and to make and give receipts, releases, and other discharges for money payable to the Company and for the claims and demands of the Company.</p> <p>(l) Subject to the Provisions of Section 292, 293, 295, 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.</p> <p>(m) 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 or future) as they think fit, and any such mortgages may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.</p> <p>(n) To determine from time to time who shall be entitled to sign, on the Company's behalf bills, notes, receipts, acceptances and endorsements, cheques, dividend warrants, releases, contracts and documents, and to give the necessary authority for such purpose.</p> <p>(o) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company, and to give to any officer or other person employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as part of the working expense of the Company.</p> <p>(p) To provide for the welfare of the Directors or Ex-Directors or Employees or Ex-Employees of the Company and their wives, widows and families dependents or connections of such persons by building or contributing to the building of house, dwelling by 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 instructions, and recreation hospitals and dispensaries, medical and other attendance, and other assistance as the Board shall think fit and to subscribe or contribute or otherwise to assist or to guarantee money 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.</p> <p>(q) Before recommending any dividend to set aside, out of the profits of the company, such</p>





Article Heading	Article Clause	Particulars
		<p>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-stock, or for special dividends, or for equalising 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 and 293 of the Act, to invest the several sums to set aside or so much thereof as required to be invested, upon such investments (other than the shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of an apply and expend all or any part thereof for such purpose as the Board in their absolute discretion think conducive to the interest of the Company notwithstanding that the matter to which the Board apply or upon which they expend the same, or in 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 in to such special Funds as Board may think fit with full power to transfer the whole or any portion of Reserve fund for division of reserve fund and with full power to employ the assets constituting all or any of the above funds including the Depreciation Fund in the business of the Company or in the purchase of repayment of debentures or 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 interests at such rate as the Board may think proper not exceeding nine per cent per annum.</p> <p>(r) 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 or remuneration and to require security in such instances and to such amount 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 next following sub-clauses shall be without prejudice to the general powers conferred by this sub-clause.</p> <p>(s) To comply with the requirements of any local law which in their opinion it shall in the interest of the Company be necessary or expedient to comply with.</p> <p>(t) 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.</p> <p>(u) 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 to borrow moneys and to authorise the Members for the time being of any such Local Board or any of them to fill up any vacancies therein, and to act notwithstanding 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 such delegations.</p> <p>(v) 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 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 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 think fit) be made in favour of the members or any of the members of any Local Board established as aforesaid or in favour of any Company or the Shareholders, directors, nominees or managers of any Company or firm or otherwise in favour of any fluctuating body or 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 such attorneys as the Board may think fit, and may contain powers enabling any such delegates</p>



Article Heading	Article Clause	Particulars
		<p>or attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.</p> <p>(w) Subject to Section 294, 297 and 300 of the Act, for or in the relation to any of the matters aforesaid or otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.</p> <p>(x) From time to time to make, vary and repeal bye-laws for the regulation of the business of the Company, its officers and servants.</p> <p>(y) To insure and keep insured against loss or damage by fire or otherwise, for such period and to such extent as they may think proper all or any of the buildings, plant, machinery, vessels, vehicles, goods, stores, produce and all other moveable and immoveable property of the Company either separately or conjointly and to assign surrender or discontinue any policies of insurance affected in pursuance of this power.</p> <p>(z) To open account with any Bank or bankers or with any Company, firm or individual and to pay money into and draw money from or otherwise operate any such account, from time to time as they may think fit.</p> <p>(aa) To delegate all or any of the powers, authorities, discretions for the time being vested in the Director's to any employee's of the Company or to any other persons, firm or body corporate or otherwise to any fluctuating body of persons.</p>
<b>MANAGEMENT</b>		
Prohibition of simultaneous appointment of different categories of managerial personnel.	172	<p>The Company shall not appoint or employ at the same time more than one of the following categories of managerial personnel, namely:</p> <p>(a) Managing Director, and</p> <p>(b) Manager</p>
<b>THE SEAL</b>		
The seal, its custody and use.	174	<p>(a) The Board shall provide a Common Seal for the purposes of the Company, and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the 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 authorized by it in that behalf.</p> <p>(b) The Company shall also be a liberty to have an official seal in accordance with Section 50 of the Act, for use in any territory, district or place outside India.</p>
Deeds how executed.	175	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 some other person appointed by the Board for the purpose. Provided that in respect of the Share Certificate the Seal shall be affixed in accordance with Article 23 (a).
<b>DIVIDENDS</b>		
Division of profits	176	The profits of the Company subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles, shall be divisible among the Members in proportion to the amount of capital paid-up or credited as paid-up on the shares held by them respectively.
The Company in General Meeting may declare a dividend	177	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.



Article Heading	Article Clause	Particulars
Dividends only to be paid out of profits.	178	<p>(a) No dividend shall be declared or paid otherwise than out of profits of the financial year arrived at after providing or 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:</p> <p>(i) 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 the profits of the financial year or out of the profits of any other previous financial year or years;</p> <p>(ii) 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 profits 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.</p> <p>(b) Notwithstanding anything contained in sub-clause (a) hereof, no dividend shall be declared or paid for any financial year out of the profits of the Company for that year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act, except after the transfer to the reserves of the Company of such percentage of its profits for that year, not exceeding 10 per cent, as may be prescribed by the Act or by rules made thereunder.</p> <p>(c) Nothing in sub-clause (b) hereof shall be deemed to prohibit the voluntary transfer by the Company of a higher percentage of its profits to the reserves in accordance with the rules, if any, made by the Central Government.</p> <p>(d) Where, owing to inadequacy or absence of profits in any year, the Company proposes to declared dividend out of the accumulated profits earned by the Company in previous year and transferred by it to the reserves, such declaration of dividend shall not be made except in accordance with the Rules, if any, made by the Central Government in this behalf under the Act, and where any such declaration is not in accordance with such rules, such declaration shall not be except with the previous approval of the Central Government.</p>
Interim dividend.	179	The Board may, from time to time, pay to the members such interim dividend as in their judgement the position of the Company justifies.
Capital paid up in advance at interest not to earn dividend.	180	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.
Dividends in proportion to amount paid up.	181	All dividend shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.
Retention of Dividends until completion of transfer under article 68.	182	Subject to section 205A the Board may retain the dividends payable upon shares in respect of which any person is, under Article 68 entitled to become a Members, or which any person under that Articles is entitled to transfer, until such person shall become a Member, in respect of such shares or shall duly transfer the same.
Dividend etc. to Joint holder.	183	Any one of several persons who are registered as the joint-holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.
No member to receive dividend whilst indebted to the Company and company's right of reimbursement there	184	No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst, any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons; subject to section 205A 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.



Article Heading	Article Clause	Particulars
out		
Transfer of Shares must be Registered.	185	A transfer of shares shall not pass the right to dividend declared thereon before the registration of the transfer.
Dividends how Remitted.	186	Unless otherwise directed any dividend may be paid by cheque or warrant or by a payslip or receipt having a force of a cheque or warrant sent through the post to the registered address of the member or person entitled or in case of joint-holders to that one of them named in the Register in respect of the joint-holdings. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or payslip or 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 receipt or the fraudulent recovery of the dividend by any other means.
Unclaimed Dividend.	187	Dividends unclaimed will be dealt with according to the provisions of Sections 205A and 205B and other applicable provisions, if any, of the Act.
No interest on dividends	188	Subject to Section 205A and 205B of the Act, no dividend shall bear interest as against the Company.
Dividend and call together	189	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.
Capitalisation	190	<p>(a) The Company in General Meeting may resolve that any monies, investments or other assets forming part of the undivided profits of the Company standing to the credit of Reserve Fund of any Capital Redemption Reserve Account or in the hands of the Company and available for dividend. (or representing premium received on the issue of shares and standing to the credit of the Security Premium Account) be capitalised and distributed amongst such of the share holders as would be entitled to receive the same of distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund 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 or 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 Security Premium Account and a Capital Redemption Reserve Account may for the purpose of this Article only, be applied in the paying of any unissued shares to be issued to members of the Company as fully paid bonus shares.</p> <p>(b) A 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.</p> <p>(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 functional certificates and may fix the value of distribution of any specific assets and may determine that such cash payments shall be made to any 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 Act, 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.</p>
<b>WINDING UP</b>		



Article Heading	Article Clause	Particulars
Liquidator may divide assets in specie.	207A	<p>(i) If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or kind, the whole or any part of the assets of the Company whether they shall comprise of property of the same kind or not.</p> <p>(ii) For the purpose aforesaid, the Liquidator may set aside value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the member of different classes of members.</p> <p>(iii) The liquidator may with the like sanction vest any part of the assets of the company in trustees upon such trust for the benefit of the contributories as he thinks fit but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.</p>
<b>INDEMNITY AND RESPONSIBILITY</b>		
Indemnity	208	Every Officer of the Company as defined by Section 2(30) of the Act or any person (whether an Officer of the Company or not) employed by the Company as Auditor or Agent of the Company shall be indemnified out of the funds of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal in which judgement is given in the- favour or in which he is acquitted or discharged, or in connection with any application under section 633 of the said Act in which relief is granted to him by the Court.
Indemnity to Directors and Other Officers	209	Subject to the provisions of Section 201 of the Act, every Director of the Company, the Manager, Secretary, Trustee, Auditor, and other officer or Servant of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors against, and it shall be the duty of the Directors out of the funds of the Company to pay, all losses costs and expenses which any such person. Officer or servant may incur or become liable to by reason of any contract entered into or any act or thing done by him as such Officer or servant, or in any way or about the discharge of his duties, including travelling expenses.
<b>SECRECY CLAUSE</b>		
Secretary Clause	211	<p>(a) Every Director, Manager, Secretary, Auditor, Treasurer, Trustee, member of a 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 him duties sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters relating thereto, and shall be 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.</p> <p>(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 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.</p>



## SECTION XI

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of the Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Red Herring Prospectus have been delivered to the Registrar of Companies, Maharashtra, Pune, for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company, from 10.00 a.m. to 4.00 p.m. on working days from the date of the Draft Red Herring Prospectus until the date of closure of the Issue.

#### MATERIAL CONTRACTS

1. Letter of Engagement dated May 30, 2006 from our Company appointing UTI Bank Limited as BRLM and their acceptance thereto.
2. Memorandum of Understanding dated May 31, 2006 between our Company and the BRLM.
3. Memorandum of Understanding dated May 29, 2006 between our Company and Registrar to the Issue i.e. Intime Spectrum Registry Limited
4. Escrow Agreement dated January 29, 2007 between our Company, BRLM, Escrow Collection Bank, Syndicate Members and the Registrar to the Issue.
5. Underwriting Agreement dated [●] between our Company, BRLM, and the members of the Syndicate.
6. Syndicate Agreement dated January 29, 2007 between the Company, BRLM, and the members of the Syndicate.

#### DOCUMENTS FOR INSPECTION

1. The Memorandum and Articles of Association of our Company, as amended from time to time.
2. Certificate of Incorporation of the Company dated September 1, 1993 and Certificate of Change of Name w.e.f. November 14, 2005
3. Copy of the resolution passed at the meeting of the Board of Directors held on May 02, 2006 and copy of Resolution passed by the shareholders of our company at the Extra Ordinary General Meeting passed under Section 81(1A) dated May 15, 2006.
4. The report of, the Statutory Auditors, M/s B. J. Ingrole and Co dated January 11, 2007 prepared as per Indian GAAP and Statement of Possible Tax Benefits Certificate dated January 11, 2007 as mentioned in the Red Herring Prospectus.
5. Certificate from Statutory Auditors dated January 15, 2007 regarding the sources and deployment of funds.
6. Consent of Directors, Legal Advisors to the Issue, Registrar to the Issue, Bankers to the Company, Statutory Auditors, Bankers to the Issue, Syndicate Members, Financial Appraiser, M/s Werner International for using their report, Compliance Officer and Company Secretary to include their names in this Red Herring Prospectus, and to act in their respective capacities
7. Annual Reports for the last 5 (five) years.
8. Following sanction letters for the debt portion of the Project Cost for the Expansion Project:
  - a. Sanction of Rs. 2000 lacs by UTI Bank Ltd vide their letter no. UTIB/RMD/PVM/05-06/83 dated March 23, 2006;
  - b. Sanction of Rs. 3500 lacs by Indian Overseas Bank vide their letter dated April 30, 2006;
  - c. Sanction of Rs. 1500 lacs by State Bank of Patiala vide their letter dated July 20, 2006
  - d. Sanction of Rs. 2000 lacs by Punjab National Bank dated March 01, 2006
  - e. Sanction of Rs 4000 lacs by State Bank of India vide their letter no. OMBU:TCD:2006:852 dated March 27, 2006;
  - f. Sanction of Rs 3000 lacs by Bank of Baroda vide their letter no MDM:ADV:AML:44:56 dated April 17, 2006 and letter no. MDM:ADV:AML:44:73 dated May 8, 2006.
  - g. Sanction of Rs 2200 lacs by Bank of India vide their letter no. AnCBB:LBD:KS:3796 dated March 01, 2006;
  - h. Sanction of Rs 1500 lacs by State Bank of Hyderabad vide their letter no. IFB/ADV/Ahishek/1279 dated March 04, 2006;
  - i. Sanction of Rs 1000 lacs by Corporation Bank vide their letter no. OR: IFB:1465:2005-06 dated March 23, 2006;
9. Special Power of Attorney dated May 31, 2006 executed by Mr. Suresh G. Vaidya Director of the Company in favour of Mr. Anasaheb R. Mohite for signing the Draft Red Herring Prospectus.
10. Special Power of Attorney dated February 06, 2007 executed by Mr. Shriprakash Dhopeswarkar Director of the Company in favour of Mr. Anasaheb R. Mohite for signing the Red Herring Prospectus and/or Prospectus.
11. Resolution of the meeting of the Board of Directors of the Company held on May 02, 2006 for the constitution of audit committee, Shareholders' / Investor Grievance Committee and Remuneration Committee.
12. Tripartite agreement between NSDL, the company and the Registrar to the issue dated January 22, 2007





13. Tripartite agreement between CDSL, the company and the Registrar to the issue dated January 2, 2007
14. Due Diligence Certificate dated May 31, 2006 addressed to SEBI from UTI Bank Limited, SEBI observation Letter No. CFD/DIL/ISSUES/PB/MKS/82793/2006 dated December 20, 2006, in-seriatim reply dated January 29, 2007 and fresh Due Diligence Certificate dated [●].
15. In-principle listing approval dated August 4, 2006 and July 27, 2006 issued by NSE and BSE respectively. Further NSE has vide its letter dated January 15, 2007 and February 5, 2007 extended the validity of its in-principle letter dated August 4, 2006.
16. General power of attorney executed by Mr. Anasaheb R. Mohite on behalf of board of directors in favour of Mr. Shrenik Uday Nagaonkar, Company Secretary for signing and making necessary changes to this Red Herring Prospectus and other related documents.
17. Copy of the board resolution dated February 6, 2007 authorising this Red Herring Prospectus.

Any of the contracts or documents mentioned in the Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.



## DECLARATION BY THE COMPANY

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 the Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules and regulations made thereunder or guidelines issued thereunder, as the case may be. We further certify that all the statements in the Red Herring Prospectus are true and correct.

### SIGNED BY ALL THE DIRECTORS

Mr. Ramchandra M. Mohite  
Chairman

Mr. Anasaheb R. Mohite  
Managing Director

Mr. Abhishek A. Mohite  
Director

Mrs Rama J. Swetta  
Director

Mr. Suresh G. Vaidya  
Independent Director

Mr. Sheshrao D. Armal  
Independent Director

Mr. Shriprakash M. Dhopeswarkar \*  
Independent Director

Ramesh Chandawarkar  
Head Finance & Compliance Officer

*\* Through his constituted attorney by power of attorney*

Date: February 6, 2007  
Place: Mumbai