



RED HERRING PROSPECTUS

Dated: January 23, 2007

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue

MUDRA LIFESTYLE LIMITED

(The company was originally incorporated as Bombay Fine Fabrics Private Limited on March 31, 1997. Name of the company was changed to Mudra Textiles Private Limited w.e.f. October 10, 2001. Name of the company was further changed to Mudra Textile Limited w.e.f. December 1, 2005. Name of the company was further changed to Mudra Lifestyle Limited w.e.f. December 2, 2005)

Registered Office: 5129-41, D-wing, 5th Floor, Oberoi Garden Estates, Chandivali Farms Road, Chandivali, Andheri (E), Mumbai – 400 072. The Company has shifted its registered office from 149, Shiv Shakti Industrial Estate, III Phase, Andheri Kurla Road, Andheri East, Mumbai - 400 059, Maharashtra to 5129-41, D-wing, 5th Floor, Oberoi Garden Estates, Chandivali Farms Road, Chandivali, Andheri (E), Mumbai – 400 072 with effect from December 20, 2006. The Company has earlier shifted its Registered Office from 156, Shiv Shakti Industrial Estate, III Phase, Andheri Kurla Road, Andheri (East), Mumbai – 400 059 to 149, Shiv Shakti Industrial Estate, III Phase, Andheri Kurla Road, Andheri East, Mumbai – 400 059, Maharashtra with effect from June 11, 2002 and previously shifted its registered office with effect from September 24, 2001 from 5A Nandiyot Industrial Estate, Mohili Village, Andheri Kurla Road, Andheri (E), Mumbai – 59 to 156 Shiv Shakti Industrial Estate, III Phase, Andheri Kurla Road, Andheri (East), Mumbai – 400 059.

Telephone No.: +91 22 28472600/01 Fax: + 91 22 28472603 Email: ipo@mudralifestyle.com, Website: www.mudralifestyle.com, Compliance Officer: Mr. Mahesh K. Poddar

PUBLIC ISSUE OF 9,580,000 EQUITY SHARES OF THE FACE VALUE RS.10/- EACH AT A PRICE OF RS. [●] FOR CASH AT A PREMIUM AGGREGATING RS. [●] MILLION (HEREINAFTER REFERRED TO AS THE "ISSUE"), INCLUDING EMPLOYEE RESERVATION OF 479,000 EQUITY SHARES OF THE FACE VALUE RS.10/- EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING RS. [●] MILLION AND NET ISSUE TO THE PUBLIC OF 9,101,000 EQUITY SHARES OF FACE VALUE RS.10/- EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING RS. [●] MILLION (HERE IN AFTER REFERRED TO AS THE "NET ISSUE TO THE PUBLIC") AND THE ISSUE WOULD CONSTITUTE 26.62% OF THE POST ISSUE PAID-UP CAPITAL OF OUR COMPANY. THE COMPANY HAS MADE A PRE-IPO PLACEMENT OF 1,920,000 EQUITY SHARES. THE NET OFFER TO THE PUBLIC CONSTITUTES 25.29% OF THE POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.

PRICE BAND: Rs. 75/- TO Rs. 90/- PER EQUITY SHARE OF FACE VALUE Rs.10/- EACH. ISSUE PRICE IS 7.5 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 9 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

The Issue is being made through the 100% book building process where upto 50% of the Issue Size shall be allocated to Qualified Institutional Buyers ("QIBs") (including 5% of the QIB portion that would be specifically reserved for Mutual Funds) on a proportionate basis. Further, a minimum of 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and a minimum of 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of our Company, there has been no formal market for its Equity Shares. The face value of the shares is Rs 10/- and the issue price is [●] times of the face value. The Issue Price (as determined by the Lead Merchant Banker and the issuer company) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus.

Specific attention of the investors is invited to the summarized and detailed statements in Risk Factors beginning on page xv of this Red Herring Prospectus. We have not opted for IPO Grading

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares issued through this Red Herring Prospectus are proposed to be listed on The Bombay Stock Exchange Limited ("BSE") (also the Designated Stock Exchange) and the National Stock Exchange of India Limited ("NSE"). The Company has received the in-principle approvals from these Stock Exchanges for the listing of the Equity Shares pursuant to letters dated **November 27, 2006** and **December 06, 2006** respectively.

BOOK RUNNING LEAD MANAGERS



SBI Capital Markets Limited
202, Makers Tower 'E', Cuffe Parade,
Mumbai 400 005
Tel.: +91 22 2218 9166
Fax: +91 22 2218 8332
Email: mudra.ipo@sbicaps.com
Website: www.sbicaps.com
Contact person: Mr. Anurag Pandey

REGISTRAR TO THE ISSUE



BIGSHARE SERVICES PVT LTD
E-2, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri East, MUMBAI 400 072.
Tel: +91 22 2847 0652
Fax: +91 22 2847 5207
Email: mudraipo@bigshareonline.com
Website: www.bigshareonline.com
SEBI Regn No. INR000001385
UIN No. 100003467
Contact Person: Mr. N.V.K Mohan

ISSUE SCHEDULE

BID/ISSUE OPENS ON : THURSDAY, FEBRUARY 8, 2007

BID/ISSUE CLOSSES ON : WEDNESDAY, FEBRUARY 14, 2007

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DEFINITION AND ABBREVIATIONS

Conventional/General Terms

Terms	Description
Articles/Articles of Association	Articles of Association of Mudra Lifestyle Limited
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
Government / GOI	The Government of India.
H1 FY	Financial Half Year starting from April 1 and ending on September 30.
Indian GAAP	Generally Accepted Accounting Principles in India
I.T. Act	The Income Tax of India, 1961, as amended from time to time
Memorandum/Memorandum of Association	The Memorandum of Association of Mudra Lifestyle Limited
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 (Deposit) 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 FEM (Deposit) Regulations, 2000 as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time

Terms	Description
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
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended 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 banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened and in this case being State Bank of India, ICICI Bank Limited, Standard Chartered Bank and UTI Bank Limited
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to 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, a 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

Terms	Description
Book Building Process	Book building route as provided under Chapter XI of the SEBI (DIP) Guidelines, in terms of which the Issue is made
BRLM	Book Running Lead Manager to the Issue, in this case being SBI Capital Markets 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 upper end of the Price Band, Rs. 90/- 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	The Bombay Stock Exchange Limited
Draft Red Herring Prospectus/DRHP	Means the Draft Red Herring Prospectus issued in accordance with section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. It carries the same obligations as are applicable in case of a prospectus. It will become a prospectus after filing with RoC after the pricing and allocation
Eligible Employee	Means all or any of the following: <ul style="list-style-type: none"> i. A permanent employee of the Company as of September 30, 2006 and based working and present in India as on the date of submission of the Bid cum Application form. ii. A Director of the company, whether a whole time director except any Promoters or members of the Promoter Group, part time director or otherwise as of September 30, 2006 and based and present in India as on the data of Submission of the Bid cum Application Form.
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue.

Terms	Description
Employee Reservation Portion	479,000 Equity Shares reserved for Eligible Employees of the Company as on cut-off date, i.e., September 30, 2006. However, the Promoter 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 dated [●] 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. 75/- per Equity Share in the Issue, below which the Issue Price will not be finalized and below which no Bids will be accepted
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 6 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
Issue/ Issue Size	Issue of 9,580,000 Equity Shares of Rs 10/- each at a premium of Rs. [●] per equity share offered through the Red Herring Prospectus
Issuer	Mudra Lifestyle Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 10% 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 9,101,000 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 who have bid for amount more than Rs. 100,000/-
Non-Institutional Portion	The portion of the Issue being a minimum of 1,365,150 Equity Shares available for allocation to Non-Institutional Bidders

Terms	Description
Pay-In-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	<p>(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and</p> <p>(ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.</p>
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
PIO / Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000.
Price Band	Being the price band of a minimum price of Rs. 75/- per Equity Share (Floor Price) and the maximum price of Rs. 90/- 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, 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
QIB Portion	The portion of the Issue being upto 4,550,500 Equity Shares available for allocation to QIBs including a reservation of 5%, being 227,525 equity shares, to Mutual Funds.
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

Terms	Description
Red Herring Prospectus/RHP	Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are 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 Bigshare Services Private Limited
Reserve Bank of India Act / RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
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 3,185,350 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)
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time.
Stock Exchanges	NSE and BSE
Syndicate	BRLM and the Syndicate Members
Syndicate Agreement	Agreement dated [●] 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	Agreement dated [●] among the Syndicate and our Company to be entered into on the Pricing Date

Company Related Terms

Terms	Description
Auditors	The statutory auditors of the Company viz. V. K. Beswal and Associates, Chartered Accountants
Appointed Date	Shall, with reference to the Scheme of Amalgamation, mean April 1, 2005
Board / Board of Director	Board of Directors of Mudra Lifestyle Limited
Director(s)	Director(s) of Mudra Lifestyle Limited unless otherwise specified

Terms	Description
East Coast Polytex or “ECP”	Erstwhile partnership firm taken over by Mudra Lifestyle Limited with effect from October 1, 2004.
Effective Date	Shall, with reference to the Scheme of Amalgamation, mean April 1, 2005
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each
Expansion Project	Our upcoming integrated facility project of yarn dyeing, weaving and process house at Tarapur and garment manufacturing situated at Bangalore
IPO Committee	Committee of the Board of Directors of Mudra Lifestyle Limited authorised to take decisions on matters related to or incidental to the Issue
“MLL” or “the Company” or “Our Company”	Mudra Lifestyle Limited was incorporated under the name of Bombay Fine Fabrics Private Limited on March 31, 1997 with Registrar of Companies, Maharashtra . The name of company was changed on October 10, 2001 to Mudra Textiles Private Limited and then on December 1, 2005 Company got converted from Mudra Textiles Private Limited to Mudra Textiles Limited. Eventually on December 2, 2005 name of the Company was changed from Mudra Textiles Limited to Mudra Lifestyle Limited. A Scheme of Amalgamation was approved by the Bombay High Court vide order dated January 27, 2006 amalgamating Picanova Fabrics Private Limited, Mudra Synthetics Private Limited and Venus Processors Private Limited with Mudra Lifestyle Limited w.e.f. April 1, 2005. Also, w.e.f. October 1, 2004 the Group partnership firms East Coast Polytex, Mudra Exports (India) and Mudra Impex were taken over by Mudra Lifestyle Limited.
Mudra Exports (India) or “MEI”	Erstwhile partnership firm taken over by Mudra Lifestyle Limited with effect from October 1, 2004.
Mudra Impex or “MI”	Erstwhile partnership firm taken over by Mudra Lifestyle Limited with effect from October 1, 2004.
Mudra Group	Mudra Group consists of Mudra Lifestyle Limited which now includes Picanova Fabrics Private Limited (amalgamated with our Company), Mudra Synthetics Private Limited (amalgamated with our Company), Venus Processors Private Limited (amalgamated with our Company), East Coast Polytex (taken over by our Company), Mudra Exports (India) (taken over by our Company) and Mudra Impex (taken over by our Company).
Mudra Synthetics Private Limited or “MSPL”	Mudra Synthetics Private Limited, a private limited company incorporated on September 24, 1997 under the Companies Act, 1956. MSPL has been amalgamated with Mudra Lifestyle Limited under a scheme of amalgamation approved by the Bombay High Court vide an order dated January 27, 2006

Terms	Description
Picanova Fabrics Private Limited or "PFPL"	Picanova Fabrics Private Limited, a private limited company incorporated on April 23, 1998 under the Companies Act, 1956. PFPL has been amalgamated with Mudra Lifestyle Limited under a scheme of amalgamation approved by the Bombay High Court vide an order dated January 27, 2006
Promoters	Mr. Murarilal B. Agarwal, Mr. Ravindra B. Agarwal and Mr. Vishwambharlal K. Bhoot
Promoter Group	The Promoters, the immediate relatives of the Promoters and such entities / entities as prescribed under Explanation II to Clause 6.8.3.2 of the SEBI DIP Guidelines
Record Date	Shall, with reference to the Scheme of Amalgamation, mean February 23, 2006
Registered Office of the Company	5129-41, D-wing, 5th Floor, Oberoi Garden Estates, Chandivali Farms Road, Chandivali, Andheri (E), Mumbai – 400 072
Registrar of Companies or RoC	Registrar of Companies, Maharashtra, Mumbai, Office of the Registrar of Companies, Mumbai 'Everest' Building, 100 Marine Drive, Mumbai 400 002
Scheme of Amalgamation	Scheme of amalgamation of Picanova Fabrics Private Limited, Mudra Synthetics Private Limited and Venus Processors Private Limited with Mudra Lifestyle Limited approved by the Bombay High Court vide an order dated January 27, 2006
Venus Processors Private Limited or "VPPL"	Venus Processors Private Limited, a private limited company incorporated on April 13, 1992 under the Companies Act, 1956. VPPL has been amalgamated with Mudra Lifestyle Limited under a scheme of amalgamation approved by the Bombay High Court vide an order dated January 27, 2006
"We" or "us" and "our"	Unless the context otherwise require, refers to Mudra Group

Abbreviation of General Terms

Abbreviation	Full Form
AGM	Annual General Meeting of the shareholders
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
BSE	Bombay Stock Exchange Limited
C&F	Clearing and Forwarding
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIF	Cost, Insurance and Freight
ECS	Electronic Clearing Services
EGM/ EOGM	Extraordinary General Meeting
EPCG	Export Promotion Capital Goods Scheme
EPS	Earnings Per Equity Share
EU	European Union
FCNR	Foreign Currency in Rupee
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FIPB	Foreign Investment Promotion Board
FOB	Freight on Board
FTA	Free Trade Agreement
GEL	Gherzi Eastern Limited
GOI	Government of India
HNI	High Net-worth Individual
HP	Horse Power
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961
KIADB	Karnataka Industrial Areas Development Board
KVA	Kilo Volt Ampere
KW	Kilo Watt
KWh	Kilo Watt Hour

Abbreviation	Full Form
LC	Letter of Credit
LIBOR	London Inter Bank Offer Rate
MFA	Multi Fibre Agreement
MI	Mudra Impex
MLL	Mudra Lifestyle Limited
MSPL	Mudra Synthetics Private Limited
NAV	Net Asset Value
NCD	Non-Convertible Debenture
NIFT	National Institute of Fashion Technology
NRE Account	Non Resident External Account
NRI	Non Resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit after Tax
PFPL	Picanova Fabrics Private Limited
PTA	Preferential Trade Agreement
R&D	Research and Development
RBI	Reserve Bank of India
ROE	Return on Equity
RONW	Return on Net Worth
Rs.	Indian Rupees
SSI	Small Scale Industries
TAN	Tax Deduction Account Number
TRS	Transaction Registration Slip
TUFS	Technology Upgradation Fund Scheme

Abbreviation	Full Form
USA	United States of America
USD/US\$	United States Dollar
VPPL	Venus Processors Private Limited
w.e.f.	With effect from
WOS	Wholly Owned Subsidiary
WTO	World Trade Organization
YOY	Year on Year

CERTAIN CONVENTIONS; USE OF MARKET DATA

In this 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 this Red Herring Prospectus is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act, 1956 and SEBI Guidelines, disclosed in the section titled 'Financial Information'. Our fiscal year commences on April 1 and ends on March 31. In this Red Herring Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

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

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

For additional definitions, see the section titled 'Definitions and Abbreviations' on page i of this Red Herring Prospectus. In the section titled 'Main Provisions of Articles of Association of the Company' beginning on page 187 of this Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout this Red Herring Prospectus has been obtained from industry publications and internal Company reports. We have also used reports issued by the Ministry of Textiles and other publicly available information. 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.

FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus that 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.

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

- General economic and business conditions in India and other countries;
- Changes in the value of the Rupee and other currencies;
- Changes in laws and regulations that apply to our industry in which we operate;
- The occurrence of natural disasters or calamities affecting the areas in which we have operations;
- Changes in political conditions in India; and
- Changes in the foreign exchange control regulations in India;
- Potential mergers, acquisitions or restructuring;
- The loss or shut down of operations of our Company at any times due to strikes or labour unrest
- Our ability to successfully implement our strategy, growth and expansion plans and technological initiatives.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page xv of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The Company, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend 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 in respect of the Equity Shares allotted in this Issue.

CURRENCY OF PRESENTATION

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

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

RISK FACTORS

An investment in the Equity Shares involves a degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding of our Company, you should read this section in conjunction with the sections entitled “Business Overview” beginning on page 54 of this Red Herring Prospectus and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 123 of this Red Herring Prospectus as well as the other financial and statistical information contained in this Red Herring Prospectus. If the following risks occur, our business, results of operations and financial condition could suffer, and the price of our Equity Shares and the value of your investment in our Equity Shares could decline.

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

Materiality

The risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

- a) Some events may not be material individually but may be found material collectively.
- b) Some events may have material impact qualitatively instead of quantitatively.
- c) Some events may not be material at present but may be having material impacts in future.

LITIGATION AGAINST OUR COMPANY AND PROMOTERS

Adjudication proceedings and litigations involving Promoters

The Spl Director, Directorate of Enforcement, Ministry of Finance had initiated adjudication proceedings against inter alia, the Promoters. It was noted by the Complainant that three bills dated June 18, 2004, September 22, 2004 and October 12, 2004 aggregating to USD 20,300.15 were not realized by Mudra Exports (India) as on October 6, 2005. It was alleged that the Promoters had contravened the provisions of Sections 8 and 42(1) of the Foreign Exchange Management Act, 1999 and had not taken reasonable steps to realize the amounts due within the stipulated period stipulated by the Reserve Bank of India. The Office of the Special Director of Enforcement, has by its order dated October 18, 2006, dropped the charges as levied against the Promoters Mudra Exports (India) and its partners in its show cause notice dated November 30, 2005 ref. no. T-4/56/B/SDE/KNR/FEMA/ 05. The notice was issued for non realisation of export proceeds due. The Special Director of Enforcement has noted that the export proceeds were realised in instalments, a part of which was realised even prior to the issuance of the show cause notice. It was further noted that the entire export value was realised and requisite bank certificates were furnished.

Appeal filed by the Promoters in the Debt Recovery Tribunal

Olive Silk Mills Private Limited (group company), as prospective bidder had submitted a valid and competitive bid in respect of a public auction of Gala nos 26B, 27B, 29B, 30B, 32B Shahita warehousing complex, Andheri. It is submitted that although the Appellants offered a bid of Rs. 7.7 million against the then prevailing bid of Rs. 7.0 million the Recovery Officer passed order dated December 26, 2006 passed by the Recovery Officer confirming the sale of immovable property in favour of the Respondents. Hence the Promoters and Olive Silk Mills Private Limited have filed an appeal against the said impugned order of December 26, 2006 passed by the Recovery Officer. The Promoters have inter alia prayed that the said order be set aside and that a fresh auction be conducted.

Litigation involving the Compliance Officer

The SEBI has filed a complaint in the Court of Additional Chief Metropolitan Magistrate, Mumbai against Mukerian Papers Ltd & Others under Sec. 190 of the Code of Criminal Procedure, 1973 and Sec 24(2) and Sec 27 of the Securities and Exchange Board of India Act, 1992 (SEBI Act). Mr. Mahesh K. Poddar, then Company Secretary of Mukerian Papers Ltd. and one of the accused in the said complaint, is presently working as the Company Secretary of the Company and is also the Compliance Officer to the Issue. It is pertinent to note that Mr. Mahesh K. Poddar tendered his resignation from the post of Company Secretary as well as Compliance Officer of Mukerian Papers Limited on 8th July, 2002. The litigation is currently subjudice before the Additional Chief Metropolitan Magistrate, 47th Court, Esplanade, Mumbai.

In the event that an unfavorable order(s) is passed, the same may have an adverse effect on our management and operations.

The Company (including erstwhile group entities) are involved in certain legal proceedings that, if determined against the Company (including erstwhile group entities), could have a material adverse impact on the Company.

The particulars of the important litigations against the Company (including erstwhile group entities) are as under:

The Maharashtra Industrial Development Corporation had raised invoices dated July 17, 2001 and August 17, 2001 aggregating to an amount of Rs. 2,014,698 purporting to be the bill for water consumed by Venus Processors Private Limited during the period of June 2000 till June 2001. The Company raised an objection to the aforesaid bills vide their letter dated August 30, 2001 as the said premises was closed during the period May 16, 2000 to May 21, 2001 due to recession and financial constraints. However, the MIDC threatened to disconnect water supply without giving the company a hearing.

Consequently, the company filed Special Civil Suit No. 337/ 2001 before the Court of Civil Judge (S.D) Thane seeking a declaration that the invoices and the actions of the Respondents are illegal. The Learned Addl. District Judge vide order dated September 28, 2001 ordered a status quo in respect of the water supply pending disposal of the company's application for interim relief.

On August 21, 2004 the Learned Addl. District Judge rejected the Application for interim relief pending final disposal of the Special Civil Suit. Aggrieved by the said order, Appeal Order No. 853/ 2004 has been filed before the Hon'ble Bombay High Court. The Hon'ble Bombay High Court has vide order dated September 30, 2004 directed that status quo be maintained in respect of the water supply and restrained MIDC from billing the amounts in dispute. The Hon'ble Bombay High Court has on June 23, 2006 ordered that the ad interim relief granted on September 30, 2004 continue till disposal of the appeal. The matter is presently pending adjudication.

In the event that an unfavourable order(s) is passed, the same may have an adverse effect on our operations and financial results. The other litigations pending against and/or filed by the Company are as provided in the section 'Outstanding Litigations' on page 135 of this Red Herring Prospectus.

Direction issued by the Maharashtra State Pollution Control Board to cease operations at Navi Mumbai processing unit (erstwhile Venus Processors Pvt. Ltd.)

The Maharashtra State Pollution Control Board, has in exercise of the powers conferred under section 31A of the Air (Prevention and Control of Pollution) Act, 1981, has issued letter dated October 5, 2006 directing the Company to close down manufacturing activity at the processing facility situated at Navi Mumbai forthwith. The Maharashtra State Pollution Control Board has further directed the competent authorities to disconnect electricity and water supply to the said unit of the Company. The said direction has been issued pursuant to an inspection conducted wherein it was noted that the Company had not changed the fuel pattern as required by the authority. Further, the Maharashtra State Pollution Control Board, has invoked the bank guarantee for an amount Rs. 15,000/- issued by the Company.

Pursuant to meetings held between the Thane Belapur Industries Association and the Maharashtra State Pollution Control Board, the Maharashtra State Pollution Control Board has issued letter dated November 11, 2006 permitting the Company to recommence manufacturing activities subject to inter alia the following conditions:

- (i) that the Company shall within 90 days (w.e.f. October 10, 2006) build a structure along the existing factory compound to prevent the carbon particle fall out. The above arrangement is to be made in consultation with M/s Tit Bit Foods Pvt Ltd and the arbitration of Mr. D.T. Parekh, President, Thane Belapur Industries Association.
- (ii) In the event that any alternate fuels like associated gas or natural gas supply is available in future, the same shall be utilized.
- (iii) The Company shall operate and maintain an Effluent Treatment Plant.
- (iv) The company shall furnish a fresh bank guarantee of Rs.15,000/- ensuring the compliance of the above conditions.

Except for the condition stipulated in (iv) above, the Company has not complied with the above conditions. Consequently, the Maharashtra State Pollution Control Board shall be entitled initiate further legal action against the Company. Further, the Maharashtra State Pollution Control Board shall be entitled to invoke the fresh bank guarantee of Rs. 15,000/- .

The Thane Belapur Industries Association has vide its letter dated January 15, 2007 informed the Maharashtra State Pollution Control Board that the work has commenced and is expected to be completed by the end of January 2007. In the event that an unfavourable order(s) is passed, the same shall have an adverse effect on our operations and financial results. The other litigations pending against and/or filed by the Company are as provided in the section 'Outstanding Litigations' on page 135 of this Red Herring Prospectus.

The Company is bound by the terms of the Debenture Trust Deed dated December 5, 2006 executed between the Company and IDBI Trusteeship Services Limited.

In the event that the Company is in breach of any of the terms of the Debenture Trust Deed executed between the Company and IDBI Trusteeship Services Limited including, but not limited to payment of interest, creation of a debenture redemption reserve in accordance with the applicable SEBI guidelines, non maintenance of asset cover, etc., the Company may be subject to appropriate legal proceedings and the same may adversely affect the business of the Company.

Amounts credited to the Debenture Redemption Reserve cannot be utilised for any purpose other than redemption of the debentures

As per the provisions of the Companies Act, 1956, certain specified amounts are required to be credited to the debenture redemption reserve for the redemption of such debentures, from out of profits of the Company every year until such debentures are redeemed. The amounts so credited to the debenture redemption reserve shall not be utilised by the Company except for the purpose of redemption of the debentures. Consequently, the availability of financial resources to be utilised for the project and for the business of the Company may be restricted.

The SEBI has passed an order against M/s CIL Securities Limited, whose managing director is a director on the Board of our Company

Mr. K.K. Maheshwari, a director on the board of our Company, also holds the position of the managing director of CIL Securities Limited. SEBI has vide its order dated November 27, 2006 imposed a penalty of Rs. 100,000/- on CIL Securities Limited. The SEBI had further directed that the penalty be paid by CIL Securities Limited within a period of 45 days from the date of receipt of the order. In accordance therewith, CIL Securities Limited has on December 27, 2006 paid the penalty amount.

One of our Directors, Mr. Subhash Chandra Bhargava, is presently on the board of Bank of Maharashtra that appears on list of defaulters (CIBIL). He was a director of the said bank at the time of the commission of default.

INTERNAL RISK FACTORS AND RISKS RELATING TO OUR BUSINESS

We have not placed orders or entered into agreements for substantial portions of our planned investment from the net proceeds of the Issue

We have not yet entered into binding contracts for purchase of machinery as contemplated under the objects of the Issue. We have not yet entered into definitive agreements for a substantial portion of our planned expansion, which, we currently propose to fund by the net proceeds of the Issue. We have entered in to contractual agreements for all three properties aggregating to Rs. 48.74 million out of a total outlay of Rs.1774.90 million (2.74% of the total plan outlay). We have placed orders for purchase of Picanol High Speed Rapier Weaving machines, the total invoice amount is USD 960,000 CFR NHAVA SHEVA (approximately 2.43% of total planned outlay). Any increase in prices of the machinery or in the lease rentals or the property prices, for which definitive agreements have not been entered into may adversely affect our estimates of project cost.

Approvals for implementation of the Objects of the Issue

We require various statutory permissions and utility connections in relation to the implementation of the objects of the Issue. These include factory licenses, labour licenses including provident fund and employee state insurance registrations, licences from the applicable pollution control boards, power, electricity, water and telephone connections, state and central tax registrations, etc. If any of such permissions, licenses or utility connections are not received, or are received on unfavourable terms, it could adversely affect implementation of the objects of the Issue by our Company. For more details please refer to section titled "Objects of the Issue" commencing on page 23 of this Red Herring Prospectus.

The Company has significant planned capital expenditure of Rs.1550.80 million out of the total project expenditure of Rs. 1774.90; its capital expenditure plans may not yield the intended benefits

The funds being raised through the Issue are proposed to be utilized towards capital expenditures described in the section titled "Objects of the Issue" commencing on page 23 of this Red Herring Prospectus. Our Company operates in a highly competitive business environment and the capital expenditure plans of our Company may not yield the intended results and benefits.

Certain documents pertaining to immovable properties owned/ leased by us suffer from irregularities in title

Certain documents pertaining to lease hold properties utilised by the Company as production facilities have not been registered under the provisions of the Registration Act, 1908 and/or have not been stamped in accordance with the applicable stamp acts. Consequently, the said lease deeds may be inadmissible as evidence in a court of law, unless the defects are rectified.

Properties acquired by virtue of sanction of the Scheme of Amalgamation

Pursuant to the amalgamation order of the Bombay High Court dated January 27, 2006, the Company is yet to register the transfer of the below mentioned immovable properties in its name. In this regard, the Company has made an application before the appropriate governmental authority for ascertainment of the proper stamp duty payable on the said amalgamation order. The said application is presently pending adjudication.

1. 157, Shiv Shakti Industrial Estate, III Phase, Andheri East, Mumbai – 400 059
2. 196/5, Raj Rajeshwari Compound, Village Sonale, Bhiwandi
3. S. No. 9, H No. 2-A, S no. 12, H No. 4 Village Temghar, Bhiwandi
4. 196/5, Raj Rajeshwari Compound Village Sonale, Bhiwandi
5. Plot no. 62, Navi Mumbai, MIDC, T.T.C.

We do not have a valid marketable title for our Registered Office premises

The Company has purchased various units of building situated at Oberoi Garden Estate, Chandivali, Mumbai from Wellworth Developers. We are in possession of inter alia Unit Nos. 5129, 5130, 5131, 5132 (part), 5140 and 5141 on the 5th floor of Oberoi Garden Estates situated at Village Chandivali, Taluka Kurla, Mumbai Suburban CTS No. 47, 47/1 to 47/20, Mumbai 400 072. These units were purchased by virtue of four sale agreements dated June 21, 2005 in the name of Mudra Impex (a partnership firm). However, it is of note that Mudra Impex was dissolved by virtue of a dissolution deed dated October 1, 2004. Consequently, although the Company is in possession of the premises, the Company does not have a valid marketable title to the same.

Further, the immovable property premises owned by the Company is the subject matter of litigation. The Company has purchased various units of building situated at Oberoi Garden Estate, Chandivali, Mumbai from Wellworth Developers. The conveyance deeds executed in respect of the various units for the premises, states that, proceedings have been initiated against Wellworth Developers under the Urban Land (Ceiling & Regulations) Act, 1976 (ULCRA) in relation to the land on which the buildings are situated. The Company understands that the Government of Maharashtra has passed an order revoking the occupation certificate in respect of the entire building complex, including the portions owned by the Company.

We have paid an aggregate amount of Rs. 13 million towards sale consideration for the purchase of the said units. The effect of the said order on the Company's ability to utilize the premises is not ascertainable. In the event that any adverse order be passed by the court, the same may have an adverse effect on the business and operations of the Company.

The Company is yet to execute a definite agreement with the KIADB for possession of the land for the expansion project

Karnataka Industrial Areas Development Board (KIADB) has, by its letter dated August 18, 2006 allotted to the Company, on a lease cum sale basis, property admeasuring 2.12 acres for situated at Plot No. 9-M in sub-layout of plot no. 9 of Yarandanahalli, Bommasandra I Phase Industrial Area, Bangalore.

As per the terms of the allotment letter, the period of the lease is 6 years, at the end of which, the lease shall be converted into a sale subject to the utilization of minimum 50% of the land allotted. We have made payments aggregating to Rs. 16.96 million as per the terms of the Allotment Letter dated July 19, 2006 issued by the KIADB. Further, the KIADB has vide letter dated December 26, 2006 confirmed the allotment of the said land. However, the Company is yet to execute a definite agreement with the KIADB in this regard and enter into possession of the land. In the event of non execution / delay in execution of the definitive agreements, our business may be adversely affected.

Disassociation of Promoters and erstwhile directors of the Company

Our Promoters have disassociated themselves from Olive Tex Silk Mills a partnership firm carrying on the business of fabric manufacturing. The Promoters have disassociated from this firm in tranches. Mr. Vishwambharlal Bhoot and Mr. Ravindra Agarwal retired vide an Admission-cum-Retirement Deed dated June 28, 2006. Subsequently, Mr. Murarilal Agarwal retired from the firm vide a Retirement Deed executed on September 1, 2006.

Mr. Narendra Agarwal, erstwhile director of the Company has resigned from the Board of Directors of the Company with effect from July 10, 2006. Mr. Narendra Agarwal is presently a partner of Olive Tex Silk Mills a partnership firm carrying on business similar to that of the Company.

The disassociation of the Promoters and erstwhile directors is pursuant to an oral family settlement.

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

We have made applications to various statutory authorities for renewal of our existing licenses, which are pending renewal and we have also not obtained licenses for our projects though we have made applications for certain licenses. For details please refer to the section titled “Statutory Licenses / Approvals” on page 143 and section titled “Objects of the Issue” commencing on page 23 of this Red Herring Prospectus. Moreover, certain licenses are in the name of the partnership firms and erstwhile group companies. We have made applications to the relevant statutory authorities for modification of the same. There is no guarantee that these approvals will be granted by the relevant authorities. Delay or inability to obtain these licenses may subject the Company and its directors to penalties and could cause undue delays or inability in the continuation of our business and the commencement of the projects.

We do not have long term contracts with our buyers

While we sell our fabrics to domestic as well as international customers, we have not executed any long term contracts with the customers. All our sales are based on purchase orders that are placed by the customers depending on their requirements. Consequently, our revenue flow is also dependent on the requirements of the customers. In the absence of long term contracts, there can be no assurance that a particular buyer would continue to purchase apparel from us in the future. A reduction in the purchase orders placed by the customers may adversely affect our business and revenues.

Further, any loss of our major customers arising out of competition or from cheaper sources can lead to reduced margins and our results and operations may be affected.

We are dependent on external sources for our raw materials

We are dependent on external suppliers for the timely supply of raw materials. Furthermore, the majority of our raw materials are sourced from a few vendors. Failure to supply or delay in supply of the raw materials or non conformance to quality requirements or fluctuations in the prices of the same can impact our ability to meet our customer requirements and thus impact our profitability. Further, non-availability of required raw materials or any other item of production in desired quantity and quality at the right time may adversely affect our sales commitment and profitability.

Our Top 5 customers contributed around 32.52% of our total consolidated revenues of around Rs 1073.1 million for the FY 06 and contributed around 64.15% of our total consolidated revenues for the half year ending FY 07. Our Top 10 customers contributed around 51.25% of our total consolidated revenues of around Rs 1073.1 million for the FY 06 and contributed around 76.56% of our total consolidated revenues for the half year ending FY 07.

If we lose one or more large customers and fail to add sufficient new customers to offset such loss (es), our results of operations could be adversely affected. In addition, any consolidation among our customers would be likely to increase our reliance on a few key customers.

Our buyers prescribe various standards which we are required to comply with and they conduct regular audits to check customer regulatory compliance.

Our exports are to customers in various countries including the Americas and Europe, where they have strict environmental, manufacturing, employee and other legislations which govern their sourcing of equipments from third world countries. Any non-compliance on our behalf with respect to such customer requirements and dissatisfaction by customers during their audit checks can lead to loss of customers and thus result in losses and affect our future results of operation.

Our success depends upon our ability to effectively implement our strategies, exploit the available resources and manage our growth of business.

Our Company has experienced rapid growth in its business over years. However, maintaining such growth in future may create pressure on our management and other resources. Our success depends upon our ability to manage such growth effectively. Our inability to effectively implement our strategies, exploit our resources manage our business and growth strategy could have a material adverse effect on our business, financial condition and results of operations.

Our failure to identify and understand evolving fashion trends and changing customer tastes and preferences may adversely affect our business.

We strive to keep up to the changing fashion trends and also introduce new designs/apparels periodically to enhance our existing business and explore new business opportunities. In this regard, we cannot assure that all our new designs/apparels will gain buyer acceptance. Our failure to identify and understand contemporary and evolving fashion trends could adversely affect our business.

Export obligation under the Import and Export policy

We presently import and shall continue to import machineries under Export Promotion Capital Goods Scheme (EPCG Scheme). One of the conditions subject to which license 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. Further, for our existing business operations, we had imported machineries under EPCG Scheme. Our total export obligation is Rs. 68.90 million to be achieved by the year 2014. As on December 31, 2006, we have exported goods worth of Rs. 30.85 million. Accordingly, our subsisting export obligation is Rs. 38.05 million. If we fail to achieve this export obligation we will be subjected to similar disadvantage as aforesaid.

We have entered into certain related party transactions.

We have entered into certain related party transactions with our Promoters and Group company. See the section entitled "Related Party Transaction" at page 102 of this Red Herring Prospectus.

We have incurred certain contingent liabilities during the course of our business, which we may be liable to pay.

As on September 30, 2006 the contingent liability outstanding against the Company is Rs. 15.69 million, this contingent liability is towards bill discounting with the bankers of the company.

We have changed the name of the Company in the past.

We have changed the name of our Company in 2001 and 2005. Please refer to notes to risk factors on page no. xxvi of this RHP for more details.

Dependence on Key Management Team

Our growth and success is highly dependant on the continuance and performance of our team of key managers. Competition for senior management in the industry is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. The loss of the services of our Promoters could seriously impair our ability to continue to manage and expand our business. Further, the loss of any other member of our senior management or other key personnel may adversely affect our business, results of operations and financial condition.

We may continue to be controlled by our Promoters following this Issue and our other shareholders may not be able to affect the outcome of shareholding voting.

After the completion of this Issue, our Promoters will collectively hold approximately 54.49% of the outstanding Equity Shares. Consequently, our Promoters may exercise substantial control over us and inter alia may have the power to elect our Directors and/or determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders, such as lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions/joint ventures. Although, our Promoters currently collectively hold 19,611,589 Equity Shares, they are restricted from transferring certain shares for a period of three years and the remaining shares for a period of one year, in accordance with the SEBI DIP Guidelines.

Failure to attract and retain talented professionals may impact our business.

Our failure to attract and retain talented professionals or the resignation or loss of key management personnel may have an adverse impact on our business and financial performance.

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

Our principal manufacturing facilities are located at Bhiwandi (Sonale and Kalher), Navi Mumbai, Daman and Bangalore and are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results.

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

We have issued our Equity Shares in last one year at prices which may be less than the price discovered through book building in the instant issue

We completed a preferential allotment issue in the months of March, April and May of 2006 at Rs. 20/-, Rs. 30/- and Rs. 60/- respectively wherein equity shares of the Company were offered to the shareholders at a premium. The price at which preferential allotment of Equity shares were made would be lower than the issue price of this issue which will be determined through the book-building process.

For further details, please refer to the sub-section titled "Capital Structure" commencing from page 14 of this Red Herring Prospectus.

We have acquired the business of apparel and fabric manufacturing from our Promoter Group entities.

Our Company has acquired businesses, assets and machinery from erstwhile Group entities in the past. The valuations of the same as appearing in our books may not necessarily reflect their intrinsic values.

Under the loan agreements entered into by us with our lender, there are certain restrictions on us which may hamper our future business growth

As per our current financing arrangements with banks, we are subject to certain restrictive covenants which require us to obtain the prior consent of the respective lenders before undertaking certain actions such as expansion/modernization/diversification of our business (other than incurring routine capital expenditure), etc. We have sanctions for loans from State Bank of Patiala, State Bank of Hyderabad and Oriental Bank of Commerce. We were also sanctioned loan from State Bank of India. The sanction has since expired and we have made an application for revalidating the same. We have received consent from State Bank of Patiala vide their letter dated

October 14, 2006, State Bank of Hyderabad vide their letter dated October 10, 2006, from State Bank of India vide their letter dated September 21, 2006 and Oriental Bank of Commerce vide their letter dated August 14, 2006 for their name being included in the RHP as a proposed lender/banker for the expansion project. In the event that such lenders, in the future decline to consent or delay in granting the consent to our plans of expansion/modernization/diversification of our business, such declination or delay as the case may be may have adverse bearing on our future growth plan. For details refer to section “Financial Statements” at page 104 of this Red Herring Prospectus.

Failure to comply with the conditions of TUFS shall make us ineligible for interest or capital subsidy

Out of total Project Cost of Rs. 1774.9 Million for the Expansion project, the rupee term loan component is Rs. 1008.4 Million being raised under Technology Upgradation Fund Scheme (TUFS). All of these loans are eligible for 5 % interest subsidy subject to conditions provided therein. We are also entitled to a 10% capital subsidy for investments in specified processing machinery. Such interest and capital subsidy are allowed subject to fulfillment of conditions such as investments in only eligible machinery as notified under the Scheme, 20% equity contribution in the Project Cost, maximum loan period of 8 to 10 years including an initial moratorium of 1 to 2 years, security by way of first charge on all present and future assets etc, for availing the interest subsidy and investment in specified machineries etc. for availing the 10% capital subsidy. If we fail to comply with such conditions stipulated under TUFS, the interest or capital subsidy may be denied to us making our operations less cost effective.

Our insurance coverage may not adequately protect us against certain operating hazards

We maintain general liability insurance in relation to our assets and stocks. We have also taken out Directors and Officers (D&O) Insurance Policy. However, we cannot be assured that such coverage will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our results of operations.

Intellectual Property Rights

We have made 8 applications for the registration of the trademark and logo of Mudra Lifestyle Limited. The said applications are pending approval of the authorities. Apart from the above stated, we have neither registered nor made any applications for registration of the any other trademarks. Consequently we may not be able to effectively protect our intellectual property rights. Non registration of a trademark may adversely affect our ability to protect our trademarks against infringements. The brand ‘Mudra’ which was registered in the name of Mudra Synthetics Private Limited. However, pursuant to the Scheme of Amalgamation sanctioned by the Bombay High Court, we have not made an application with the appropriate authorities for the transfer of such registration in the name of the Company.

The market price of the Equity Shares may be adversely affected by any additional issuances of equity or sales of a large number of the Equity Shares by our Promoters.

There is a risk that we may be required to finance our growth or strengthen our balance sheet through additional equity offerings. Any future issuance of Equity Shares, whether through the exercise of options or otherwise, will dilute the position of existing shareholders and could adversely affect the market price of the Equity Shares.

Foreign Currency Risk

Approximately 11.29 % of revenue is from export of apparels and fabric in H1 FY 07. Since our buyers compare our product with that of our competitor in USD denominated rate, appreciation of India Rupee vis-à-vis USD, Euro and GBP would weaken our competitive position. Further, for the expansion project we are proposing to import approximately 77% of the machinery which would be subject to currency price fluctuation. We do not have any mechanism to mitigate the foreign currency risk.

Increase in wages payable to our employees could reduce our cash flows and profit margins.

Historically, wage costs in the Indian textile industry have been significantly lower than wage costs in more developed countries. However, in recent years wage costs in the textile industry have been increasing at a faster rate than those in certain developed countries. In the long run, wage increases may make us less competitive unless we are able to continue to increase the efficiency and productivity of our professionals, the prices we can charge for our products and services or both. Increases in wages, could reduce our cash flows and our profit margins.

As a part of our growth strategy, we have acquired companies in the past and may do so again.

One of the objects of this issue is to part finance acquisitions of companies in similar line of activities. We are in the process of identifying such companies but have not yet finalised the same. In case of delay in acquiring such companies the growth prospects of the Company may be affected. The benefits of any acquisitions undertaken are dependant on our ability to successfully complete the acquisition. Failure to do so may adversely affect our performance.

Our group company, Olive Silk Mills Private Limited has suffered losses of Rs. 5,940/-, Rs. 5,510/- and Rs. 10,112/- in FY 04, FY 05 and FY 06 respectively. For further details please refer to chapter titled "Financial Information of Group Companies" on page 120 of this Red Herring Prospectus.

Merchandise obsolescence risk

In the fashion industry, we face the risk of changing consumer preferences due to which our stock of unsold goods may not remain to be saleable.

Our Company is operating in a highly competitive environment

The presence of Indian and international branded apparels in the marketplace 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. Post January 1, 2005, textile quotas have been removed under the Uruguay Round of Agreement on textiles and clothing. The share of countries like China in exports to US & European markets is growing. Also Indian apparel manufacturers, including the Company, face competition from other countries such as China in international markets. In such a competitive environment, our Company may face pressures from buyers such as manufacturing cost, delivery period, pricing, order size, product quality, etc. Such pressures may put strain on the profit margins of the Company.

EXTERNAL RISK FACTORS

We are subject to various Indian and international taxes and we avail certain tax benefits offered by the Government of India and different States in India and other countries in which we do business.

Taxes and other levies imposed by the Government of India and/or the State governments and other states and countries in which we do business that may affect the textile industry include: income tax; customs duties; excise duty; central and state sales tax and other levies; value added tax; entry tax; turnover tax; service tax; and other new or special taxes and surcharges introduced on a permanent or temporary basis from time to time. We currently take advantage of various income tax exemptions and deductions, which are applicable to companies engaged in export activities, some of which are only for a specified duration. The loss or unavailability adverse effect on our after tax profits and cash flow. Further, our tax liability may increase and our profitability may reduce in case of termination or reduction of our tax incentives.

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

The statutory and regulatory framework for the Indian textile industry may see changes in the next few years. We presently do not know what the nature or extent of the changes will be and cannot assure you that such changes will not have an adverse impact on our financial condition and results of operations. For a discussion on

the regulatory framework of the textile industry in India, see the section titled “Regulations and Policies” on page 74 of this Red Herring Prospectus.

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

All our facilities and other assets are located in India. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian Government policy or taxation or social, ethnic, political, economic or other developments in or affecting India. India has also witnessed civil disturbances in recent years. While these civil disturbances did not directly affect our operations, it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us.

You will not receive the Equity Shares you purchase in this Issue until several days after you pay for them

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

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

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

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

The securities markets are volatile and stock exchanges have in the past, experienced substantial fluctuations in the prices of listed securities. The stock exchanges have experienced problems, which, if these were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included broker defaults and settlement delays. In addition, the governing bodies of the various Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on the market sentiment.

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

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

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

Future issue of Equity Shares / convertible instruments by us or the disposal of Equity Shares by any of the major shareholders or the perception that such issues or sales may occur may significantly affect trading price of our Equity Shares. Other than the lock-in of pre-issue capital as prescribed under SEBI Guidelines or the Shareholders' ability to dispose of their Equity Shares, and there can be no assurance that any shareholder will not dispose of, encumber, or pledge, its shares.

Notes:

- i. The net worth of our Company as of March 31, 2006 was Rs. 373.85 Million and as on September 30, 2006 was Rs 498.58 Million based on audited financial statements of our Company.
- ii. The average cost of acquisition of Equity Shares by our Promoters is as follows:

Name of the Promoter	Average cost of acquisition
Mr. Murarilal Agarwal	Rs. 5.58
Mr. Ravindra Agarwal	Rs. 7.02
Mr. Vishwambharlal Bhoot	Rs. 7.68

- iii. The book value per Equity Share as on March 31, 2006 was Rs. 16.19 and as on September 30, 2006 was Rs. 20.36 per Equity Share.
- iv. Except as disclosed in this Red Herring Prospectus, none of our Directors have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding.
- v. Investors may contact the BRLM or the Compliance Officer for any complaints, information or clarifications pertaining to the Issue.
- vi. Investors are advised to refer to the section titled “Basis for Issue Price” on page 42 of this Red Herring Prospectus.
- vii. Refer to the notes to our financial statements relating to related party transactions in the section titles “Related Party Transactions” on page 102 of this Red Herring Prospectus. The aggregate value of the related party transactions for the years 2003-04, 2004-05 and 2005-06 and half year ending September 30, 2006 is Rs. 22.68 million, Rs. 54.17 million, Rs. 12.56 million and Rs. 5.12 million respectively.
- viii. Change of name:

Date	Name changed from	Name changed to	Reason thereof
October 10, 2001	Bombay Fine Fabrics Private Limited	Mudra Textiles Private Limited	To continue its group Brand “Mudra”.
December 1, 2005	Mudra Textiles Private Limited	Mudra Textiles Limited	Conversion from Private Limited to Limited company
December 2, 2005	Mudra Textiles Limited	Mudra Lifestyle Limited	In the proposed name, the word “Mudra” is taken from the existing name of the Company to indicate its continued identity. The word “Lifestyle” indicates the activity of the Company, i.e. the business of fashion textiles and fabrics, apparels and ready-mades. As the lifestyle of people is projected or reflected by the clothes they wear, the style and fashion they follow in their wearing clothes and apparels, the word “Lifestyle” is used in the proposed name;

Since there was no change in activity of the Company pursuant to the change of name, the Company Objects clause of the Memorandum of Association was not amended.

SUMMARY OF THE INDUSTRY, BUSINESS, COMPETITIVE STRENGTHS AND STRATEGY

This is only a summary and does not contain all the information that you should consider before investing in the Equity Shares. You should read the entire Red Herring Prospectus, including the information contained in the sections entitled “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Financial Information” in this Red Herring Prospectus and related notes.

Industry Overview:

The textiles and garments industry is one of the largest and most prominent sectors of Indian economy, in terms of output, foreign exchange earnings and employment generation. It contributes about 4% to the GDP, accounts for over 14% of total industrial production, generates 8% of the Central excise revenue and contributes around 35% of gross export earnings in trade and 16% of gross export earnings. The sector is the 2nd largest employment provider after the agriculture sector, employing over 35 mn people directly.

Indian textile industry is multi-fiber based, using cotton, jute, wool, silk and man made and synthetic fibers. In the spinning segment, Indian industry has consistently remained flexible in terms of production quantity and lead time. While typical production runs are governed by fabric colour minimums, India presents the possibility of producing quantities as low as to a few hundred pieces. This capability is especially critical in an unpredictable market where retailers and brands are looking to source ever-smaller quantities of product, increasingly closer to the season.

Segments of Industry:

The major sectors forming part of the textile industry include the organized Cotton/ Man-Made Fibre Textile Mill Industry, Man-made Fibre/ Filament Yarn Industry, the Decentralized Power loom Sector Woolen Textile Industry, Silk Industry, Handloom Industry, Handicraft Industry, Jute Industry, and Textile Exports.

Export performance of Indian Textile industry

The export basket of Indian textiles include cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups and a variety of garments. Indian textile exports stood at US\$13 billion in FY 05 and at US\$16 billion in FY 06.

For more details please see section titled “Industry Overview” on page no 49 of this RHP.

BUSINESS OVERVIEW

The Mudra Group started in 1986 with formation of partnership firm Olive Tex Silk Mills. The Group is in the textile industry having facilities for fabrics & garments manufacturing, processing, design development and sampling etc. We manufacture fabrics and garments for domestic and export sales.

Our company, Mudra Lifestyle limited was established as Bombay Fine Fabrics Private Limited on March 31, 1997. We started our operations in 2002. We are engaged in fabric weaving, processing and making garments. The brand “MUDRA” has built a strong goodwill for itself in the domestic market and commands a premium. We are gradually moving towards garment manufacturing mainly in the designer shirts and lady’s wear segments to capitalize on the huge opportunity unleashed by the removal of quotas.

Our product portfolio consists of :

- Finished fabric
- Processing
- Garments
 - Men’s Wear
 - Shirts
 - Lady’s Wear
 - Tops
 - Skirts
 - Kid’s Wear

Presently, we sell our fabrics in domestic as well as international markets. In addition, we also use the fabrics for internal consumption and at the same time sell it to other garment exporters. We export our garments and recently started with manufacturing garments for well known Indian brands. Our process house caters to our requirements and at the same time do outside jobs.

At present we have 177 automatic looms having capacity to produce approximately 10.62 million meters of woven fabric per annum and 700 sewing machines with production capacity of 3.15 million garments per annum.

Our manufacturing facilities, having area of around 165,888 square feet, are spread across five locations in Bhiwandi (Sonale and Kalher) in Thane district, Bangalore, Daman and Navi Mumbai. Manufacturing facilities are fully backed by the facilities for product development, design studio and efficient sampling infrastructure to provide quality services to its customers in India and abroad.

For more details, please see section titled “Business Overview” on page no. 54 of the RHP.

SUMMARY FINANCIAL AND OPERATING DATA

The following table sets forth summary financial information derived from our restated financial statements as of and for the Fiscal Years ended March 31, 2002, 2003, 2004, 2005, 2006 and for half year ending September 30, 2006, which are included in this Red Herring Prospectus under the section titled "Financial Statements" on page 104 of this Red Herring Prospectus. The restated financial statements have been prepared in accordance with Indian GAAP and the SEBI Guidelines and have been restated as described in the auditors' report attached thereto.

The summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 123 of this Red Herring Prospectus

Statement of Restated Assets and Liabilities (Rs. in Million)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1* FY 07
Fixed Assets (A)						
Gross Block	8.31	16.95	22.82	106.06	340.20	430.47
Less : Accumulated Depreciation/Amortisation	-	0.79	2.25	5.90	32.34	49.71
Net Block	8.31	16.16	20.57	100.16	307.87	380.76
Total (A)	8.31	16.16	20.57	100.16	307.87	380.76
Investments (B)	-	-	-	-	0.10	0.10
Current Assets, Loans and Advances (C)						
Inventories	-	28.29	43.61	200.14	306.01	349.87
Sundry Debtors	-	24.21	22.70	85.07	228.00	287.12
Cash & Bank Balance	0.02	0.00	0.00	2.17	8.37	4.66
Loans & Advances	0.06	1.07	4.93	23.40	45.56	72.09
Total (C)	0.08	53.56	71.24	310.78	587.93	713.74
Liabilities and Provisions (D)						
Secured Loans	-	14.52	27.92	158.06	259.54	340.27
Unsecured Loans	3.17	2.88	8.36	10.79	6.68	4.96
Share Application Money	0.10	9.60	14.60	-	11.00	-
Deferred Tax Liability/(Assets)	-	0.76	1.44	3.84	(1.73)	0.58
Current Liabilities & Provisions	0.62	33.64	29.03	119.57	246.55	250.21
Total (D)	3.89	61.40	81.34	292.26	522.05	596.02
Net Worth (A+B+C-D) = (E)	4.51	8.32	10.47	118.68	373.85	498.58
Represented by						
1. Share Capital	4.61	7.06	7.06	88.77	230.91	244.91
2. Reserves & Surplus	-	1.37	3.49	29.97	142.98	253.68
Total	4.61	8.43	10.55	118.73	373.89	498.58
Less : Miscellaneous Expenditure Written off	0.11	0.11	0.08	0.06	0.04	-
Net Worth	4.51	8.32	10.47	118.68	373.85	498.58

* H1 shall mean Half year ending September 30, 2006

Note:

1. With effect from October 1, 2004 with a view to consolidate business of the Group partnership firm's viz. East Coast Polytex, Mudra Exports (India) and Mudra Impex taken over by the company. Accordingly the figures for March 31, 2005 are inclusive of assets and liabilities of these entities.
2. Further w.e.f. April 01, 2005 Picanova Fabrics Private Limited, Mudra Synthetics Private Limited and Venus Processors Private Limited were amalgamated with the Company. Accordingly the figures for March 31, 2006 are inclusive of assets and liabilities of these companies.

Statement of Restated Profits and Losses (Rs. in Million)

	FY 02*	FY 03	FY 04	FY 05	FY 06	H1** FY 07
Income						
Sales & Operating Income	--	80.33	104.01	340.80	1031.09	663.97
Other Income		-	-	5.48	7.28	4.90
Increase / (Decrease) in Stocks		24.59	(0.15)	106.33	34.75	47.77
Total (A)		104.92	103.86	452.61	1073.12	716.64
Expenditure						
Cost of Material		61.38	58.70	266.62	665.17	449.42
Manufacturing, Administration & other expenses		36.21	35.97	136.31	233.10	128.46
Employees' Remuneration & Benefits		1.92	2.04	5.82	25.88	21.05
Interest and Financial Charges		2.29	2.39	8.68	24.18	23.36
Total (B)		101.80	99.10	417.43	948.33	622.30
Profit before Depreciation and Tax		3.12	4.76	35.18	124.79	94.35
Depreciation/Amortisation		0.79	1.46	3.85	26.53	17.37
Profit before Tax		2.33	3.31	31.32	98.26	76.97
Provision for Taxation						
-Current Tax	-	0.21	0.50	2.45	9.15	8.65
-Fringe Benefit Tax	-	-	-	-	1.28	0.65
-Less/ (Add) Deferred Tax	-	0.76	0.68	2.40	(2.95)	2.30
Profit after Tax as per Audited Financial Statements	-	1.37	2.13	26.47	90.77	65.37
-Less/ (Add) Prior Period Adjustments	-	-	-	-	(0.10)	0.25
Profit available for appropriations	-	1.37	2.13	26.47	90.87	65.12
Add : Balance brought from previous year	-	-	1.37	3.49	29.97	120.84
Balance carried forward to Balance Sheet	-	1.37	3.49	29.97	120.84	185.96

* Company has not started its operations in 2001-02.

** H1 shall mean Half year ending September 30, 2006

Note:

- 1 With effect from October 1, 2004 with a view to consolidate business of the Group partnership firms viz. East Coast Polytex, Mudra Exports (India) and Mudra Impex taken over by the Company. Accordingly the figures for March 31, 2005 are inclusive of income and expenditure of these entities.
- 2 Further w.e.f. April 01, 2005 Picanova Fabrics Private Limited, Mudra Synthetics Private Limited and Venus Processors Private Limited were amalgamated with the Company. Accordingly the figures for March 31, 2006 are inclusive of income and expenditure of these companies.

THE ISSUE

Equity Shares offered:	
Through Fresh Issue of Equity Shares*	9,580,000 Equity Shares
<i>Of which:</i>	
Reservation for our permanent employees	479,000 Equity Shares(<i>allocation on a proportionate basis</i>)
Net Offer to the Public	9,101,000 Equity Shares
Qualified Institutional Buyers portion	Not more than 4,550,500 Equity Shares comprising of 50% of the Net Offer to the Public(<i>allocation on a proportionate basis</i>)
Non-Institutional portion	A minimum of 1,365,150 Equity Shares comprising of 15% of the Net Offer to the Public(<i>allocation on a proportionate basis</i>)
Retail portion	A minimum of 3,185,350 Equity Shares comprising of 35% of the Net Offer to the Public(<i>allocation on a proportionate basis</i>)

Under subscription if any in the reservation category shall be added back to the net offer to the public portion.

Under-subscription, if any, in any category shall be allowed to be met through oversubscription in any other category at the sole discretion of the Company and the BRLM.

Equity Shares outstanding prior to the Issue*	26,410,469 Equity Shares of Rs. 10 each
Equity Shares outstanding after the Issue	35,990,469 Equity Shares of Rs. 10 each
Use of proceeds	Please see section entitled "Objects of the Issue" on 23 of this Red Herring Prospectus for additional information.

*Includes 986,665 Equity Shares issued to SIDBI Venture Capital Limited on January 16, 2007 and 933,335 Equity Shares issued to State Bank of India on January 16, 2007 pursuant to Pre-IPO placement. For further details, please see the section entitled "Capital Structure" on page 14 of this Red Herring Prospectus.

GENERAL INFORMATION

INCORPORATION

Mudra Lifestyle Limited was incorporated on March 31, 1997 under the Companies Act, 1956 as Bombay Fine Fabrics Private Limited with Registrar of Companies, Maharashtra, vide Registration No. 11-106945. The name of the Company was changed to Mudra Textiles Private Limited on October 10, 2001. Mudra Textiles Private Limited then got converted into a public limited Company on December 01, 2005 and subsequently changed its name from Mudra Textiles Limited to Mudra Lifestyle Limited with effect from December 2, 2005.

OFFICE OF THE REGISTRAR OF COMPANIES

Mumbai 'Everest' Building,
100, Marine Drive
Mumbai – 400 002

REGISTERED OFFICE OF THE COMPANY

Mudra Lifestyle Limited
5129-41, D-wing, 5th Floor,
Oberoi Garden Estates,
Chandivali Farms Road, Chandivali,
Andheri (E), Mumbai – 400 072
Phone +91 22 28472600/01
Fax +91 22 28472603
e-mail: ipo@mudralifestyle.com
Website: www.mudralifestyle.com

BOARD OF DIRECTORS

The Board of Directors of Mudra Lifestyle Limited comprises of the following persons:

Name of the Directors	Designation
Mr. Murarilal Agarwal	Chairman and Managing Director
Mr. Ravindra Agarwal	Joint Managing Director
Mr. Vishwambharlal Bhoot	Executive Director
Dr. S.A. Dave	Independent Director
Mr. S.C. Bhargava	Independent Director
Mr. K.K. Maheshwari	Independent Director

Note: By Virtue of the Subscription cum Shareholders Agreement dated January 16, 2007 executed with SIDBI Venture Capital Limited, SIDBI Venture Capital Limited is entitled to appoint its nominee on the Board of the Company. We shall, upon his appointment also comply the Clause 49 of the Listing Agreement vis-à-vis composition of the Board.

Mr. Murarilal Agarwal, aged 49 years, Chairman and Managing Director, is a commerce graduate. He is the founder of the MUDRA group and has over 25 years experience in various facets of the textile industry. Shri Agarwal, as Executive Chairman, overlooks the entire working and affairs of the company's management. He presently holds 8,481,322 equity shares in the Company.

Mr. Ravindra Agarwal, aged 46 years, Joint Managing Director, has done his M.A. (Gold Medalist) from Mumbai University. He has experience of over 18 years in the textile industry. He heads the Finance and Marketing Functions of the company. He is supported by a team of experienced professionals. He presently holds 8,450,763 equity shares in the Company.

Mr. Vishwambharlal Bhoot, aged 65 years, is a matriculate and has experience of over 38 years in the textile industry. He controls the company's administration and accounting functions. He is supported by a team of experienced professionals. He presently holds 2,679,504 equity shares in the company.

Dr. S.A. Dave, aged 70 years, is an Independent Director on our Board. He has over forty four years of professional experience as an Economist. He is currently Chairman of Centre for Monitoring Indian Economy, the premier economic monitoring institution in the country, prior to that he had a diversified work exposure with Reserve Bank of India, IDBI, SEBI and Unit Trust of India. He was founder chairman of SEBI and also chairman of Unit Trust of India from where he retired in 1996. By training he is an economist and topped the list of students both as BA and MA level in economics in the University of Bombay. He has been associated with various Committees of Government of India dealing with reforms in the Capital Market, Mutual Funds Sector, Insurance Sector and Pensions.

Mr. S.C. Bhargava, aged 61 years, is an Independent Director on our Board. He has around 39 years of experience as financial expert. He retired as an Executive Director (Investment), Life Insurance Corporation of India on July 31, 2005. He Joined Investment Department as Central Office, Mumbai in 1993 as Deputy Secretary and since then worked in various capacities including Secretary (Investment) and Chief (Investment). He has had training in finance from reputed institutions such as Indian Institute of Management, Ahmedabad and Manchester Business School, UK. He has also worked as member of technical advisory committee on money, foreign exchange and government securities market, Reserve Bank of India,. Currently he is on the board of various reputed organisations. He does not hold any equity shares in the Company.

Mr. K.K. Maheshwari, aged 44 years, is an independent Director on the Board of the Company. He has over 20 years experience in the areas of finance. He is on the Board of CIL Securities Limited, CIL Finstocks Limited, CIL Industries Limited. CIL Financial Services Limited, CIL Commodities Private Limited and Hifex Hoses Private Limited. He does not hold any equity shares in the Company.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Mahesh K. Poddar

5129-41, D-wing, 5th Floor, Oberoi Garden Estates,
Chandivali Farms Road, Chandivali,
Andheri (E), Mumbai – 400 072
Phone +91 22 28472600/01
Fax +91 22 28472603
Email: maheshpoddar@mudralifestyle.com

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 and refund orders.

LEGAL ADVISORS TO THE ISSUE

ALMT Legal

Advocates & Solicitors

#2, Lavelle Road
Bangalore 560 001.
Tel: +91 80 4016 0000
Fax: +91 80 4016 0001
E-mail: bangalore@almtlegal.com

BOOK RUNNING LEAD MANAGER

SBI Capital Markets Limited

202, Makers Tower 'E', Cuffe Parade,
Mumbai 400 005
Tel.: +91 22 2218 9166
Fax: +91 22 2218 8332
Email: mudra.ipo@sbicaps.com
Website: www.sbicaps.com
Contact person: Mr. Anurag Pandey

SYNDICATE MEMBER

SBICAP Securities Limited

191, Makers Tower 'F', Cuffe Parade,
Mumbai 400 005
Tel.: +91 22 3027 3309
Fax: +91 22 2212 0196
Website: www.sbicapsec.com
Contact person: Mr. Prasad Chitnis
Email: Prasad.chitnis@sbicaps.com

IL&FS Investsmart Limited

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

REGISTRAR TO THE ISSUE

Bigshare Services Pvt Ltd

E-2, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri East, Mumbai 400 072.
Tel: +91 22 2847 0652
Fax: +91 22 2847 5207
Email: mudraipo@bigshareonline.com
Website: www.bigshareonline.com
Contact Person: Mr. N.V.K. Mohan

AUDITORS

V. K. Beswal and Associates

Chartered Accountants 408/410,
Rewa Chambers, 31, New Marine lines,
Mumbai 400 020
Telephone: + 91 22 22005656
Fax: + 91 22 220 95656
Email: vkbeswal@gmail.com

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS

State Bank of India

New Issues and Securities Services Division,
Mumbai Main Branch, Mumbai Samachar Marg,
P.B. No. 13, Fort,
Mumbai- 400023
Contact Person: Rajeev Kumar
Telephone No.: 91 22 2265 1579, 2266 2133, 2265 1363
Fax No.: 91 22 2267 0745, 2269 5277
Email ID: mmbnnewiss@sbi.co.in, Rajeev.kumar@sbi.co.in
Website: www.sbi.co.in

ICICI Bank

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai 400001
Tel: +(91) (22) 2262 7600
Fax: +(91) (22) 2261 1138
E-mail: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Sidhartha Sankar Routray

Standard Chartered Bank

270 D.N. Road,
Fort, Mumbai 400001
Tel: +(91) (22) 2268 2213 / 2268 3975
Fax: +(91) (22) 2209 6067-68
E-mail: rajesh.malwade@in.standardchartered.com
Website: www.standardchartered.co.in
Contact Person: Rajesh Malwade

UTI Bank Limited

Universal Insurance Building
Sir P.M. Road
Fort
Mumbai- 400 001
Tel: +91 22 6610 1029
Fax: +91 22 2283 5785
E-mail: roshan.mathias@utibank.co.in
Website: www.utibank.com
Contact Person: Roshan Mathias

BANKERS TO THE COMPANY**State Bank of India**

I.F.Branch
Snehal Chambers, Telly Gally
Andheri (East)
Mumbai - 400 069
Phone No.:022-26820247
Fax No.:022-26831614
Contact Person: Mr. Suresh Vishwasrao

Bank of India

Andheri Corporate Banking Branch
M.D.I. Building, First Floor
28, S.V. Road, Andheri (West)
Mumbai- 400 058
Phone No.:022-26702346
Fax No.:022- 26247655
Contact Person: Mr.Raj Kumar Goyal

Oriental Bank of Commerce

Overseas Branch
Sanjay Mittal Ind.Estate
Andheri Kurla Road
Andheri (East)
Mumbai - 400 059
Phone No.:022-28507415
Fax No.:022-28507415
Contact Person: Mr. Mohan Kumar Sinha

Bharat Co-operative Bank (Mumbai) Ltd.

Vashi Branch
Sector 6, Vashi
Navi Mumbai 400 705
Phone No.: 022-27824385
Fax No.:022-27824386
Contact Person: Mr. Pravin Suvarna

Statement of allocation of responsibilities for the BRLM

The following table sets forth the responsibility of the BRLM:

Particulars	Responsibility and Coordinator
1. Capital structuring with the relative components and formalities such as type of instruments etc.	SBI Caps
2. Due diligence of the Company's operations/ management/ business plans/ legal etc. Drafting and design of the Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of Prospectus and RoC filing of the same.	SBI Caps
3. Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, roadshow presentations, FAQs, corporate films etc.	SBI Caps
4. Appointment of other intermediaries viz. Registrar, Printers, Advertising Agency and Bankers to the Issue.	SBI Caps
5. Institutional Marketing of the Issue, which will cover, inter alia, Finalize the list and division of investors for one to one meetings; and Finalize roadshow schedule and investor meeting schedules	SBI Caps
6. Non-Institutional and Retail Marketing of the Issue, which will cover, inter alia, Formulating marketing strategies, preparation of publicity budget; Finalise Media & PR strategy; Finalise centres for holding conferences for brokers etc.; Finalise collection centres; and Follow-up on distribution of publicity and issue material including form, prospectus and deciding on the quantum of the Issue material.	SBI Caps
7. Deciding pricing in consultation with the Company	SBI Caps
8. The post bidding activities including management of escrow accounts, coordinate allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post issue activities will involve essential follow up steps, which include the finalisation of listing of instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company.	SBI Caps

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

CREDIT RATING

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

TRUSTEES

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

Monitoring Agency

State Bank of Hyderabad
Nariman Point Branch
11-C Mittal Tower
Nariman Point
Mumbai
Telephone: +91 22 22831598
Fax: +91 22 22841096

IPO Grading

We have not opted for IPO Grading

Appraisal of the Expansion Project

M/s Gherzi Eastern Limited has done the techno-economic feasibility study for the Expansion Project. Written consent has been obtained from M/s Gherzi Eastern Limited for using its report in the Red Herring Prospectus.

Techno-Economic Feasibility Study By

M/s Gherzi Eastern Limited
Raheja Point,
Pandit Jawahar Lal Nehru Marg,
Vakola, Santacruz (East),
Mumbai 400 055
Telephone: + 91 22 55021380
Fax: + 91 22 22673193
Email: gel@gherzieastern.com

Book Building Process

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

1. The Company
2. Book Running Lead Manager

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs). Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. The Company will comply with these guidelines for this Issue. In this regard, the Company has appointed the BRLM to procure subscriptions to the Issue.

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

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. See page 156 for the section titled “Terms of the Issue” in this Red Herring Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether he / she is eligible for bidding;
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.
- Ensure that the Bid cum Application Form is accompanied by the PAN, or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. See page 178 for details. Bidders are specifically requested not to submit their GIR number instead of the PAN number as the Bid is liable to be rejected.

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

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.20 to Rs.24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of our Company at various prices and is collated from bids from various investors.

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative Equity Shares bid for	Subscription
500	24	500	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 issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e., Rs. 22 in the above example. The issuer, in consultation with the BRLM will finalise the issue price at or below such cut off price i.e. at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Underwriting Agreement

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

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

Name and Address of the Underwriter	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten* (Rs. in Million)
SBI Capital Markets Limited 202, Makers Tower ‘E’, Cuffe Parade, Mumbai 400 005 Tel.: +91 22 2218 9166 Fax: +91 22 2218 8332 Email: mudra.ipo@sbicaps.com Website: www.sbicaps.com Contact person: Mr. Anurag Pandey	[●]	[●]

Name and Address of the Underwriter	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten* (Rs. in Million)
SBICAP Securities Limited 191, Makers Tower 'F', Cuffe Parade, Mumbai 400 005 Tel.: +91 22 3027 3309 Fax: +91 22 2212 0196 Website: www.sbicapsec.com Contact person: Mr. Prasad Chitnis Email: Prasad.chitnis@sbicaps.com	[●]	[●]
IL&FS Investsmart Limkited The IL&FS Financial Centre, Plot C-22, G Block Bandra Kurla Complex Bandra (E), Mumbai - 400 051 Tel: +91 22 2653 3333 Fax: +91 22 2653 3075 Website: www.investsmartindia.com Contact Person: Mr. Bhavin Ranawat Email: msl.ipo@investsmartindia.com	[●]	[●]

* This portion has been intentionally left blank and will be filled in before filing of the Prospectus with RoC

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 the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. 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 the Company.

CAPITAL STRUCTURE

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

Share Capital	Face Value (Rs.)	Aggregate Value at face value (Rs.)	Aggregate Value at Issue Price (Rs.)
(A) Authorized Share Capital 40,010,000 Equity Shares	10	400,100,000	
(B) Issued, Subscribed and Paid-Up Capital before the Issue 26,410,469 Equity Shares*	10	264,104,690	
(C) Present Issue in terms of the Red Herring Prospectus 9,580,000 Equity Shares Out of which 479,000 Equity Shares are reserved for the Employees of the Company** 9,101,000 Equity Shares is the Net Offer to Public	10 10 10	95,800,000 4,790,000 91,010,000	[●] [●] [●]
(D) Paid up Equity Capital after the Issue 35,990,469 Equity shares	10	359,904,690	[●]
(E) Securities Premium Account Before the Issue After the Issue		192,516,788 [●]	[●] [●]

*Includes 986,665 Equity Shares issued to SIDBI Venture Capital Limited on January 16, 2007 and 933,335 Equity Shares issued to State Bank of India on January 16, 2007 pursuant to Pre-IPO placement. For further details, please see the section entitled "History and Corporate Structure" on page 78 of this Red Herring Prospectus.

**5 % of the issue size i.e. 479,000 Equity shares of the face value of Rs. 10 each have been reserved on a competitive basis for the employees including whole-time Directors of our Company. Permanent employees on our payroll as on September 30, 2006 are eligible to apply in this category.

Details of Increase and change in Authorized Share Capital of Our Company:

Date of change	Nature of increase/ change	Cumulative Number of Equity Shares	Face Value	Cumulative Number of Preference Shares	Face Value (Rs)	Authorized Share Capital (Rs. Million)
March 31, 1997	Incorporation	250,000	10	Nil	Nil	2.50
January 10, 2002	Increase	750,000	10	Nil	Nil	7.50
July 11, 2002	Increase	750,000	10	10,000	10	7.60
November 29, 2002	Increase	1,000,000	10	10,000	10	10.10
October 1, 2004	Increase/ Alteration	10,010,000	10	Nil	Nil	100.10
February 23, 2006	Increase	26,010,000	10	Nil	Nil	260.10
August 10, 2006	Increase	40,010,000	10	Nil	Nil	400.10

Notes to the Capital Structure:
1. Share Capital History of our company

Date of Allotment/ splitting	No. of Shares	Face Value (Rs)	Cumulative no. of shares	Issue Price (Rs.)	Consideration	Remarks/ Allotment	Cumulative Share Premium (in Rs.)
At Incorporation (March 31, 1997)	40	10	40	10	Cash at par	Subscription to MoA	Nil
March 28, 2002	167,520	10	167,560	10	Cash at par	Further Allotment	Nil
March 29, 2002	293,700	10	461,260	10	Cash at par	Further Allotment	Nil
June 7, 2002	125,000	10	586,260	10	Cash at par	Further Allotment	Nil
July 3, 2002	120,000	10	706,260	10	Cash at par	Further Allotment	Nil
November 1, 2004	5,110,412	10	5,816,672	10	Cash at par	Further Allotment	Nil
December 19, 2004	2,600,000	10	8,416,672	10	Cash at par	Further Allotment	Nil
March 31, 2005	460,188	10	8,876,860	10	Cash at par	Further Allotment	Nil
February 28, 2006	11,816,184	10	20,693,044	-	As per Scheme of Amalgamation	As per Scheme of Amalgamation	Nil
March 1, 2006	1,596,875	10	22,289,919	20	Cash	Preferential Allotment	15,968,750
March 30, 2006	431,688	10	22,721,607	20	Cash	Preferential Allotment	20,285,630
March 31, 2006	368,862	10	23,090,469	20	Cash	Preferential Allotment	23,974,250
April 25, 2006	700,000	10	23,790,469	30	Cash	Preferential Allotment	37,974,250
May 31, 2006*	700,000	10	24,490,469	60	Cash	Preferential Allotment	72,974,250
January 16, 2007	1920000	10	26,410,469	75	Cash	Preferential Allotment	197,774,250

* The shares were initially partly paid up @ Rs. 7 and were made fully paid on August 28, 2006.

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

Name of the Promoters	Date of Allotment	Date when fully paid up	No of Equity Shares	Issue Price (Rs.)	Consideration
Murarilal Agarwal	March 31, 1997	March 31, 1997	10	10	Cash
	March 28, 2002	March 28, 2002	50,000	10	Cash
	March 29, 2002	March 29, 2002	103,700	10	Cash
	June 7, 2002	June 7, 2002	97,500	10	Cash
	November 01, 2004	November 01, 2004	1,433,563	10	Cash
	December 20, 2004	December 20, 2004	1,100,000	10	Cash
	March 31, 2005	March 31, 2005	160,128	10	Cash
	February 28, 2006	February 28, 2006	5,842,407	Other than cash	Scheme of Amalgamation
	Total	8,787,308 Equity Shares having a face value of Rs. 10 each			

Name of the Promoters	Date of Allotment	Date when fully paid up	No of Equity Shares	Issue Price (Rs.)	Consideration
Ravindra Agarwal	March 31, 1997	March 31, 1997	10	10	Cash
	March 28, 2002	March 28, 2002	42,500	10	Cash
	March 29, 2002	March 29, 2002	80,000	10	Cash
	July 3, 2002	July 3, 2002	50,000	10	Cash
	November 01, 2004	November 01, 2004	1,512,890	10	Cash
	December 20, 2004	December 20, 2004	1,465,000	10	Cash
	March 31, 2005	March 31, 2005	170,000	10	Cash
	February 28, 2006	February 28, 2006	4,575,272	Other than cash	Scheme of Amalgamation
	Total	7,895,672 Equity Shares having a face value of Rs. 10 each			

Name of the Promoters	Date of Allotment	Date when fully paid up	No of Equity Shares	Issue Price (Rs.)	Consideration
Vishwambharlal Bhoot	March 28, 2002	March 28, 2002	25,000	10	Cash
	March 29, 2002	March 29, 2002	50,000	10	Cash
	June 7, 2002	June 7, 2002	5,000	10	Cash
	July 3, 2002	July 3, 2002	20,000	10	Cash
	November 01, 2004	November 01, 2004	653,080	10	Cash
	February 28, 2006	February 28, 2006	1,317,110	Other than cash	Scheme of Amalgamation
	Total	2,070,190 Equity Shares having a face value of Rs. 10 each			

Pre Issue Shareholding of the Promoters

Name of Promoter	Equity Shares Allotted	Equity Shares Transferred	Total Number of Equity Shares	Pre Issue Shareholding
Murarilal Agarwal	8,787,308	-305,986 ¹	8,481,322	8,481,322
Ravindra Agarwal	7,895,672	+20 ²		
		+858,389 ³		
		-303,318 ⁴	8,450,763	8,450,763
Vishwambharlal Bhoot	2,070,190	+10 ⁵		
		609,304 ⁶	2,679,504	2,679,504
		Total	19,611,589	19,611,589

Notes:

- On January 30, 2006, Mr. Murarilal Agarwal transferred 305,986 equity shares of Rs.10/- each to Mr. Vishwambharlal K. Bhoot.
- On November 25, 2005, Mr. V.K. Beswal partner of V.K Beswal & Co. and Karta of V. K. Beswal H.U.F transferred 20 shares, 10 shares each to Mr. Ravindra Agarwal.
- On January 30, 2006, Mr. Narendra Agarwal transferred 858,389 equity shares of Rs. 10/- each to Mr. Ravindra Agarwal.
- On January 30, 2006, Mr. Ravindra Agarwal transferred 303,318 equity shares of Rs.10/- each to Mr. Vishwambharlal K. Bhoot.

5. On October 12, 2001, Mrs. Asha Agarwal, a first director of the company, transferred 10 equity shares of Rs. 10 each to Mr. Vishwambharlal Bhoot.
6. On January 30, 2006, Mr. Ravindra Agarwal & Mr. Murarilal Agarwal transferred 303,318 & 305986 equity shares of Rs.10/- each respectively to Mr. Vishwambharlal K. Bhoot.

Lock in of Promoters Contribution

Mr. Murarilal Agarwal

Date of Allotment/ acquisition	Date when made fully paid-up	Consideration	No. of Shares	Face Value	Issue Price (Rs.)	% of Post Issue Paid up Capital	Lock in for a period
February 28, 2006	February 28, 2006	Scheme of Amalgamation	3112922	10		8.65%	3 years from the date of allotment in the Public Issue.
February 28, 2006	February 28, 2006	Scheme of Amalgamation	2729485	10		7.58%	1 years from the date of allotment in the Public Issue.
December 19, 2004	December 19, 2004	Cash	1100000	10	10	3.06%	1 years from the date of allotment in the Public Issue.
November 01, 2004	November 01, 2004	Cash	1433563	10	10	3.98%	1 years from the date of allotment in the Public Issue.
June 7, 2002	June 7, 2002	Cash	97500	10	10	0.27%	1 years from the date of allotment in the Public Issue.
March 28, 2002	March 28, 2002	Cash	7842	10	10	0.02%	1 years from the date of allotment in the Public Issue.
March 31, 1997	March 31, 1997	Cash	10	10	10	0.00%	1 years from the date of allotment in the Public Issue.

Mr. Ravindra Agarwal

Date of Allotment/ acquisition	Date when made fully paid-up	Consideration	No. of Shares	Face Value	Issue Price (Rs.)	% of Post Issue Paid up Capital	Lock in for a period
February 28, 2006	February 28, 2006	Scheme of Amalgamation	3101706	10		8.62%	3 years from the date of allotment in the Public Issue.
February 28, 2006	February 28, 2006	Scheme of Amalgamation	1473566	10		4.09%	1 year from the date of allotment in the Public Issue.
January 30, 2006	January 30, 2006	Cash	808389	10	13.38	2.39%	1 years from the date of allotment in the Public Issue.
November 25,	November 25,	Cash	20	10	10	0.00%	1 years from the date

Date of Allotment/ acquisition	Date when made fully paid-up	Consideration	No. of Shares	Face Value	Issue Price (Rs.)	% of Post Issue Paid up Capital	Lock in for a period
2005	2005						of allotment in the Public Issue.
December 19, 2004	December 19, 2004	Cash	1465000	10	10	4.07%	1 years from the date of allotment in the Public Issue.
November 01, 2004	November 01, 2004	Cash	1512890	10	10	4.20%	1 years from the date of allotment in the Public Issue.
March 28, 2002	March 28, 2002	Cash	39182	10	10	0.11%	1 years from the date of allotment in the Public Issue.
March 31, 1997	March 31, 1997	Cash	10	10	10	0.00%	1 years from the date of allotment in the Public Issue.

Mr. Vishwambharlal Bhoot

Date of Allotment/ acquisition	Date when made fully paid-up	Consideration	No. of Shares	Face Value	Issue Price (Rs.)	% of Post Issue Paid up Capital	Lock in for a period
February 28, 2006	February 28, 2006	Scheme of Amalgamation	983466	10		2.73%	3 years from the date of allotment in the Public Issue.
February 28, 2006	February 28, 2006	Scheme of Amalgamation	333644	10		0.93%	1 years from the date of allotment in the Public Issue.
January 30, 2006	January 30, 2006	Cash	609304	10	13.38	1.69%	1 years from the date of allotment in the Public Issue.
November 1, 2004	November 1, 2004	Cash	653080	10	10	1.81%	1 years from the date of allotment in the Public Issue.
July 3, 2002	July 3, 2002	Cash	20000	10	10	0.06%	1 years from the date of allotment in the Public Issue.
June 7, 2002	June 7, 2002	Cash	5000	10	10	0.01%	1 years from the date of allotment in the Public Issue.
March 29, 2002	March 29, 2002	Cash	50000	10	10	0.14%	1 years from the date of allotment in the Public Issue.
March 28, 2002	March 28, 2002	Cash	25000	10	10	0.07%	1 years from the date of allotment in the Public Issue.
October 10, 2001	October 10, 2001	Cash	10	10	10	0.00%	1 years from the date of allotment in the Public Issue.

Shares representing the minimum Promoter's contribution locked in for three years from the date of allotment

Promoter	No. of shares	% of Post issue
Mr. Murarilal Agarwal	3,112,922	8.65%
Mr. Ravindra Agarwal	3,101,706	8.62%
Mr. Vishwambarlal K Bhoot	983,466	2.73%
Total	7,198,094	20.00%

Pre-Issue shares locked in for 1 year from the date of allotment

	No. of shares	% of Post issue
Mr. Murarilal Agarwal	5,368,400	14.92%
Mr. Ravindra Agarwal	5,349,057	14.86%
Mr. Vishwambarlal K Bhoot	1,696,038	4.71%
Relatives	0	0.00%
Employees of the Company*	0	0.00%
SIDBI Venture Capital Limited	986,665	2.74%
State Bank of India	933,335	2.59%
Individuals	4,003,849	11.13%
Indian bodies corporate	875,031	2.43%
NRI/ Foreign Company	0	0.00%
Directors (Other than Promoter Directors)	0	0.00%
Total	19,212,375	53.38%

1. The Promoters have given their approval for lock- in of their shareholding as specified above, for vide their letter dated October 10, 2006. Shares issued last shall be locked-in first. The entire pre-capital, other than that locked-in as minimum promoters' contribution shall be locked in for a period of one year from the date of allotment. 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. The shares allotted pursuant to the pre-IPO allotment shall also be locked in for a period of one year in accordance with the SEBI Guidelines.
2. The shares locked in by the Promoters are not pledged to any party. The Promoter may pledge the Equity Shares with banks or FIs as additional security for loan whenever availed by him from banks/FIs.
3. Shares held by the persons other than the promoters, prior to Initial Public Offering, which are subject to lock in as per extant SEBI (DIP) Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.
4. Shares held by promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI (DIP) Guidelines, may be transferred to and amongst promoter/promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.
5. The Promoter, Promoter Group or the Directors 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 SEBI. However, there have been transfers made to the Promoters and the Promoter Group. For details, kindly refer to note number 2.

6. Shareholding pattern of the Company before and after the Issue:

Category	Pre-Issue		Post-Issue	
	Number of Shares	%	Number of Shares	%
Promoters				
Mr. Murarilal Agarwal	8,481,322	32.11%	8,481,322	23.57%
Mr. Ravindra Agarwal	8,450,763	32.00%	8,450,763	23.48%
Mr. Vishwambharlal Bhoot	2,679,504	10.15%	2,679,504	7.45%
Total (Promoters)	19,611,589	74.26%	19,611,589	54.49%
Employees of the Company*	0	0.00%	[●]	[●]
Others Investors-				
Individuals	4,003,849	15.16%	[●]	[●]
SIDBI Venture Capital Limited	986,665	3.74%	[●]	[●]
State Bank of India	933,335	3.53	[●]	[●]
Other body corporates	875,031	3.31%	[●]	[●]
NRI/ Foreign Company	0	0.00%	[●]	[●]
Directors (Other than Promoter Directors)	0	0.00%	[●]	[●]
			[●]	[●]
Public	4,878,880	18.47%	[●]	[●]
Total	26,410,469	100.00%	35,990,469	100.00%

7. Buy-back and Standby Arrangement:

The Company, its Promoters, Directors or the BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company from any person, as disclosed in this Red Herring Prospectus on Page 85.

8. The Company has not raised any bridge loan against the proceeds of the Issue.

9. The Equity Shares offered through this Public Issue will be fully paid-up.

10. In this Issue, in case of over-subscription in all categories, upto 5% of the Issue shall be reserved for Eligible Employees and not more than 50% of the Net Issue to the Public shall be allocated on a proportionate basis to Qualified Institutional Buyers. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. At the sole discretion of the Company and the BRLM undersubscription, if any, in any category would be allowed to be met with spill over from any other category.

11. Equity Shares held by top TEN Shareholders:

a. Particulars of top ten shareholders as on the date of filing of the Red Herring Prospectus with SEBI.

Sr. No.	Name	No. of shares held	% shareholding
1	Mr. Murarilal Agarwal	8,481,322	32.11%
2	Mr. Ravindra Agarwal	8,450,763	32.00%
3	Mr. Vishwambharlal Bhoot	2,679,504	10.15%
4	Mr. Harigobind Murarka	1,275,000	4.83%
5	Mr. Narendra Agarwal	1,000,000	3.79%
6	SIDBI Venture Capital Limited	986,665	3.74%
7	State Bank of India	933,335	3.53%
8	Jewel Stationary Pvt. Ltd.	550,000	2.08%
9	Quest Profin Advisors Pvt. Ltd.	63,994	0.24%
10	Crystalline Exports Ltd	50,000	0.19%

Shall be updated at the time of filing of Prospectus with RoC

b. Particulars of top ten shareholders 10 days prior to the date of filing of the Red Herring Prospectus with SEBI

Sr. No.	Name	No. of shares held	% shareholding
1	Mr. Murarilal Agarwal	8,481,322	34.63%
2	Mr. Ravindra Agarwal	8,450,763	34.51%
3	Mr. Vishwambharlal Bhoot	2,679,504	10.94%
4	Mr. Harigobind Murarka	1,275,000	5.21%
5	Mr. Narendra Agarwal	1,000,000	4.08%
6	Jewel Stationary Pvt. Ltd.	550,000	2.25%
7	Quest Profin Advisors Pvt. Ltd.	63,994	0.26%
8	Crystalline Exports Ltd	50,000	0.20%
9	Careview investment and Trading Pvt. Ltd.	50,000	0.20%
10	Canara Securities Ltd.	50,000	0.20%

Shall be updated at the time of filing of Prospectus with RoC

c. Particulars of top ten shareholders 2 years prior to the date of filing of the Red Herring Prospectus with SEBI.

Sr. No.	Name	No. of shares held	% shareholding
1	Mr. Murarilal Agarwal	251,210	35.57%
2	Mr. Narendra Agarwal	182,510	25.84%
3	Mr. Ravindra Agarwal	172,510	24.43%
4	Mr. Vishwambharlal Bhoot	100,010	14.16%
5	V.K. Beswal H.U.F	10	0.00%
6	M/s. V. K. Beswal & Co.	10	0.00%

Shall updated at the time of filing of Prospectus with RoC

Note: There were only six shareholders 2 years prior to the date of filing of the Red Herring Prospectus with RoC.

12. As of the date of this Red Herring Prospectus, there are no outstanding financial instruments or warrants or any other right that would entitle the existing Promoters or Shareholders, or any other person any option to receive Equity Shares after the offering.
13. The Company has not revalued any of its Fixed Assets. It has not issued any Equity Shares out of revaluation reserves.
14. 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 Prospectus have been listed. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
15. The Company presently do not intend or propose to alter its capital structure for a period of six months from the date of opening of the Issue, either by way of split or consolidation of the Equity Shares or by way of further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company enters in for acquisitions or joint ventures, it may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition and/ or participation in such joint ventures.
16. No single applicant can make an application for number of shares, which exceeds the number of shares offered, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

Employees may bid in the Net Offer portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Employee reservation portion would be treated as part of the Net Offer

17. The total numbers of members of the Company as on September 30, 2006 are 430.
18. 479,000 Equity Shares, has been reserved for allocation to the Eligible Employees on a proportionate basis, subject to valid bids being received at or above the issue price. Only Eligible employees as on September 30, 2006 would be eligible to apply in this issue under reservation for its Employees. Employees may bid in the Net Offer to the Public portion as well and such Bids shall not be treated as multiple Bids. Under subscription in this category, if any, shall be added back to the net offer to the public.
19. No shares have been allotted through a public issue in the last two years nor has the Company bought back its equity shares in the last six months.
20. In case of an over-subscription, 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of the minimum allocation lot.
21. Shares issued in preceding one year at a price lower than issue price :

Sr. No.	Date	Name	Price (Rs.)	No. of shares	Consideration (Rs.)
1	March 1, 2006	Dealers	20	1596875	31937500
2	March 30, 2006	Dealers	20	431688	8633760
3	March 31, 2006	Mr. Harigobind Murarka	20	368862	7377240
4	April 25, 2006	Mr. Harigobind Murarka	30	700000	21000000
5	May 31, 2006	Jewel Stationary Pvt. Ltd.	60	700000	42000000
6	January 16, 2007*	SIDBI Venture Capital Limited	75	986665	73,999,875
7.	January 16, 2007*	State Bank of India	75	933335	70,000,125

Our Company issued shares to dealers and their relatives as per our policy. These dealers have helped the Company in its growth over the last 20 years and hence, the decision to allot the shares to dealers. We allotted shares to Mr. Harigobind Murarka and M/s Jewel Stationery Pvt. Limited to meet the expenses for our ongoing expansion.

* Allotment done pursuant to Pre-IPO placement.

23. Neither the Promoters nor the Directors of the Company have sold or purchased shares of the company in last six months.

OBJECTS OF THE ISSUE

We are a leading manufacturer and exporter of fashion fabrics and garments with modern manufacturing facilities at Bhiwandi (Kalher and Sonale), New Mumbai, Daman and Bangalore. We are backed by facilities for product development, design studio and sampling infrastructure to provide quality services to our customers in India and abroad. We are engaged in the business of weaving, processing and garmenting. We supply fabrics and garments to various garment manufacturers and brands.

We intend to expand our manufacturing facilities by setting up a new integrated unit having all the facilities for yarn dyeing, weaving, processing and garment manufacturing.

A techno-economic viability study of the projects has been done and the fund requirements have been calculated. We plan to finance the fund requirement through a mix of IPO proceeds, term loan and internal accruals.

We intend to utilise the entire net proceeds of this Issue towards part funding of our proposed Project and for general corporate purposes. The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of our Company enables us to undertake our existing activities and the activities for which the funds are being raised by us, through the present Issue.

Main Objects of the Issue are:

- To part finance the proposed project consisting of setting up of an integrated unit having all the processes of yarn dyeing, weaving, process house and garment manufacturing near Bangalore and Tarapur ;
- To meet expenses for general corporate purposes / acquisitions; and
- To meet public issue related expense

The other object of the Issue is to list our Equity Shares on Stock Exchanges as this will provide liquidity to our existing shareholders and enhance our visibility and brand name. This will also enable us to use our Equity Shares for strategic growth opportunities.

Fund Requirement

Particulars	Amount (Rs. Million)
Proposed expansion at facilities at Bangalore and Tarapur	177490
General Corporate Purpose/Acquisitions	[●]
Issue Expenses	[●]
Total	[●]

Means of Finance

Particulars	Amount (Rs. Million)
Term Loan	1008.40
Issue Proceeds	[●]
Internal Accrual	[●]
Total	[●]

Out of the total fund requirement of [●] Million, debt is proposed to be utilized up to an amount of Rs. 1008.40 Million and is fully tied up. However, we have obtained sanctions of Rs. 1050.00 million from three banks. We propose to raise the balance amount through this IPO. Additional fund raised through this IPO would be utilised for general corporate purposes, while any shortfall will be met through internal accrual.

We are exploring the possibility of making business related acquisitions and are in talks with various entities in India and abroad. The details will be made available to the members of the company as and when any material development in this regard takes place.

Approval/Sanction of Debt Component of the Projects Cost

The rupee term loan component of the Projects Cost has already been tied up and as against the debt component of Rs. 1,008.4 Million, we have received final sanction letters from three banks totaling to Rs. 1050 million details of which are as under:

Rs in Million

S. No.	Name of Bank/ Financial Institution	Sanction Letter	Amount	Important terms & conditions
1	State Bank of India*	No. 6270, Dt. June 17th 2006 The validity of the sanction letter expired on September 17, 2006.	400.00	First Pari Pasu charge on the fixed assets of the company to be acquired under the term loan
2	State Bank of Patiala	Cbm.nss.amt4. Letter dt. April 15th 2006. Revalidation letter dated January 10, 2007 extending the validity of the sanction letter for a period of 2 months.	600.00	First pari passu charge on the company's entire fixed assets. Hypothecation charges to be created upfront.
3	State Bank of Hyderabad	F/ADV/MLSL/249 dt. April 18th 2006 Revalidation letter dated January 10, 2007 extending the validity of the sanction letter till April 7, 2007	200.00	First Pari Pasu charge on the Company's present and future movables and immovable assets excluding assets on exclusive basis.
4	Oriental Bank of Commerce	CN/530/L/06/2138 dt. July 17th, 2006 Revalidation letter dated January 16, 2007 extending the validity of the sanction letter for a period of 3 months.	250.00	First pari passu charge on the company's current and future fixed assets. Hypothecation charges to be created upfront.

* State Bank of India had sanctioned a loan of Rs. 400 million which has since expired on September 17 2006. We have made an application for reprocessing of the said term loan.

All these loans are eligible for an interest subsidy of 5 % under Technology Upgradation Funds Scheme. We have received consent from State Bank of Patiala vide their letter dated October 14, 2006, State Bank of Hyderabad vide their letter dated October 10, 2006, from State Bank of India vide their letter dated September 21, 2006 and Oriental Bank of Commerce vide their letter dated August 14, 2006 for their name being included in the RHP as a proposed lender/banker for the expansion project.

Principal Terms and Conditions of the sanctions

1. State Bank of India

- Limit: Rs. 400.0 Million
- Security

(i) Primary

First Pari-Passu charge on the fixed assets of the company to be acquired under the term loan

(ii) Collateral:

Exclusive first charge on all the existing and proposed factories (land & buildings) of the company (including that of the merged entities) as listed below

- i. 222, Raj Rajeshwari Compound. Village Sonale, Bhiwandi.
- ii. 'E' Row, plinth No. 11,12, 'F' Row plinth No. 8, & 9, 10 bearing survey No. 196/5, Raj Rajeshwari Compound, Village Sonale, Bhiwandi.

- iii. 196/5, Raj Rajeshwari Compound Village Sonale, Bhiwandi.
- iv. 168/23, Dabhel Industrial Co-op Society Ltd, Dabhel, Daman.
- v. 168/12, Dabhel Industrial Co-op Society Ltd, Dabhel, Daman.
- vi. Gala No. 146 in Shiv Shakti Industrial estate, Andheri Kurla Road, Mumbai -72 belonging to M/s Olive tex Silk Mills.
- vii. Gala No. 156 in Shiv Shakti Industrial estate, Andheri Kurla Road, Mumbai -72 belonging to Mr. Narendra agarwal and Smt. Bimla Devi Agarwal.
- viii. Gala NO. 201, Star Industrial Estate, andheri Kurla Road, Sakinaka, Mumbai – 72.

■ **Guarantee**

- (a) Personal Guarantees of Shri Murarilal Agarwal, Shri Ravindra B. Agarwal, Shri Narendra M. Agarwal & Shri Vishwambharlal Bhoot.
- (b) Corporate guarantee of the associate concerns viz. M/s Olive Tex Silk Mills

■ **Interest**

The Company is liable to pay interest @ 0.75%
below State Bank Advance Rate (SBAR) at monthly rest.

- Insurance: All the fixed assets of the Company will be insured for full value in the joint name of the Company and the bank.

■ **Repayment**

			No. of Quarters
TENURE	Draw Down	April 2006 to March 2007	4
	Moratorium period	April 2007 to 2016 Marchrch 2008 (8 quarters from 1 st drawdown)	4
	Repayment Period	April 2008 to March 2016	32
	Tenure of term loan door to door	April 2006 to March 2016	40
Repayment Schedule		The term loan is repayable in 32 equal quarterly instalments of rs. 1.25 crore, commencing from April 2008 qtr and ending March 2016 qtr. (First instalment due on March 31, 2016	

- Commitment Charges: 1% for delayd drawn down beyind 2 months

2. State Bank of Patiala

■ **Security**

Primary:

First pari passu charge on the company's entire fixed assets. Hypothecation charge to be created upfront. However, three months time, from the date of documentation, will be given for creation of charge on immovable property.

Collateral:

Second charge on current assets.

■ Guarantee

Personal guarantees of promoter directors Sri. Murarilal Agarwal, Ravindra Agarwal, Narendra M. Agarwal and Vishwambharlal Bhoot.

■ Interest and Repayment

- (a) The Company is liable to pay interest at BPLR minus 100 BP (BPLR at present: 10.50%) with effective floating rate of 9.50% p.a. against the term loan extended by SBP.
- (b) The repayment of the term loan shall commence from April, 2008 through March, 2016 payable in 32 equal quarterly instalments of Rs. 1.875 crores commencing from 1st April, 2008 and ending 31st March, 2016.

3. State Bank of Hyderabad

■ Security

(i) Primary:

First pari passu charge on the company's entire present as well as future moveable as well as immovable assets excluding assets charged on exclusive charge basis. WDV on fixed assets as on 31st March 2007 is estimated at Rs. 179.81 crores.

(ii) Collateral:

Second parri passu charge on current assets of the company.

■ Guarantee

Personal Guarantees of promoter directors Shri Murarilal Agarwal, Shri Ravindra B. Agarwal, Shri Narendra M. Agarwal & Shri Vishwambharlal Bhoot.

■ Interest and repayment

- (a) The Company is liable to pay interest @ 1.5% below PLR floating i.e 10% payable montly resets every three years.
- (b) The term loan is repayable in 32 equal quarterly installments of Rs. 1.28 crores commencing from 1st April, 2008 and ending on 31st march, 2016.

■ Restrictive Covenants

As per the terms of the sanction, the Company is bound by certain restrictive covenants which prohibit the Company from carrying out the following activities without the prior written consent of SBH:

Term Loan

- (i) not effect any change in the capital structure of the Company;
- (ii) not formulate any scheme of amalgamation or reconstruction;
- (iii) not undertake any new project, implement any scheme of expansion or acquire fixed assets except those indicated in the funds flow statements submitted by SBI;
- (iv) not invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies) excluding normal trade credit or security deposits in the normal course of business or advances to employees;
- (v) not enter into borrowing arrangements either secured or unsecured with any other bank, financial institution, company or otherwise or accept deposits apart from the arrangements indicated in the funds flow statements submitted to SBI;
- (vi) not undertake any guarantee obligations on behalf of any other company;

- (vii) not declare dividends for any year except out of the profits relating to that year after making all due and necessary provisions and no default had occurred in any repayment obligations;
- (viii) not create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company or person;
- (ix) not sell, assign, mortgage or otherwise dispose off any other fixed assets charged to SBI;
- (x) not enter into any contractual obligation of a long term nature or affecting the Company financially to a significant extent;
- (xi) not change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc.
- (xii) not undertake any trading activity other than the sale of products arising out of its won manufacturing operations;
- (xiii) not permit any transfer of the controlling interest or make any drastic change in the management set-up;
- (xiv) not radically change its accounting system; and
- (xv) not allow withdrawal of monies brought in by promoters, directors, principal shareholders their friends and relatives by way of deposits, loans and advances.

4. Oriental Bank of Commerce

■ Security

(i) Primary:

First pari passu charge on the company's entire present as well as future fixed assets. Hypothecation charge to be created upfront. Three months time from the date of documentation will be given for creation of charge on the immovable properties.

(ii) Collateral:

Second parri passu charge on current assets of the company.

■ Guarantee

Personal Guarantees of promoter directors Shri Murarilal Agarwal, Shri Ravindra B. Agarwal, Vishwambharlal Bhoot

■ Interest and Repayment

- (a) The Company is liable to pay interest @ 2% below PLR which work outs at 9.5% at present with monthly rests, subject to changes in PLR/spreads announced by the bank and subject to changes by RBI from time to time.
- (b) The term loan is repayable in 32 equal quarterly installments of Rs. 0.8 crores commencing from 1st April, 2008 and ending on 31st march, 2016.

■ Restrictive Covenants

As per the terms of the sanction, the Company is bound by certain restrictive covenants which prohibit the Company from carrying out the following activities without the prior written consent of OBC:

General Terms

- (i) no change in the Company's capital structure;
- (ii) not formulate any scheme of amalgamation or reconstruction;
- (iii) not implement any scheme of expansion or acquire fixed assets;
- (iv) not invest by way of share capital in or lend or advance funds to or place deposits with any other

concern; normal trade credit, security deposits in the normal course of business or advances to employees being excluded;

- (v) not open an account or enter into borrowing arrangements either secured or unsecured with any bank, financial institution, company or otherwise or accept deposits;
- (vi) not declare any dividends for any year except out of the profits relating to that year after making all dues and necessary provisions and provided further that no default had occurred in any repayment obligations and that the stipulated Net Working Capital has been maintained.
- (vii) not allow withdrawal of monies by principal shareholders, directors or depositors;
- (viii) not make any drastic change in its management set up.

Term Loan

- (i) not effect any change in the capital structure of the Company;
- (ii) not formulate any scheme of amalgamation or reconstruction;
- (iii) not undertake any new project, implement any scheme of expansion or acquire fixed assets except those indicated in the funds flow statements submitted by SBI;
- (iv) not invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies) excluding normal trade credit or security deposits in the normal course of business or advances to employees;
- (v) not enter into borrowing arrangements either secured or unsecured with any other bank, financial institution, company or otherwise or accept deposits apart from the arrangements indicated in the funds flow statements submitted to SBI;
- (vi) not undertake any guarantee obligations on behalf of any other company;
- (vii) not declare dividends for any year except out of the profits relating to that year after making all due and necessary provisions and no default had occurred in any repayment obligations;
- (viii) not create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company or person;
- (ix) not sell, assign, mortgage or otherwise dispose off any other fixed assets charged to SBI;
- (x) not enter into any contractual obligation of a long term nature or affecting the Company financially to a significant extent;
- (xi) not change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc.
- (xii) not undertake any trading activity other than the sale of products arising out of its won manufacturing operations;
- (xiii) not permit any transfer of the controlling interest or make any drastic change in the management set-up;
- (xiv) not radically change its accounting system; and
- (xv) not allow withdrawal of monies brought in by promoters, directors, principal shareholders their friends and relatives by way of deposits, loans and advances

Appraisal:

Expansion project at Bangalore and Tarapur: M/s Gherzi Eastern Limited (GEL) has done the techno-economic feasibility study for the Greenfield project. Their report has been used as a basis for this document wherever required in relation to the abovementioned project. GEL; vide their letter dated October 16, 2006 has given its consent for its name being included as appraising agency and for their appraisal report being used in this document.

Purpose of appraisal:

Mudra Lifestyle Limited appointed Gherzi Eastern Limited, Mumbai as the turnkey project consultants and for the project implementation services like designing, planning and project management.

Scope of appraisal:

The scope of the service of GEL begins from concept planning to the commercial production stage and broadly covers the following areas:

a) Technology Planning:

This covers selection of technology and production machines, preparation of machinery layout, site investigation, master planning for the project and basic data fixation for utility services.

b) Building:

This covers preparing building design, architectural drawings, structural designs and detailed drawings, submission and approval of drawings, preparing tender documents, calling bids and techno-commercial analysis of bids.

c) Utility Services:

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

d) Construction management:

GEL will provide construction services management and supervision services for the start of the construction till commissioning and handling over of the project for commercial operations.

e) Technical support for commissioning and trial runs:

This aspect of GEL's 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 system and monitoring of manufacturing performance.

Expansion Project

	Installed Capacity	Estimated Production	Production per annum
Yarn Dyeing	2160 Kgs / day	2000 Kgs / day	660 Tons
Weaving	84 No. of Looms	25000 Meters / day	8.25 Million meters
Processing	105,300 Meters / day	98,982 Meters / day	32.66 Million Meters
Garmenting	25,000 Pieces / day	22,500 Pieces / day	7.43 Million pieces

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

Salient features of expansion project:

Product Mix:

We will manufacture approximately 25,000 meters per day of narrow width (+190 cm) fabrics in weaving division. Entire quantity will be internally consumed in the processing division. The Grey fabric will be of large varieties ranging from thread counts 200 to 600, made out of fine yarns. The processing division will have a capacity of approximately 100,000 meters per day of fabric. The final product will be 100% bleached, and dyed and/or printed. We have to procure 80,000 meters of Grey fabric from outside.

Weaving:

We will install 84 looms initially, which will be entirely imported. The looms will be of AIR JET and RAPIER technology, which has the advantage of high speed and productivity and a lower overall cost of operation. The weaving preparatory machinery will also be imported.

Processing:

The processing division would use continuous process technology. The processing division, which includes printing also, will have a capacity of 105,300 meters per day.

Garmenting:

An in-house garmenting unit consisting of various machines will cater to the requirements of making garments and packing them into pieces as per customer requirements.

Location:

The new project relating to dying, weaving and process house will be set up at Tarapur and garment unit will be setup at Bangalore and the Company has already acquired 10.57 acres at Tarapur. Further, the Karnataka Industrial Areas Development Board has allotted 2.12 acres at Bangalore in favour of the Company. As per GEL appraisal we require 10 acres of land.

Breakup of the Cost of the Project:

Particulars	Cost (Rs. Million)
Land	46.00
Site Development , Registration & Stamp Duty	3.00
Building	220.00
Plant & Machinery*	
Yarn Dyeing Machinery	49.00
Weaving Machinery	217.10
Fabric Processing Machinery	509.30
Garment Machinery	149.28
Miscellaneous Fixed Assets	215.48
Preliminary & Preoperative Expenses	68.10
Provisions for Contingencies	73.40
Margin Money for Working Capital	224.10
Total	1774.90

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

* The proposed machinery's are covered under the Technology Upgradation (TUF) scheme.

Land and Site Development:

The new project relating to dying, weaving and the process house will be set up at Tarapur and garment unit at Yarandanhalli, Bommasnadra, I Phase Industrial Area. near Bangalore (on a lease cum sale basis). We selected this location because of availability of cheap and skilled labour as well as presence of sourcing houses of leading textile companies. We have acquired 12.69 acres of land at an approximate cost of Rs. 46.0 Million. The site development, registration & Stamp duty cost for setting up new integrated facilities is estimated at Rs. 3 million. We have already purchased 10.57 acres of land in Tarapur and have been allotted 2.12 acres in Bangalore for the purposes of the Project. The actual cost incurred for the purchase of land is Rs. 46 Million. The land acquired is free from any encumbrance and we have a clear title for the same.

Location of the land and the consideration are:

(Rs. In Million)

Sr. No.	Location	Area	Total Cost*	Cost Incurred till January 15, 2006
1	N-12, MIDC Tarapur	5.19 acres	16.95	16.95
2	D-25 MIDC Tarapur	5.38 acres	14.51	14.51
3	9-M, Yarandanhalli, Bommasnadra, Bangalore	2.12 acres	17.54	17.54

* total cost estimates include stamp duty and registration costs

Factory Building

We will be setting up the various facilities viz. Yarn Dyeing, Weaving, Processing, Garment manufacturing, Utilities, Administration Block, etc. in a total built up area of about 48,768 square meters at cost of Rs. 220.0 Million

Machinery:

Yarn dyeing facilities

We will be installing 1 Package Press machine, 6 Yarn Dyeing machine manufactured by FONGS, 1 Hydro extractor machine, 2 soft winding machines and 2 Lab package dyeing machine and other imported machineries. Expenditure required for yarn dyeing machinery would be Rs.33.8 Million for the imported machinery and Rs. 15.2 Million for the indigenous machinery.

Weaving facilities

Project requires 40 Rapier looms, 44 Air jet looms with dobby shedding, a Direct wrapper machine, 1 sectional wrapper, 1 sizing machine, 1 warp tying machine and 1 warp leasing machine to be imported at Rs. 211.4 Million and other indigenous machinery at Rs. 5.7 Million.

Fabric Processing

We will install a modern process house with latest international technology available with a capacity of 1,00,000 meters per day with imported machines from international suppliers at a cost of Rs. 446.2 Million and other indigenous machines at Rs. 63.1 Million.

Garmenting

Fund requirement for the garmenting unit is estimated at Rs. 149.28 Million.

Miscellaneous Fixed Assets:

Apart from the above mentioned process specific machines to be installed, there are some other common imported machines like Humidification Plant, Material handling, Lab Equipments to be installed at an estimated cost of Rs. 33.58 Million and indigenous equipment like Air Duct, Chilling Plant, Electronic installation, DG Set 2 No of 1,500 KVA (Stand by), Boiler, Caustic recovery plant, piping and insulation etc at an estimated cost of Rs. 181.9 Million.

The description of machines, number of machines, the supplier for the various machines to be used, cost of the machines and the order position is given in the table below:

Details of machinery already ordered

Weaving looms:

Out of the 40 Sulzer weaving looms that we proposed to order for the project, we have placed orders for purchase of 32 Picanol High Speed Rapier Weaving machines, the total invoice amount is USD 960,000 CFR NHAVA SHEVA on January 17, 2007.

Details of machinery to be ordered

Yarn Dyeing

(Rs. in Million)

Particulars	Name of Supplier	No. of Units	Amount
Imported Machineries			
Yarn Dyeing Machine			
COS 53:8A (50 Kg)	FONGS	2	5.5
COS 70:9A (150 Kg)	FONGS	2	7.5
COS 85:9A (200 Kg)	FONGS	2	9.0
Radio frequency dryer	FONGS	1	6.1
Soft winding machine	SSM	2	15.9
Others			7.5
Total Imported Machineries			33.8*
Indigenous Machineries			
Auto cone winder	Rewinding machine V J Lakshmi	3	12.0
Total indigenous machineries			15.2**
Grand Total			49.0

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

* After considering discount on imported machinery and including import duty, transportation cost, cost of erection and other expenses

** Including transportation cost, cost of erection and other expenses

Weaving Machinery

(Rs. in Million)

Particulars	Name of Supplier	No. of Units	Amount
Imported Machineries			
Rapier weaving machine	Sulzer	40	138.4
Airjet Looms	Sulzer	44	102.9
Direct Warper		1	11.7
Sectional Warper		1	18.6
Sizing Machine		1	48.1
Warp tying machine	Toda	1	1.3
Warp leasing machine	Toda	1	2.3
Total Imported Machineries			211.4*
Indigenous Machineries			
Warping Beams		48	1.5
Remnant Winding Machine		1	1.0
Others			2.0
Total indigenous machineries			5.7**
Grand Total			217.1

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

* After considering discount on imported machinery and including import duty, transportation cost, cost of erection and other expenses

** Including transportation cost, cost of erection and other expenses

Fabric Processing Machinery
(Rs. in Million)

Particulars	Name of Supplier	No. of Units	Amount
Imported Machineries			
Pretreatment Machine	Benninger	1	132.7
Mercerising Machine	Benninger	1	118.0
Pad Dry/ Pad Batch	Benninger	1	125.3
Washer	Benninger	2	206.4
Others			57.7
Total Imported Machineries			446.2*
Rotary Printing Machine		1	11.2
Stenter		2	18.0
Sanforising Machine		2	13.0
Others			12.7
Total Indigenous Machineries			63.1**
Grand Total			509.3

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

* After considering discount on imported machinery and including import duty, transportation cost, cost of erection and other expenses

** Including transportation cost, cost of erection and other expenses

Garmenting
(Rs. in Million)

Particulars	Name of Supplier	No. of Units	Amount
Imported Machineries Cutting			
Automatic cutting machine	Richpeace & Takatori		11.0
Automatic spreading machine	Eastman		2.9
Others			2.6
Total machines in the cutting section			16.5
Shirt manufacture			
Single needle lockstitch machine	Juki	448	7.4
Double needle lockstitch machinery with split bar comp set	Juki	135	10.9
Computerized button holing machine	Juki	64	8.3
Lockstitch button stitch machine	Juki	53	9.5
Others			39.1
Total machines in shirt manufacturing section			75.2
Trouser manufacture			
Single needle lockstitch machine	Juki	500	8.3
Automatic pocket welting machine	Juki	8	
Automatic serging machine	Juki	12	
Electronic eyelet button hole machine	Juki	10	
Others			29.9
Total machines in trouser manufacturing section			59.8
Finishing section			
Vacuum table	Naomoto	114	3.2
Steam iron	Naomoto	97	1.4

Particulars	Name of Supplier	No. of Units	Amount
Total machines in finishing section			4.6
Garment washing section			
Garment washer			28.9
Garment dyeing machine			4.8
Others			10.7
Total machines in garment washing section			44.4
Total Imported Machineries			149.28**
Indigenous Machineries			Nil
Grand Total			149.28

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

* After considering discount on imported machinery and including import duty, transportation cost, cost of erection and other expenses

Miscellaneous Fixed Assets

Other common machines to be installed in the plant includes humidification plant, material handling equipments, lab equipments, air duct, chilling plant, electrical installation, diesel generator, boiler, caustic recovery plant, piping and insulation etc. at a total cost of Rs. 202.1 Million. The following are the break up of miscellaneous fixed assets to be purchased:

(Rs. in Million)

Particulars	Name of Supplier	No. of Units	Amount
Imported Machineries			
Humidification plant	Luwa	507,500	12.2
Material Handling			
Overhead traveling cleaner			4.9
Others			2.2
Total machines			19.3
Laboratory equipments			
Apollo light and weather fastness	James Heal	1	4.0
Autolab	Datacolor	1	3.2
Universal strength tester	James Heal	1	2.8
Others			8.7
Total machines in laboratory equipment			18.7
Total Imported Machineries			33.6*
Indigenous Machineries			
Electrical installation			49.8
Diesel generator (1500 KVa)		2	18.0
Boiler, chimney and accessories			10.0
Steam and condensate piping insulation			10.0
Effluent treatment plant			10.0
Caustic recovery plant			15.0
Others			89.0
Total indigenous machineries			181.9**
Grand Total			215.48

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

* After considering discount on imported machinery and including import duty, transportation cost, cost of erection and other expenses

** Including transportation cost, cost of erection and other expenses

Pre-operative and Preliminary Expenses:

Pre-operative and Preliminary expenses mainly consists of start up and trial run expenses, establishment and project management expenses, engineering and consulting fees, upfront fees / placement expenses, interest during construction period etc. The total amount of Pre-operative and Preliminary expenses is estimated at Rs. 68.1 Million.

Contingencies:

The contingency has been provided on non-firm items of cost, which includes 3% on imported good, 2% on indigenous goods, 5% for currency fluctuation and 5% on Pre-operative and Preliminary expenses. The total amount of contingencies is estimated at Rs. 73.4 Million.

Working Capital:

Working capital margin of Rs. 224.1 Million has been provided for the project based on the requirement for the first year of the operation of the project. The working capital requirement has been worked out on the basis of holding norms of 1 month of raw material stock, one month of trims of garments, one month of dyes & chemicals, 2 months for consumable stores & spares, 30 days of packing material & transport, one month of work in progress and one month of debtors. The total current assets have been estimated at Rs. 896.2 Million. The working capital margin of Rs. 224.1 Million has been provided on the basis of 25% of the current assets of Rs. 896.2 Million. The project wise working capital margin for first year of operation has been worked out as under:

Rs. Million

Particulars	Period in Months	Margin Money
Raw Material – Yarn	1	5.3
Raw Material – Fabric	1	25.1
Trims for Garments	1	4.3
Dyes & Chemicals	1	4.0
Consumables & Stores	2	0.7
Packing Material & Transport	1	2.6
Finished Goods	1	50.4
Work In Progress	1	48.2
Debtors	1	83.4
Total		224.1

Schedule of Implementation:

Expansion Project at Bangalore and Tarapur

Details of schedule of implementation are as follows:

Activity	Start Date	Completion Date	Status
Possession of land at Tarapur	May-06	Aug-06	Completed
Possession of land at Bangalore	Apr-06	Jan-07	In progress
Civil works			
Garment and Weaving	Jan-07	Mar-07	In progress
Processing	Feb-07	Jul-07	Pending
Placement of orders for imported machineries	Jan-07	Mar-07	In progress
Placement of orders for indigenous machineries	Jan-07	Feb-07	Pending

Activity	Start Date	Completion Date	Status
Utilities and electrical related works			
Garment and Weaving	Mar-07	Apr-07	Pending
Processing	Mar-07	Aug-07	Pending
Erection of machineries			
Garment and Weaving	Apr-07	May-07	Pending
Processing	Apr-07	Sep-07	Pending
Trial run			
Garment and Weaving	May-07	May-07	Pending
Processing	Sep-07	Sep-07	Pending
Partial Commercial production			
Garment and Weaving	May-07	May-07	Pending
Processing	Oct. 2007	Oct-07	Pending
Full Commercial production			
Garment and Weaving	Jun-07	-	Pending
Processing	Oct-07	-	Pending

Availability of Utilities for the projects

The utility requirement like power, water and manpower for the Expansion Project is as follows:

Division	Power	Water	Manpower (In numbers)
Yarn Dyeing	330 kw	140 cubic meters per day	112
Weaving	1,581 kw	189 cubic meters per day	168
Fabric Processing	2,152 kw	1,440 cubic meters per day	198
Garmenting	915 kw	747 cubic meters per day	4,751

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

Availability of Utilities for the Expansion Project

Power

Power requirement for the operations of the Expansion Project is estimated at 4,977 KW. We shall source the power requirement from State Electricity Board. For taking care of any power failure and uninterrupted supply of power in the process house we propose to install two diesel generators of 1500 KVA each.

Water

Water requirement for the Expansion Project shall be met by MIDC in Tarapur and KIADB in Bangalore.

Manpower

Bangalore being the hub of garment manufacturing, technical, skilled and unskilled manpower is available in abundance. We propose to meet our entire manpower requirement locally and will make necessary in-house arrangement for training.

Effluent treatment

Effluents generated from the proposed processing and dyeing unit shall be discharged into the Effluent Treatment Plant to be setup by the company in Tarapur and the residual shall be discharged in common effluent treatment plant in MIDC.

Government Approvals/Licensing Arrangements for the Expansion Projects

We need to obtain several licenses/approvals/permissions under various statutes from several authorities prior to setting of the Expansion Projects. For details of licenses/approvals/permissions obtained/applied for the projects kindly refer to the section titled "Statutory Licences / Approvals" on page 143 of the Prospectus.

Status of Clearances for the Expansion Projects

Clearances to be obtained for commencement of operations at Bangalore and Tarapur.

The Company requires, inter alia, the following statutory licenses and approvals for the commencement of operations of its Expansion Project at Bangalore and Tarapur. Apart from the below stated the Company shall apply for and obtain any and all statutory licenses and approvals from the relevant authorities as and when required.

Sl.	Issuing Authority	Nature of registration / License	Status
1	Applicable Pollution Control Boards	Consent issued by the Pollution Control Board, required to establish and operate	Application made to the Maharashtra State Pollution Control Board on October 10, 2006. Application to be made before the Karnataka State Pollution Control Board
2.	Inspector of Factories of the applicable state	Factory registration license	Application shall be made as and when required
3.	Applicable Electricity departments	Consent to install and establish electrical connections/ transformers/ captive power plants at the premises	Application shall be made as and when required
4.	Applicable Municipal Authorities	Consent for supply of water to the premises	Application shall be made as and when required
5.	Applicable Municipal Authorities	Fire control related licenses/approvals	Application shall be made as and when required
6.	Regional Provident Fund Commissioner	Provident Fund registration	Application shall be made as and when required
7	Employees State Insurance Corporation	Employees State Insurance Corporation registration	Application shall be made as and when required
8.	Jurisdictional commercial tax officer	State and Central taxation registrations	Application shall be made as and when required
9.	Jurisdictional professional tax officer	Professional tax registrations	Application shall be made as and when required

Expenses of this Issue*

The expenses for this Issue includes underwriting and management fees, selling commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated at Rs. [●] Millions being, which will be borne by the Company.

Sr. No.	Particulars	Amount Rs. Million
1	Book Running Lead Manager's fees	[●]
2	Registrar to the Issue	[●]
3	Bankers to the issue	[●]
4	Advisors to the Issue	[●]
5	Offer Stationery	[●]
6	Advertising Expenses	[●]

Sr. No.	Particulars	Amount Rs. Million
7	Brokerage and selling Commission	[●]
8	Legal Fees	[●]
9	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	[●]
10	Contingencies	[●]
	Total	[●]

*Shall be filled up at the Prospectus stage.

Funds Deployed

The Company has incurred the following expenditure towards the Objects of the Issue. We have obtained certificate from V.K. Beswal & Co, Chartered Accountants, dated January 16, 2007 giving details of expenses already incurred for the objects of issue till January 15, 2007.

So far the company has spent a total of Rs.49.23 million the breakup of which is provided below:

Project at Bangalore and Tarapur:

Date of payment	Amount (Rs.)	Name of Party	Purpose
May 23 2006	13,056,000	Arodyne Chemicals Ltd.	Plot no- D-25, MIDC at Tarapur purchase
May 23rd 2006	822,540	Government of India	Stamp duty on Plot no- D-25, MIDC at Tarapur
June 16 2006	633,903	MIDC	Previous dues pending for Plot no- D-25, MIDC at Tarapur purchase
July 11 2006	16,160,010	MIDC	Plot no- N-12, MIDC at Tarapur purchase
July 11 2006	70,000	Government of India	Stamping for Bank Loan taken for Plot no- N-12, MIDC at Tarapur
July 25 2006	484,820	Government of India	Stamp duty paid for Plot no- N-12, MIDC at Tarapur
August 5 2006	231,813	CEO-MIDC	Previous dues pending for Plot no- N-12, MIDC at Tarapur purchase
April 8 2006	1,800,000	KIADB	Advance payment for Purchase of 2.12 acre land in Bangalore
April 11 2006	600,000	KIADB	Advance payment for Purchase of 2.12 acre land in Bangalore
August 12 2006	992,000	KIADB	Advance payment for Purchase of 2.12 acre land in Bangalore
November 2 2006	301,050	MIDC	Paid to MIDC for Transfer Fees of Land at Ttarapur for Plo0t No. N-12
November 29 2006	13,568,000	KIADB	Balance payment for Purchase of 2.12 acre land in Bangalore
December 9, 2006	21,450	KIADB	Land Transfer Charges paid to KIADB
December 9, 2006	50,000	Nagendra Singh	For Construction of Boundry Wall at Tarapur
January 4, 2007	10,000	Nagendra Singh	For Construction of Boundry Wall at Tarapur at N12
January 12, 2007	100,000	Jay Shree Shivaji	For Soiling and filling of Plot at Tarapur at N12
January 15, 2007	100,000	Jay Shree Shivaji	For Soiling and filling of Plot at Tarapur at N12
January 15, 2007	118,220	Vinayak Shri Marbles	For Marbles, Granites at Plot No. N-12 At Tarapur
January 15, 2007	106,895	Vinayak Shri Marbles	For Marbles, Granites at Plot No. N-12 At Tarapur

Sources of funds deployed: Company has utilised internal accruals for the expenditure it incurred on land and machinery as stated above.

Source of Funds	Amount (Rs.)
Internal Accruals	38426701
Bank Loan	10800000
Total	49226701

Year wise breakup of funds to be deployed

The Company proposes to utilize the entire Issue proceeds in FY 2008

Means of Finance

The Projects are proposed to be funded from Public Issue of Equity Shares and Term Loans from banks. The proposed means of the finance for the Projects are as under:

Particulars	Rs. In Million
Equity	
Public Issue	[●]
Debt	
Rupee Term Loan from FI/Banks under TUFS*	1008.40
Internal Accruals	[●]
Total Project Cost	[●]

* For details about TUFS please see the chapter titles "Regulations and Policies" on page 74 of this Red herring Prospectus.

Interim Use of Funds

Pending utilization of funds as stated above, we would deposit the funds in "Fixed deposit - Escrow Account" with Scheduled Commercial Bank/s.

ISSUE STRUCTURE

The present Issue of **9,580,000*** Equity Shares of Rs. 10/- each at a price of Rs. [●] for cash, aggregating Rs. [●] million is being made through the Book Building Process. The present Issue of **9,580,000** Equity Shares comprises of Net Issue to the public of a minimum of **9,101,000** Equity Shares aggregating Rs [●] million and a reservation for Eligible Employees of up to **479,000** Equity Shares aggregating Rs. [●] million each

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees
Number of EquityShares**	Up to 4,550,500 Equity Shares.	Minimum of 1,365,150 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 3,185,350 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 479,000 Equity Shares
Percentage of Net Issuesize available for Allocation	Up to 50% of the Net Issue or the Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. However, up to 5% of the QIBPortion shall be available for allocation proportionately to Mutual Funds only.	Minimum of 15% of the Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 35% of the NetIssue or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 5% of size of the Issue
Basis of Allocation if Respective Category is Oversubscribed (subject to sectoral cap and specified investment limits)	Proportionate as follows:(a) 227,525 Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) 4,322,975 Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate.	Proportionate.	Proportionate.
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 70 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 70 Equity Shares.	70 Equity Shares and in multiples of 70 Equity Shares	70 Equity Shares and in multiples of 70 Equity Share thereafter
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply***	Public Financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, Mutual Funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State	Resident Indian individuals, NRIs, HUF (in the name of Karta), companies, bodies corporate, scientific institutions societies and trusts.	Individuals, including NRIs and HUF (in the name of Karta), such that the Bid Amount does not exceed Rs. 100,000.	Existing Eligible Employees as on September 30, 2006

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees
	Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law			
Terms of Payment	Margin Amount applicable to QIB Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non -Institutional Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	At least 10% of the Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

- * We have allotted 986,665 Equity Shares issued to SIDBI Venture Capital Limited on January 16, 2007 and 933,335 Equity Shares issued to State Bank of India on January 16, 2007 pursuant to Pre-IPO placement. For further details, please see the section entitled "History and Corporate Structure" on page 85 of this Red Herring Prospectus.
- ** Subject to valid Bids being received at or above the Issue Price. Undersubscription, if any, in any portion, would be allowed to be met with spillover from any other portions at the discretion of the Company, in consultation with BRLM. However, if the aggregate demand by Mutual Funds is less than 227,525 Equity Shares (assuming QIB Portion is 50% of the Net Issue size, i.e. 4,550,500 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM.
- *** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form

BASIS FOR ISSUE PRICE

BASIC TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Act, the Memorandum and Articles of the Company, the terms of this Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, CAN and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, GoI, Stock Exchanges, RBI, ROC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

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 Process.

Investors should read the following summary with the Risk Factors included from page number xv to xxvi and the details about the Company and its financial statements included in this 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

Integrated production facilities

We are an integrated textile company having competencies in weaving; processing and garmenting. Integrated facility helps us in reducing lead time and providing better control over costs.

Designing capabilities

Designing is a critical element of both fabrics and garments. We have two dedicated and well equipped design studios in Mumbai. Designs are prepared by qualified, skilled and experienced employees. The studios are equipped with latest design software including CAD/CAM that increases the productivity and the quality of designs. We have an extensive database of more than 12000 designs for fabrics and introduce more than 3000 new designs every season. The design team comes out with new designs and ideas based on the current trends in the international and domestic markets.

Low turnaround time

The company has all the facilities such as design studios, sampling units, weaving units, processing units and garmenting units, in-house. This helps the company in compressing the time required by the company in delivering the final product after receiving the order.

Experience of Promoters

The promoters of the Company are qualified, well versed, have wide experience in this area of business and have a long term vision and passion for the business.

Sampling capabilities

We have all the facilities like desk looms, sample dyeing, sample printing, washing and processing facilities to produce fabric samples per designs developed by our design studio. Our dedicated in-house facilities enable us to compress the required time substantially. We believe our above-mentioned capabilities give us an advantage over other fabric and garment manufacturers.

Quantitative Factors

All figures are taken from our restated financial for the standalone entity. We merged our group companies in FY 06; hence the figures for FY 05-06 are not comparable to the figures of earlier years

1. Earning Per Share (EPS)

Year	EPS (Rs.)	Weight
March 31, 2004	3.01	1
March 31, 2005	7.45	2
March 31, 2006	9.04	3
Weighted Average	7.50	

Note: EPS represents basic earnings per share calculated as per Accounting Standard 20 issued by Institute of Chartered Accountants of India.

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

Based on the yearly results of FY 06 weighted EPS is Rs. 9.04 on Equity Share of face value of Rs. 10 each

3. Return on Net Worth (RONW)

Year	RONW %	Weight
March 31, 2004	20.31	1
March 31, 2005	22.31	2
March 31, 2006	24.31	3
Weighted Average	22.97	

Note:

- Return on Net Worth is arrived at by dividing Profit after tax (PAT) by total shareholders' funds (Net Worth) at the end of the year.

4. Minimum Return on Increased Net Worth to maintain pre-issue EPS - [●]

5. Net Asset Value (NAV) per share

a. Net Asset Value per share (NAV)

	Rs.
NAV per share as on September 30, 2006	20.36
NAV per share as on March 31, 2006	16.19
NAV per share as on March 31, 2005	13.37
NAV per share as on March 31, 2004	14.83
Issue Price	[●]
NAV after the Issue	[●]

Note: Net Asset Value Per Share = Equity Share Capital *plus* Reserves

Surplus *less* Miscellaneous Expenditure to the extent not written off /No. of Equity Shares

b. Issue Price [●]

c. NAV after the Issue [●]

6. Comparison with Peer Group

	EPS	P/E	RONW	NAV
Mudra Lifestyle Limited*	9.04	[●]	24.31%	16.19
Bombay Rayon Fashion Limited**	5.8	40.8	18.3%	31.1
Celebrity Fashions Limited**	N.A	N.A	10.1%	90.5

*Data as of March 31st, 2006

**Source: **Source: Capital Markets Vol. XXI/23 dated January 15, 2007 – January 28, 2007. Price per share has been taken as the closing price on January 8, 2007. EPS Figures are *TTM figures*. NAV figures are for full year.

- The face value of Equity Shares of Mudra Lifestyle Limited is Rs. 10 and the issue price is [●] time of the face value.

The Issue Price of Rs. [●] will be 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 on the basis of the above factors.

STATEMENT OF TAX BENEFITS

To,
The Board of Directors,
Mudra Lifestyle Limited,
149, Shiv Shakti Industrial Estate,
Andheri Kurla Road, Andheri East,
Mumbai 400 059

As per the existing provisions of the Income Tax Act ,1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to Mudra Lifestyle Limited ("the Company") and its shareholders. We further state that several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions, which is based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. Their statement is only intended to provide general information to the investors and is neither designated nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue. The auditors do not express any opinion or provide any assurance as to whether:

- i. The Company or its share holders will continue to obtain these benefits in future; or
- ii. The condition prescribed for availing the benefits have been/ would be met with

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

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will interalia be available to M/s Mudra Lifestyle Limited and its Shareholders.

ANNEXURE TO THE STATEMENT OF TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS.

A. BENEFITS TO THE COMPANY UNDER THE INCOME-TAX ACT, 1961

1. Subject to Compliance of certain conditions laid down in section 32 of the Income Tax Act, 1961 the Company will be entitled to a deduction for depreciation: -
In respect of machinery or plant (other than ships & aircrafts) which has been acquired and installed after 31st March, 2005 by the Company for the purpose of its business of manufacture or production, a further sum equal to 20% of the actual cost of such machinery or plant will be allowed as deduction.
2. The Company is eligible to a deduction under section 35D of the Act, equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and the conditions specified under the said section.
3. The Company is eligible for deduction under section 35DD of the Act, equal to one-fifth of expenditure incurred wholly and exclusively for the purposes of amalgamation and demerger of an undertaking.
4. The Company is eligible under section 72A of the Act to set off of the accumulated loss and unabsorbed depreciation allowance in the scheme of amalgamation or demerger, subject to certain conditions provided and specified under the said section.
5. The Company subject to fulfillment of certain conditions is eligible for deduction under section 80IB of the Act to the extent of the Profit & Gains from manufacturing units set up in specified areas at such amount equal to such percentage and such number of assessment years as specified in the said section.
6. The Company is eligible to carry forward the credit of taxes paid by it under the provisions of section 115JB of the Act to the extent of difference of the tax calculated and paid under the said section and the amount of tax payable by the assessee on its total income computed in accordance with the other provision of this Act.

B. TO THE MEMBERS OF THE COMPANY

Under the Income-tax Act, 1961

Resident Members

- Under section 10(34) of the Act income earned by way of dividend from domestic company referred to in section 115O of the Act is exempt from income-tax in the hands of the shareholders.
- Any income arising from the transfer of a long term capital asset (i.e. capital asset held for the period of 12 months or more) being an Equity Share in a company or a unit of an equity oriented fund is exempt u/s 10(38), where the transaction of sale of such equity share or unit is entered through recognized Stock Exchange on or after 1-10-2004 and such transaction is chargeable to Securities Transaction Tax.
- In accordance with section 10(23D) of the Act, all mutual funds set up by public sector banks or public financial institutions or mutual funds registered under the Securities and Exchange Board of India (SEBI) or authorized by the Reserve bank of India subject to the conditions specified therein are eligible for exemption from Income-tax on their entire income, including income from investment in the shares of the company.
- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gain [in case not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by -
 - a. National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - b. Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(38) of the Act] arising on the transfer of shares of the Company, will be exempt from capital gains tax if capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue within a period of 6 months after the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.
- Under section 54F of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to other conditions, if the net sales consideration from such shares are used for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- Under section 111A of the Act, capital gains arising to a shareholder from transfer of short term capital asset, being an equity share in the company or unit of an equity oriented Mutual fund, entered into in a recognized Stock Exchange in India and such transaction is chargeable to Securities Transaction Tax, will be subject to tax at the rate of 10% [plus applicable surcharge and educational cess on income-tax].
- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains [not covered under section 10(38) of the Act] arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation as provided in the second proviso to section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders.

Non Resident Indians / Members other than FIIs and Foreign Venture Capital Investors:

- By virtue of section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in section 115O of the Act, is exempt from tax in the hands of the recipients.

Tax on income from investment and Long Term Capital Gains:

- ☐ A non-resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the Act viz. "Special Provisions Relating to certain incomes of Non-Residents".
- ☐ Under section 115E of the Act, where shares in the company are subscribed for inconvertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall [in cases not covered under section 10(38) of the Act] be concessional tax at a flat rate of 10% (plus applicable surcharge and educational cess on income-tax) without indexation benefit but with protection against foreign exchange fluctuation under the first proviso to section 48 of the Act.
- Capital gain on transfer of Foreign Exchange Assets, not to be charged in certain cases
 - ☐ Under provisions of section 115F of the Act, long term capital gains [not covered under section 10(38) of the Act] arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.
- Return of income not to be filed in certain cases
 - ☐ Under provisions of section 115-G of the Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

Other Provisions

- Under section 115-I of the Act, a non resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this Chapter shall not apply to him, instead the other provisions of the Act shall apply.
 - ❑ Under the first proviso to section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.
 - ❑ Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gain [in case not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by -
 - a. National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - b. Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- ❑ Under section 54ED of the Act and subject to the conditions and to the extent specified there in, long term capital gains [not covered under section 10(38) of the Act] arising on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.
- ❑ Under section 54F of the Act and subject to the conditions and to the extent specified there in, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- ❑ Under section 111A of the Act, capital gains arising to a shareholder from transfer of short terms capital asset, being an equity share in the company or unit of an equity oriented Mutual fund, entered into in a recognized Stock Exchange in India and such transaction is chargeable to Securities Transaction Tax will be subject to tax at the rate of 10% [plus applicable surcharge and educational cess on income-tax].

Foreign Institutional Investors (FIIs)

- By virtue of section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in section 115O of the Act, are exempt from tax in the hands of the institutional investor.
- The income realized by FIIs on sale of shares in the company by way of short term capital gains referred to in section 111A of the Act would be taxed at the rate of 10% (plus applicable surcharge and educational cess on income-tax) as per section 115AD of the Act.
- The income by way of short term capital gains (not referred to in section 111A) or long term capital gains [not covered under section 10(38) of the Act] realized by FIIs on sale of shares in the company would be taxed at

the following rates as per section 115AD of the Act.

- ☐ Short term capital gains - 30% (plus applicable surcharge and education cess on income-tax)
- ☐ Long term capital gains - 10% (without cost indexation plus applicable surcharge and education cess on income-tax)

(shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).

- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gain [in case not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by -
 - a. National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - b. Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;
- Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(38) of the Act] on the transfer of shares of the company, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian company forming part of an eligible public issue, within a period of 6 months after the date of such transfer for one year.

Venture Capital Companies / Funds

- In terms of section 10(23FB) of the Act and subject to the conditions specified therein, all Venture Capital undertakings referred to in Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette and Venture Capital Companies, are eligible for exemption from income tax on all their income, including income from dividend.
- (i) *Under the Wealth-tax Act, 1957*
 - Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth-tax Act, hence Wealth-tax Act will not be applicable.

Notes:

- We hereby give our consent to include our above referred opinion regarding the tax benefits available to the Company and to its shareholders in the Prospectus which the Company intends to submit to the Securities and Exchange Board of India, Mumbai.
- Our views expressed herein are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

IN VIEW OF THE INDIVIDUAL NATURE OF TAX CONSEQUENCE, EACH INVESTOR IS ADVISED TO CONSULT HIS / HER OWN TAX ADVISER WITH RESPECT TO SPECIFIC TAX CONSEQUENCES OF HIS / HER PARTICIPATION IN THE SCHEME.

**For V.K.BESWAL & ASSOCIATES
CHARTERED ACCOUNTANTS**

Sd/-

**R.P.LADDHA
(PARTNER)
Membership No: 48195**

Place: Mumbai

Date: September 20, 2006

INDUSTRY OVERVIEW

Note: Unless specifically mentioned, all the figures in this section are taken from the ministry of textiles, Annual Report FY 06.

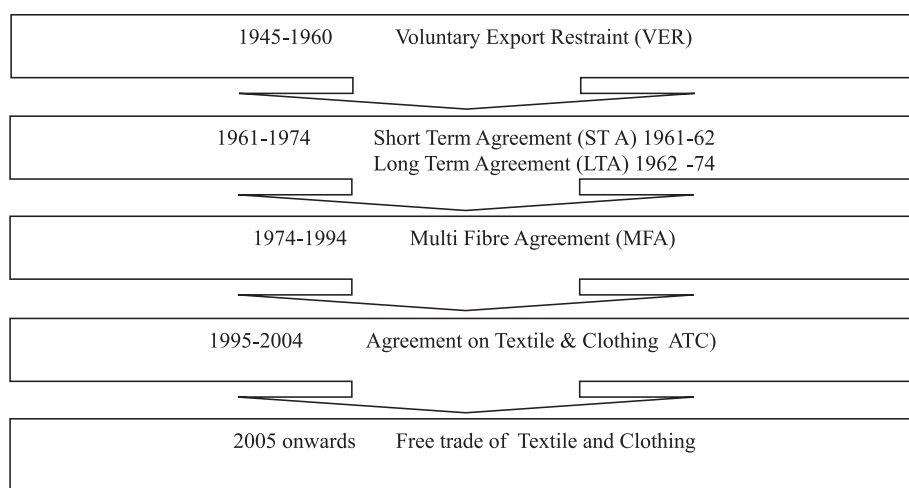
The textiles and garments industry is one of the largest and most prominent sectors of Indian economy, in terms of output, foreign exchange earnings and employment generation. The textile Industry is crucial to the Indian economy in terms of contribution to GDP and employment. It contributes about 4% to the GDP, accounts for over 14% of total industrial production, generates 8% of the Central excise revenue and contributes around 35% of gross export earnings in trade and 16% of gross export earnings. The sector is the 2nd largest employment provider after the agriculture sector, employing over 35 mn people directly.

Indian textile industry is multi-fiber based, using cotton, jute, wool, silk and man made and synthetic fibers. In the spinning segment, India has an installed capacity of around 40 million spindles (23% of world) and 0.5 million rotors (6% of world). In the weaving segment, India is equipped with 1.80 million shuttle looms (45% of world), 0.02 million shuttle less looms (3% of world) and 3.90 million handlooms (85% of world).

The organised mill (spinning) sector recorded a significant growth during the last decade, with the number of spinning mills increasing from 873 to 1,564 by end March 2004. The organised sector accounts for production of almost all of spun yarn, but only around 4 percent of total fabric production. In other words, there are little over 200 composite mills in India leaving the production of fabric and processing to the decentralised small weaving and processing firms. The Indian apparel sector is estimated to have over 25,000 domestic manufacturers, 48,000 fabricators and around 4,000 manufacturer-exporters. Cotton apparel accounts for the majority of Indian apparel exports.

Transition Phase of World Textile Trade

The various transitional phases through which the global textile trade has passed through can be broadly categorized into following periods:



Effect of relaxation of quota restrictions

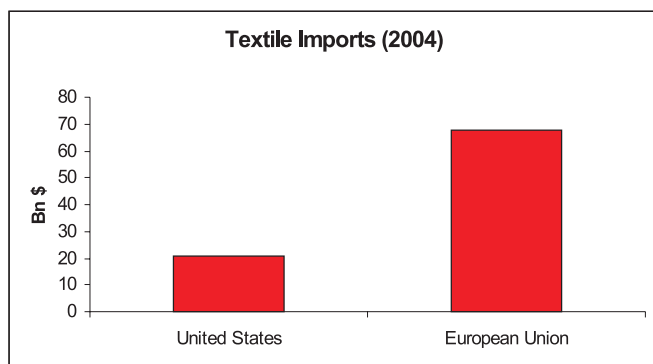
The Agreement on Textile and Clothing (ATC) which was in effect up to January 01, 2005 has imposed quota restrictions on sourcing of textile and apparels from different countries. Each country had a quota beyond which it could not export. With the end of the agreement a window of opportunity has opened up in the \$453 Bn # textile and clothing industry. Since the end of the agreement, countries like India and China have seen an increase in market share in exports to United States of America, Canada and European Union. Post ATC exports from India and China into US have increased

figures for CY 2004 as per International Trade Statistics, 2005, WTO

27% and 52% respectively (Jan – Apr 2005 as compared to Jan – Apr 2004)*. The threat from China in an open market is very high as shown by the substantial increase of its market share in world export market.

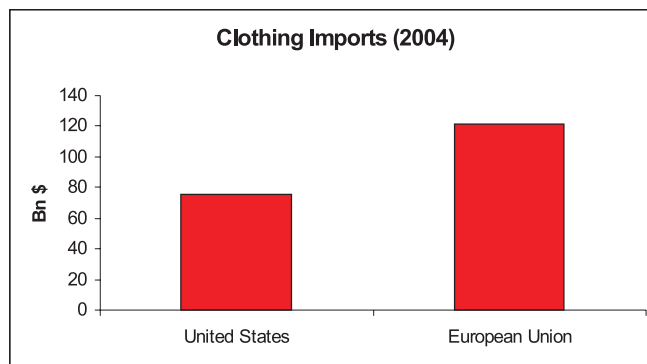
* Trend Analysis Of India & China's Textiles & Apparel Exports To USA Post MFA, July 2005, FICCI

Effect of the abolition of quotas on US Textile trade

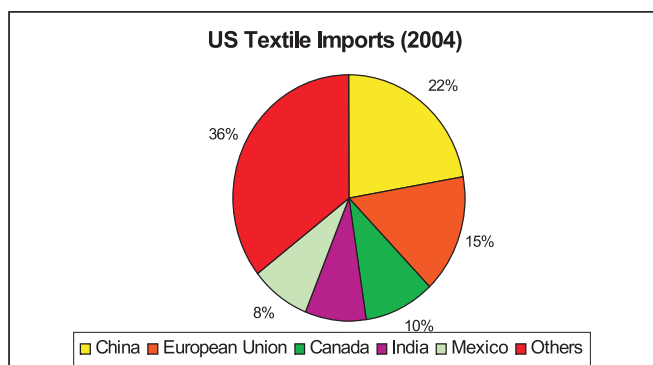


Graph 1: Textile Imports by USA and EU in 2004

Source: WTO

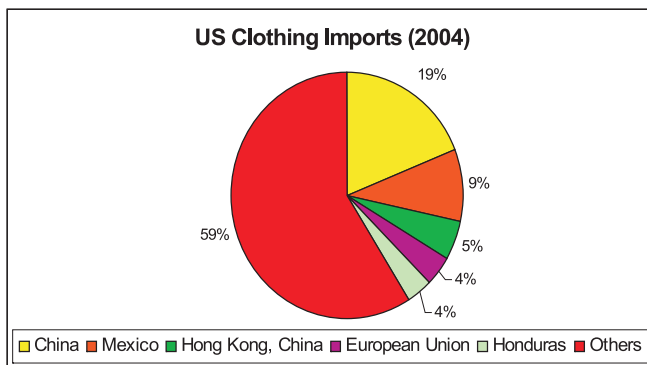


Graph 2: Clothing Imports by USA and EU in 2004



Graph 3: Textile Imports by USA in 2004

Source: WTO



Graph 4: Clothing Imports by USA in 2004

Industry Profile

The Indian industry is amongst the very few in the world that is truly vertically integrated from raw material to finished products. It contains within itself, fibre-production, spinning, knitting and weaving, as well as apparel manufacturing.

Indian industry has consistently remained flexible in terms of production quantity and lead time. While typical production runs are governed by fabric colour minimums, India presents the possibility of producing quantities as low as to a few hundred pieces. This capability is especially critical in an unpredictable market where retailers and brands are looking to source ever-smaller quantities of product, increasingly closer to the season. The policy environment that was unfavorable to large-scale manufacturing in the past has also created an unintended strength - a base of design, product development and merchandising capability.

A major gap in Indian industry is its fragmented industry structure with a dominance of small scale industries. Small scale also brings with it the problem of productivity. Smaller companies often do not have the resources to invest in appropriate technology or retraining, or in the re-engineering of processes. While skilled Indian labour is inexpensive in absolute terms, due to lower productivity levels, much of this advantage is lost by small firms.

The fragmentation of supply base also creates barriers in achieving true integration between the various links in the supply chain. This creates issues of lack of control and lack of consistent or reliable performance. The huge geographical spread further complicates this issue. There are certain macro-level disadvantages that India faces as a country. For one, it has a global logistics disadvantage due to its geographic location. Unlike its competitors Mexico (for the US), Turkey (for the EU), and China (for Japan and the US West Coast), India is distant from all the major markets. Therefore, the cost of shipping is high and shipping time adds to the disadvantage. Cost of shipping is also affected by the fact that inbound freight traffic has been low - therefore, container movement is not at its most cost-efficient. This is changing as India imports more products and inbounds freight traffic increases.

The Textile/Garmenting value chain

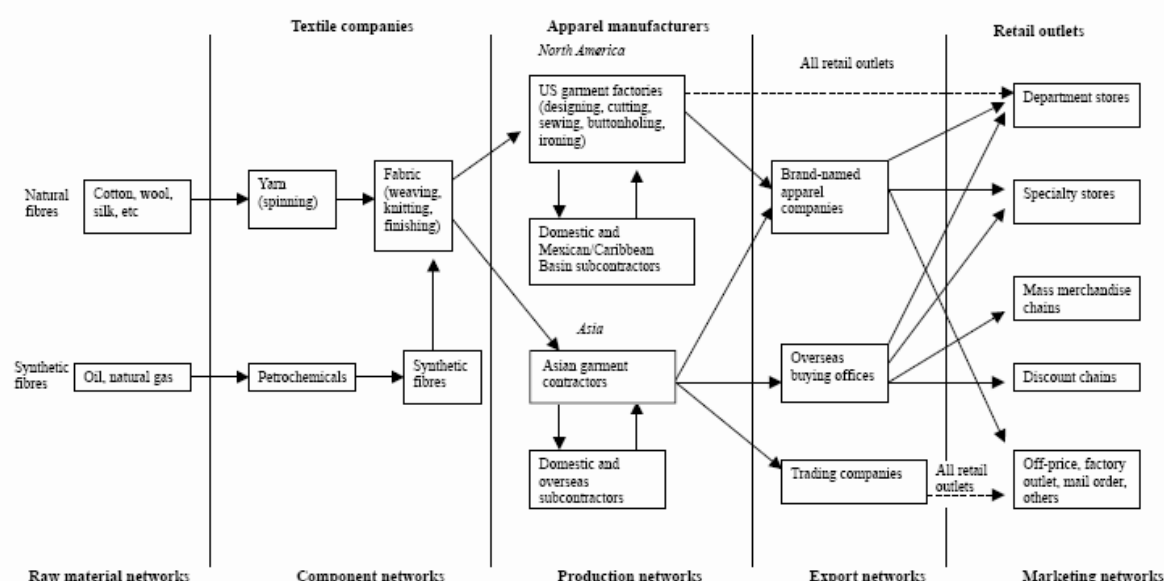


Figure 1: Textile / Garmenting Value Chain

India has presence across the value chain which makes it preferred supplier for global retailers, though lack of modernization and fragmented industry structure is still a worry.

Manufacturing Capacity

The organized sector of Indian textile industry is the largest organised industry in terms of number of people employed.

As on 31 March 2006 there were 1779 non SSI mills with an installed capacity of 34.10 Million spindles and 39, 5000 rotors. During the past five years although the production of cotton yarn has fluctuated, non cotton and 100% blended have shown consistent growth. The capacity utilization for the period 99-00 to 04-05 was between 80% and 87%.

Weaving capacity has been decreasing over the years. According to Ministry of Textiles, this is attributable to the structural transformation of the industry leading to the delinking of weaving and spinning and decentralization of the power looms.

The production of cloth in the mill has also seen a decline over the years but the overall production of cloth has seen an annual growth of 3.5% over the past five years.

Year	Installed Spindles No (In Million)	Percentage Utilisation	Installed Looms Nos (In Thousands)	Percentage Utilisation
1999-00	37.08	83	123	51
2000-01	37.91	85	123	47
2001-02	38.32	82	123	42
2002-03	39.03	80	119	41
2003-04	37.03	83	88	53
2004-05 (P)	37.46	87	86	58

Table 1: Capacity utilization in the mill sector (Cotton Man-Made Fibre Textile Mills)

Note: 1) Installed spindles include SSI units.

2) Percentage utilisation regarding spindles include rotors also.

3) Installed rotors include SSI units.

P - Provisional

Export performance of Indian Textile industry

The export basket of Indian textiles include cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups and a variety of garments. Indian textile exports stood at US\$13 billion 2004-05 and at US\$16 billion in 2005-06. Exports have grown by about 25% in FY 06 and Indian brands are finding acceptance in the US and Europe. During April- November 2005, exports grew by 8.2% over the corresponding period of the previous year.

Value US \$ in Million / Rs. in Crores

S. No	Sector	Target 2005-2006	Apr-Nov 2004		Apr Nov 2005 (Provisional) over 2004		% Increase / Decrease of 2005		% target achieved
	US \$	Rs.	US \$	Rs.	US \$	Rs.	US \$	US \$	
1	Readymade Garment	6450	16014.7	3519	18437.5	4185.2	15.1	18.9	64.9
2	Cotton Textiles	4200	10116.5	2223	10181.8	2311.2	0.6	4	55
3	Man-made textiles	2200	5956.3	1308.8	5026.2	1140.9	-15.6	-12.8	51.9
4	Wool & Woolen	400	1343.1	295.1	1277	289.9	-4.9	-1.8	72.5
5	Silk	625	1686.8	370.7	1752.5	397.8	3.9	7.3	63.6
	Total (excluding handicraft, carpets, jute & coir)	13875	35117.3	7716.5	36675	8325	4.4	7.9	60
6	Handicrafts (a+b)	1355	2948.8	647.9	3187.1	723.5	8.1	11.7	53.4
	a) Carpets	600	1777.6	390.6	1988.1	451.3	11.8	15.5	75.2
	b) Other Handicrafts	755	1171.2	257.3	1199.1	272.2	2.4	5.8	36.1
7	Coir	85	296.5	65.2	345.4	78.4	16.5	20.3	92.2
8	Jute	250	790.5	173.7	806.1	183	2	5.3	73.2
	TOTAL (including handicraft, carpets, jute & coir)	15565	39153.1	8603.3	41013.6	9309.8	4.8	8.2	59.8

Table 2: Sector wise exports from India

Source Foreign Trade Statistics of India (PC&C), DGCI&S, Kolkata

Cotton-based products largely dominate India's textile exports where it has a competitive edge and cotton is expected to dominate exports in the future also. In FY 05 the cotton textiles is expected to account for about 27.70 percent of the total textile exports. Even in the garments segment, which was expected to account for 39.58 percent of the total exports during FY 05, more than 70% were expected to be cotton based. The trade in garments has grown in the value terms and there has also been a remarkable diversification in the range of products and the direction of exports to different countries. The share of man-made fibre textiles, which was 7.5 percent in FY 99, now expected to account for 14.51 percent in total textiles export. The export of woolen textiles, which accounted for 0.8 percent during FY 99, has been expected to increase to 2.64 percent.

The exports are also moving from commodity yarn and gray fabrics to value added finished fabrics, apparels and made-up textile articles. Presently, major overseas markets for India are USA, EU, UAE etc.

SWOT Analysis of the Indian Textile & Apparel Industry

Strengths

- Abundant raw material availability
- Availability of low-cost skilled labour
- Presence across the value chain
- Growing domestic market

Weaknesses

- Fragmented Industry
- Impediments due to historical regulations
- Low productivity
- Low cost competitiveness with regards to other developing nations
- Technological obsolescence

Opportunities

- Opening up of entire market by the end of Agreement on Textile and Clothing (ATC)
- Research and new product development can help the companies to move across the value chain

Threats

- Increased competition in the domestic markets
- Cheaper imports
- Outdated regulatory framework
- Increased importance of adherence to ecological and social norms

BUSINESS OVERVIEW

BUSINESS OF THE COMPANY

The Mudra Group started in 1986 with the formation of a partnership firm Olive Tex Silk Mills. The Group is in the textile industry having facilities for fabrics & garments manufacturing, processing, design development and sampling etc. We manufacture fabrics and garments for domestic and export market.

Our company, Mudra Lifestyle limited was established as Bombay Fine Fabrics Private Limited on March 31, 1997. We started our operations in 2002. We are engaged in fabric weaving, processing and making garments. We are gradually moving towards garment manufacturing mainly in the designer shirts and lady's wear segments to capitalize on the huge opportunity unleashed by the removal of quotas.

Our product portfolio consists of:

- Finished fabric
- Processing
- Garments
 - Men's Wear
 - Shirts
 - Lady's Wear
 - Tops
 - Skirts
 - Kid's Wear

We believe that we have positioned ourselves as an integrated multi product, multi fiber and multi market player covering the entire textile value chain at length. We ensure that our target market is a diverse mix of the domestic market, garment export trade and international market (exports) to ensure risk diversification and stability of earning. Presently we sell our fabrics in the domestic as well as the international markets. In addition we also use the fabrics for internal consumption and at the same time sell it to other garment exporters. We export our garments and recently started manufacturing garments for well known Indian brands. Our process house caters to our requirements and at the same time do outside jobs.

At present we have 177 automatic looms producing approximately 10.62 million meters of woven fabric per annum and 700 sewing machines with production capacity of 3.15 million garments per annum.

Our manufacturing facilities, having area of around 165,888 square feet, are spread across five locations at Bhiwandi (Kalher and Sonale) in Thane district, Bangalore, Daman and Navi Mumbai. Our manufacturing facilities are fully backed by the facilities for product development, design studio and efficient sampling infrastructure to provide quality services to our customers in India and abroad.

Our Vision

"To be a globally renowned textile and garments player known for the quality products, setting new trends and lifestyles and in the process, creating value for all the stakeholders"

Our Mission

- Upholding highest standards of ethical values at all levels institutionalizing systems approach in all functions of the management;
- Creating a conducive environment for talent to blossom;
- Forging long term relationships with all the stakeholders;

KEY STRENGTHS

Experience of our Promoters

Our Promoters have over 20 years experience in this business. The promoters have varied experiences in this industry and are supported by a team of professionals. The promoters have successfully managed an acquisition, amalgamations and consolidations in the business and were able to bring out the synergy in the business.

Integrated production facilities

Our group was started in the year 1986 with a small loom-shed. The healthy growth in the last 20 years saw us expanding to 177 looms with a forward integration to processing and garment manufacturing. Today we have 12 units engaged in production. We are already an integrated textile company having competencies in weaving, processing and garmenting

Flexibility of production facilities

The looms and stitching units in our plants are capable of handling different types of yarn and fabrics. This gives the company an ability to customize the production according to the latest trends in the industry. The state of the art machines in the manufacturing facilities allow us to manufacture garments with high customization.

Stringent quality check

The Company believes in providing the best possible quality to the customers. There are regular quality checks in place that prevent any defective material from reaching the customer. Quality control measures are in place at every step in the manufacturing process. The Company also has a well equipped quality control laboratory.

Designing capabilities

The company has two dedicated and well equipped design studios in Mumbai and one in Bangalore. Designs are prepared by qualified, skilled and experienced employees. There is also an information system in place that keeps a database of all the designs created for future reference. The studios are equipped with latest design software including CAD/CAM. We have an extensive database of more than 12000 designs for fabrics and introduce more than 3000 new designs every season. The design team comes out with new designs and ideas based on the current trends in the international and domestic markets. The new designs are then sent out to the laboratory for various testing of the garments before the designs are released to the sampling unit for the further marketing and sales purposes. These design studios generate proprietary designs for fabric and garment business and at the same time work on designs supplied by the customer for the garments. The design studio takes feedback from the customers on the samples already sent and modifies the design according to the suggestions. This process is followed till the customer approves the design sample.

Sampling capabilities

Our company has capabilities to produce fabric and garment samples as per designs developed by our design studios in Mumbai and Bangalore. Our design and sampling department is well equipped with facilities like desk looms, sample dyeing, sample printing, washing and processing facilities. We have one fabric sampling unit, one garment sampling unit in Mumbai and one sampling unit in Bangalore. These units provide samples to the customer for selection. The fabric sampling units create fabrics in smaller yardages. These are sent directly to the customer for approval or are sent to the garment sampling unit for garmenting. These finished garment samples are then sent to the customer for approval. Availability of the sampling unit helps the company in providing the customer with a wide variety of choices at the minimal possible cost to the company. The entire process is very lengthy and can take two months. But our dedicated in-house facilities enable us to compress this time substantially. The fabrics manufacturing and garment making process starts only after the samples are approved. Different processes of sampling are involved for products going to different market segments. Our above-mentioned capabilities give us an advantage over other fabric and garment manufacturers.

Low turnaround time

The company has all the facilities such as design studios, sampling units, weaving units, processing units and garmenting units, in-house. This helps the company in compressing the time required to deliver the final product after receiving the order. Since the textile industry is a dynamic industry and the fashion trends keep on changing very quickly, it is essential

for the company to keep turnaround time as low as possible. Processes are constantly being evaluated to further reduce the turnaround time.

Economies of scale

We have our units spread over different locations like Navi Mumbai, Bhiwandi (Sonale and Kalher), Daman and Bangalore. Even though the units are spread over different locations, the raw material procurement and purchase functions are centralized in Bhiwandi. Thus, this allows us the advantages of economies of scale as we get advantages of bulk discounts and negotiate favourable terms of purchase.

BUSINESS STRATEGY

Increased emphasis on Garment business

As on September 30, 2006, garments comprise 23.99 % of our sales. We intend to increase our focus on garmenting both in the domestic and exports markets. We are in the process of increasing our manufacturing capacity for garments as a part of this strategy. Currently, we are supplying garments to leading garment manufacturers in India.

To continue focus on fabric weaving

We started our business with manufacturing of woven fabric and subsequently carried out forward integration by commencing garmenting. Over the last 20 years, we have gained knowledge of the weaving processes and the textile industry. We intend to leverage this knowledge in developing new fabrics and processes.

To continue focus on contemporary design

We are into manufacturing of fabric and garments which requires creation of contemporary and “in trend” designs. We have developed our design studios which are manned by experienced masters and are equipped by modern machinery. We have an extensive database of more than 12000 designs for fabrics and introduce more than 3000 new designs every season. We plan to strengthen our capabilities in designing by continuously upgrading our design studios both in terms of human resources and machinery.

Further expansion of customer base

Currently we are catering to the Americas, Europe and the Middle East regions. We intend to increase our customer base in the existing markets and shall continue to explore newer markets.

Strengthening the Brand Equity

We sell our fabric both in domestic and global market under the brand name “Mudra”. We intend to further strengthen our brand by investing in promotional and brand building activities such as advertising, organizing conferences, participating in national and international events.

Expansion of product range

Our company primarily manufactures men’s shirt, lady’s tops / bottom wear and kids wear. We propose to expand our product portfolio to men’s trousers / other bottom wear, outer wear / jackets and add more variety in women’s and kids wear.

Strengthen relationship with our clients

We believe in having strong relationships with our clients so as to serve them over a long period of time. We aim to continue to develop our relationship with our clients not only in terms of increased sales but also in terms of increased variety in products. We aim to achieve this by adding value to our client through quality, speed and reliability of our product delivery.

Continuing expansion of facilities

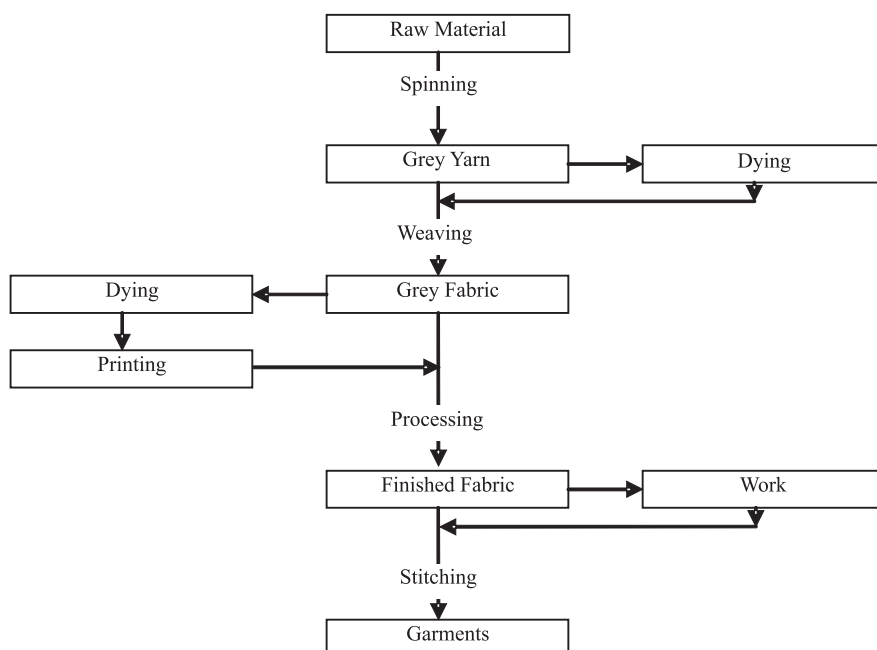
We plan to continue adding capacity for producing fabrics and garments. Apart from the capacity addition already planned we may undertake additional capacity expansion upon availability of opportunity.

Expansion through inorganic growth

Mudra Lifestyle Limited believes in growth via strategic investments / Joint Ventures in areas complementary to our strengths. As a part of this philosophy we acquired a company Venus Processors Private Limited (formerly known as

Abhishek Processors Private Limited) in 2001. We have successfully amalgamated the company into our Company, Mudra Lifestyle Limited. We intend to grow by both organic and inorganic route.

Textile manufacturing and value chain



Existing Manufacturing Locations:

Presently we are into the business of manufacture of woven fabric, processing and manufacturing of garmenting. Under the Expansion Project we shall be setting up an integrated facility of yarn dyeing, weaving, processing of grey fabric and manufacture of garments including processing thereof and packing of garments, all at one location. The following table sets forth our existing manufacturing capacities:

Process	Location	No of units	No. of Machines
Weaving	Bhiwandi	3	88 Looms
	Daman	4	59 Looms
	Kalher	1	30 Looms
Processing	Navi Mumbai	1	2 Stenters
Garmenting	Daman	1	90 Stitching Machines
	Bangalore	2	610 Stitching Machines

Activity	Existing Capacity	Capacity under the Expansion Project	Capacity Post expansion
Yarn Dyeing	N. A.	2,000 kgs per day	2,000 kgs per day
Weaving	177 Weaving Machines	84 Weaving Machines	261 Weaving Machines
Processing	80,000 Meters per day	105,300 Meters per day	185,300 Meters per day
Garment Manufacturing	10,500 pieces per day	25,000 pieces per day	35,500 pieces per day

Raw Materials

Our raw material requirement comprises of yarn and dyes among others. Raw material accounts for about 55%-60% of our total income. We purchase raw material from well known suppliers in India. The yarn is procured centrally from the corporate office in Mumbai and the purchased yarn is sent to Bhiwandi (Sonale) for storage and further distribution.

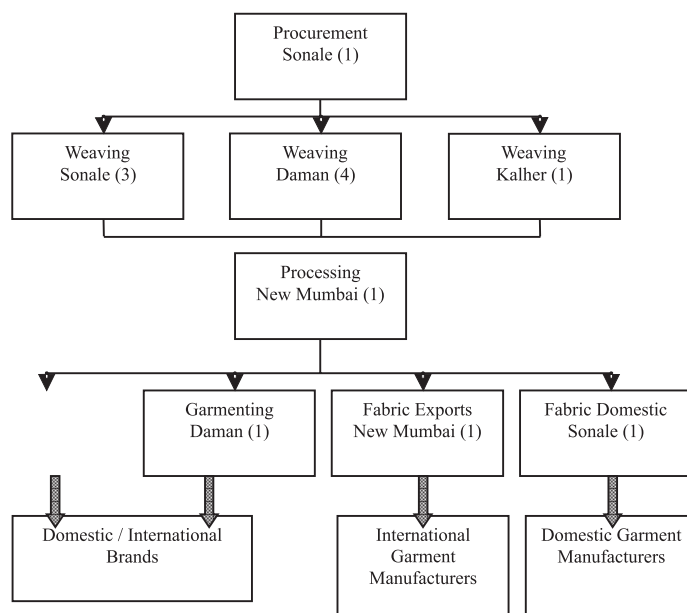
Major raw materials purchased by us are:

- Cotton Yarn
- PVC Yarn
- PV Yarn

We have a strong and matured partnership with our suppliers, most of who have been closely involved with in our growth over the years. We nurture our fabric suppliers across various stages of growth and firmly believe in vendor loyalty. Our suppliers have stood by the company through all the market and pricing challenges that industry seems to throw at constant periodicity.

Manufacturing processes

The company has a well integrated manufacturing process. The centralized procurement cell collects the demand from all the plants and places orders for yarn. The procured yarn is stored in the plant in Bhiwandi (Sonale) and is then distributed to different plant according to requirements. Weaving of fabric is done in eight locations – 3 in Bhiwandi (Sonale), 4 in Daman and 1 in Thane (Kalher). The grey fabric from all the eight locations is sent to New Bombay for processing. The finished fabric is then sent to Sonale (Bhiwandi) for packaging and dispatch to domestic markets, to a depot in New Mumbai for exports through JNPT and to plants in Daman and Bangalore for garmenting. The garments are dispatched to the supplier from respective plants. Most of the sales is done on an Ex-factory basis. A graphical representation of different activities carried out at our various facilities is shown below:



* Number in () indicate number of Units

Steps involved in fabric manufacturing:**Procurement of Grey Yarn and Yarn Dyeing**

Grey yarn is purchased from various suppliers depending upon orders on hand for manufacture of woven fabric. After procurement, yarn is checked for quality and is stored in the warehouse. Based on the nature of orders grey or dyed yarn is to be used. Yarn is sent for dyeing. Presently, we do not have the facility for yarn dyeing and therefore this work is outsourced.

Sizing and Warping

Sizing is required to be done with certain yarns so as to give them strength to make them weavable. The object of Sizing is to improve the strength of yarn by chemically binding the fibers with each other and also improve upon its friction resistance capacity by chemically coating the surface of yarn / fibers. Warping is a process in which yarn is put on a beam for being fit to be used on the weaving machines. For overcoming excess heat and provide humid conditions, humidification plants are used in the weaving sections

Weaving and Grey Fabric Inspection

After warping the beam is put on the weaving machines which produce woven fabric. The fabric produced by weaving is grey in nature and is not suitable for direct use for garment or any other purpose. It has to be processed further to give an attractive look and stability. Grey fabric is subjected to quality check and mending is done wherever required and after which the fabric is packed and sent to the process house.

Fabric Processing and Finished Fabric Checking

Company has an own Process House facility in Navi Mumbai. In the Process House activities like washing, bleaching, mercerizing, printing, dyeing, calendaring, and treatment for brightness, shrinkage & wrinkle free etc. is carried out. After Processing, the processed fabric is received back at our packing units where it is re-inspected for quality and then it is packed and dispatched as per orders.

Steps involved in garment manufacturing:**Procurement of fabric**

Based on the order and design, the fabric and appropriate fabric source are identified and the quantity required is assessed based on the consumption of fabric per garment, we have a team of skilled professionals who makes this assessment. We source majority of the fabric required from our fabric weaving plants at village Sonale and Kalher in Bhiwandi district and from our plant in Daman.

Pattern Making and Grading

The pattern making software is used for making the patterns according to the various sizes as per order details. These patterns and the marker plan are sent to the cutting department for cutting the fabric.

Fabric Laying and Cutting

The fabric procured from the source of supply by the merchandiser is sent to the factory Manager for stitching. The fabric is first inspected for any fabric defects on the inspection table. The system used for inspection is 4 point system or 10 point system. The fabric rolls are then spread on the cutting table manually or by the automatic spreading machine. The patterns cut on the pattern making machine are then placed on the spread fabric layers according to the marker plan. The fabric layers are then cut according to the marker plan with the straight knife cutting machine. The band knife is used for cutting the smaller parts. The cut fabric is then bundled according to the sizes and sent for stitching.

Sewing

In the sewing section the machines are set according to the machine layout and operation bulletin. The bundles of the fabrics from cutting section are fed in the stitching lines for sewing where each machine is handled by a sewing operator. The fabric is stitched as initial assembly and then the final assembly. There are in-line checkers and line supervisors in the stitching department. The completely stitched fabric is then sent for thread cutting and end-line checking and finally sent in the finishing department.

Finishing

In the finishing department mainly the garments coming from the sewing are pressed by the steam irons and then these are sent for the final checking. In the finishing department the other tasks such as inserting Hang Tag, Price labels, and Hangers insertion are carried out. Then the garments are packed in the polythene bags and are packed in the cartons according to the sets of sizes.

Inspection

The final inspection and quality audits are carried out in the finishing section. In the final inspection is done by final checkers and Quality Audit is done by the Quality Controller (Q.C.). The rejected pieces are then sent back to the stitching for alteration.

Packing

The garments are to be packed according to the ratio of the given sizes. The garments are packed in the polythene bags and are packed in the cartons according to the sets of sizes.

Sales Process

We have a marketing team which keeps constant touch with key customers. Any enquiry is sent to the design studio where experienced masters craft the design according to the sample given by the customer. The design studio also provides the customer with its own design along with the design provided thereby increasing the choices. The design specifications are then passed on to the sampling units which create the fabric and garment samples to be sent to the customer. Once the customer approves the sample, the marketing team provides the customer with a quotation for the requirement. A firm purchase order is then placed and production is started.

The availability of sampling unit and design studio helps the company in providing varied choices to the customer. Sampling unit produces sample fabrics in smaller lengths. This not only gives the customer a wide variety of choices but also helps in keeping the cost under control and the turnaround time is short.

The raw material price fluctuation risk is only for a very short period of time i.e. between the time cost sheet is sent to the customer and the order for yarn is placed with the supplier.

Marketing & Selling Arrangements

We have a pan India presence with a network of over 75 dealers and also supply globally to various customers in Americas, Europe, Asia and Africa. In the domestic fabric markets, we have a detailed network of dealers covering a large part of the country via a number of retailers. Internationally, we supply to countries like Brazil, Mexico, United Arab Emirates, Saudi Arabia, Morocco, Sri Lanka, Syria, Lebanon etc. We supply to our customers in Middle East, via our dealer in Dubai, under our own brand. We supply to the international garments market via both the buying houses as well as directly to the manufacturers. We supply to a large number of countries including Brazil, Mexico, United States, United Kingdom, Ireland, Canada amongst others,

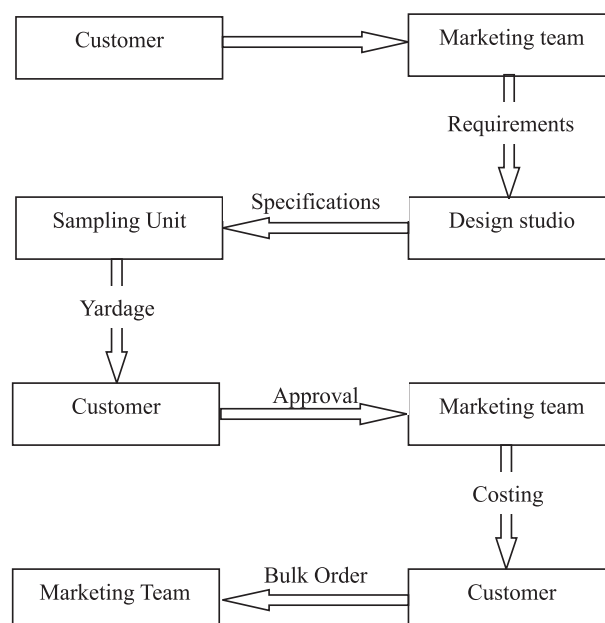
● Fabric – Domestic Sales

o Dealers

We have a network of over 75 dealers which in turn caters to more than 2000 retailers spread all over India. Our fabric is sold under the “MUDRA” brand, which is well established in the domestic market.

o Domestic Readymade Garment Manufacturers

We have strong relationships with domestic garment manufacturers. We are a leading supplier of fabric to



reputed national brands. We believe we have created a strong reputation in the segment because of our ability to create fashion and supplement it with timely delivery and consistent quality.

- **Fabric – Export Sales**

- **Readymade Garment Exporters**

Various global brands have chosen the Company's Fabric for its innovative designs and insist that exporters use these fabrics for making garments as per designs specified by the buyers.

- **International Buying Houses / International Garment Manufacturers**

We are a preferred fabrics exporter to various overseas markets. Shirting fabrics and dress material are been exported to USA, Europe and Middle East countries We are now concentrating on developing export of shirting fabrics to other territories too.

- **Garments – Domestic Sales**

- **Garment manufacturers**

Mudra lifestyle Limited sells readymade garments directly to leading national brands. We sell directly to these brands on confirmed orders.

- **Garments – Export Sales**

- **International Brands**

Presently Mudra Lifestyle has a global presence and is presently catering to various international brands from Americas, and Europe. The company sells directly to these brands on confirmed orders.

- **International Buying Houses**

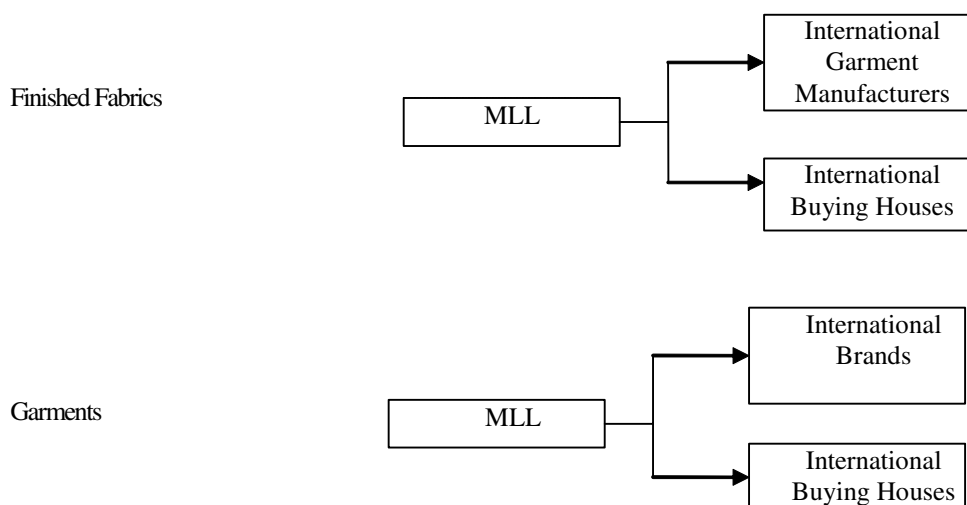
Mudra Lifestyle Limited is a preferred garment manufacturer for many international buying houses.

Distribution network

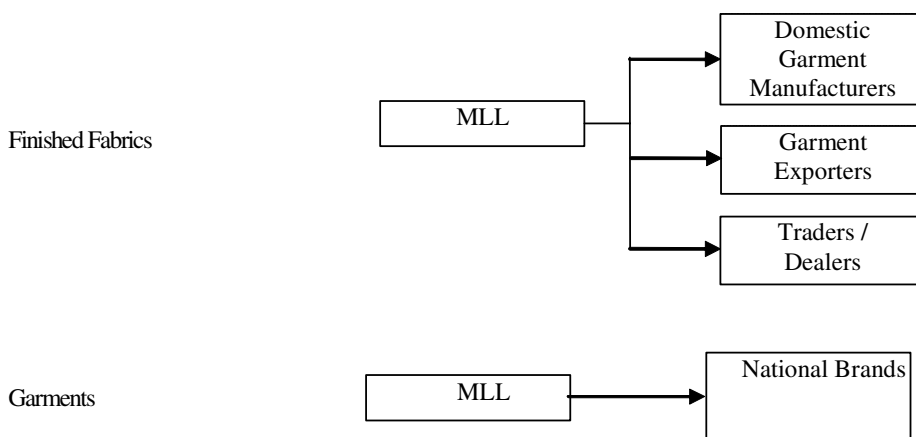
We have an established network of dealers, distributors, agents, etc. as part of our present marketing set up. The distribution channel used by us for marketing of various products is as follows:

Products	Distribution Channel
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International Customers



Domestic Customers



Design and Development Studio

We have an in-house designing development unit. We have two state of the art design and development studios fully equipped with latest equipments including CAD facilities. The design team comes out with new designs and ideas based on the current trends in the international and domestic markets. The new designs are being then sent out to the lab for the various testing of the garments before the designs are released to the sampling unit for the further marketing and sales purpose. These design studios generate proprietary designs for fabric and garment business and at the same time work on designs supplied by the customer for the garments.

Competitive Environment

The textile industry is fiercely competitive. The threat of competition emerges not only from the organized as well as the disorganized sector and from both small and big players. At the international level, the company is in direct competition with companies in nations having a low cost base such as Philippines, China and Bangladesh etc .We are also in direct competition with the leading apparel and fabric manufacturers of India as well as the local brands.

Our Customers

Rs. Millions

Client	H1FY 07		FY 06		FY 05	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Top Customer	155.91	23.48%	109.23	10.59%	37.11	5.82%
Top 5 Customers	425.94	64.15%	335.34	32.52%	104.64	16.41%
Top 10 Customers	508.35	76.56%	528.45	51.25 %	150.35	23.58%

Sales Mix

Rs. Millions

	H1FY 07		FY 06		FY 05	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Finished Fabrics	492.04	74.11%	902.78	87.56%	536.66	84.16%
Garments	159.30	23.99%	89.64	8.69%	22.61	3.55%
Processing	12.64	1.90%	38.68	3.75%	78.38	12.29%

Total Sales
Rs. Millions

Products	H1FY 07		FY 06		FY 05	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Domestic Sales	588.98	88.71%	925.65	89.77%	424.88	66.63%
Export Sales	74.99	11.29%	105.44	10.37%	212.77	33.37%

Domestic Sales
Rs. Millions

Products	H1FY 07		FY 06		FY 05	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Finished Fabrics	463.13	78.63%	830.63	89.73%	346.36	81.52%
Garments	113.21	19.22%	56.34	6.08%	0.15	0.03%
Processing	12.64	2.15%	38.68	4.19%	78.38	18.45%

Export Sales
Rs. Millions

Products	H1FY 07		FY 06		FY 05	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Finished Fabrics	28.91	38.55%	72.15	68.42%	190.30	89.44%
Garments	46.08	61.45%	33.23	31.58%	22.47	10.56%

Product wise capacity

	H1 FY07	FY 06	FY 05
Finished Fabrics (No. of Looms)	177	165	127
Garments (No. of Stitching Machines)	700	400	175

Our Existing Facilities

Manufacturing location	Function	Date of commencement	Area (sq. Ft.)	Type of Ownership	Capacity
222, Raj Rajeshwari Compound Village Sonale, Bhiwandi	Weaving	Mar-02	11,100	Freehold	20 Looms
20/21, Raj Rajeshwari Compound Village Sonale, Bhiwandi	Weaving	May-05	3867	Freehold	14 Looms
196/5, Raj Rajeshwari Compound Village Sonale, Bhiwandi	Weaving	May-99	18448	Freehold	54 Looms

Manufacturing location	Function	Date of commencement	Area (sq. Ft.)	Type of Ownership	Capacity
168/12, Dabhel Indl. Co-op. Society Ltd. Dabhel, Daman – 396210	Weaving	Apr-93	13455	Freehold	20 Looms
168/234, Dabhel Indl. Co-op. Society Ltd. Dabhel, Daman – 396210	Weaving	Dec.-2003	10172	Freehold	15 Looms
168/94, Dabhel Indl. Co-op. Society Ltd. Dabhel, Daman – 396210	Weaving	Jun-03	3360	Freehold	12 Looms
9/1A9, Shree Raj Laxmi Com. Complex Village Kalher Agra Road, Bhiwandi	Weaving	Jan-05	11044	Rent	30 Looms
168/12A, Dabhel Indl. Co-op. Society Limited Daman	Weaving	Sept.-2006	4800	Freehold	12 Looms
168/94, Dabhel Indl. Co-op. Society Ltd. Dabhel, Daman – 396210	Garmenting	Jun-03	5038	Freehold	90 Stitching Machines
Site No. 1, Katha No. 743/1 Begur, Hubli, Bangalore	Garmenting	Jun. - 2005	27000	Rent	310 Stitching Machines
87, Basapura Village Begur Hobli Bangalore- 560 068	Garmenting	Sep.-2006	35000	Rent	300 Stitching Machines
Plot No. 62 Navi Mumbai MIDC, T.T.C.	Processing	Jan- 1993	22604	Leasehold	2 Stenters

Support Locations

Location	Type of facility	Area sq. ft.	Type of Ownership
5129-5141 Chandivali, Oberori Gardens, Mumbai	Offices	8116	Freehold
149, Shiv Shakti Industrial Estate, III Phase, Andheri East, Mumbai 400 059	Offices	920	Freehold
155/157, Shiv Shakti Industrial Estate, III Phase, Andheri East, Mumbai 400 059	Offices	1830	Freehold
42, Ist Floor, Bindal Industrial Estate, Andheri Kurla Road, Mumbai - 400 072	Design Studio	1300	Rent
S. No. 9, H No. 2-A, S no. 12, H No. 4 Village Temghar, Bhiwandi	Godown	2730	Freehold

Utilities			
Location	Water Arrangements	Waste Disposal Arrangements	Electricity Arrangements
222, Raj Rajeshwari Compound Village Sonale Bhiwandi	Not Required for Manufacturing	Not Required for Manufacturing	
20/21, Raj Rajeshwari Compound Village Sonale, Bhiwandi	Not Required for Manufacturing	Not Required for Manufacturing	
196/5, Raj Rajeshwari Compound Village Sonale, Bhiwandi	Not Required for Manufacturing	Not Required for Manufacturing	300 H.P. (from MSEB)
168/12, Dabhel Indl. Co-Op. Society Ltd. Dabhel Daman – 396210	Not Required for Manufacturing	Not Required for Manufacturing	99 H.P. (From State Electricity Board)
168/234, Dabhel Indl. Co-Op. Society Ltd Dabhel Daman – 396210.	Not Required for Manufacturing	Not Required for Manufacturing	99 H.P. (From State Electricity Board)
168/94, Dabhel Indl. Co-Op. Society Ltd. Dabhel Daman – 396210	Not Required for Manufacturing	Not Required for Manufacturing	99 H.P. (From State Electricity Board)
9/1A9, Shree Raj Laxmi Com. Complex Village Kalher Agra Road, Bhiwandi	Not Required for Manufacturing	Not Required for Manufacturing	140 H.P. (From MSEB)
168/12A, Dabhel Indl. Co-Op. Society Ltd. Dabhel Daman – 396210	Not Required for Manufacturing	Not Required for Manufacturing	99 H.P. (From State Electricity Board)
168/94, Dabhel Indl. Co-Op. Society Ltd. Dabhel Daman – 396210	Not Required for Manufacturing	Not Required for Manufacturing	99 H.P. (From State Electricity Board)
Site No. 1, Katha No. 743/1, Begur, Hubli, Bangalore	Not Required for Manufacturing	Not Required for Manufacturing	192 H.P. (From KSEB)
87, Basapura Village, Begur Hobli, Bangalore - 560 068	Not Required for Manufacturing	Not Required for Manufacturing	200 H.P. (From KSEB)
Plot No. 62, Navi Mumbai, MIDC, T.T.C.	0.8 Million Ltr. Daily	0.8 Million Ltr. Daily	315KVA (Existing) New Application For 425KVA (From MSEB)

Export Obligation

We presently import and shall continue to import machineries under Export Promotion Capital Goods Scheme (EPCG Scheme). One of the conditions subject to which license under EPCG Scheme is granted is to achieve specified export obligations based on concessions in import duty availed. We have imported machineries under the EPCG Scheme in respect of which as on December 31, 2006, we have subsisting export obligation of around Rs.38.05 million to be achieved by the year 2014.

Human Resource

Garment Manufacturing Industry is one of the high labour and low capital intensive industries. Like any other organization in the manufacturing sector, garment sector have to sustain intense competition and perpetual changes. Well motivated workforce that performs up to its potential can make all the difference between a successful organization and the one that aspires to be the one of the leading garment manufacturers. The policies of the company are transparent. The company focuses and continuously work for the health, safety and welfare of employees and all the manufacturing facilities are subject to compliance audit by the international buyers regularly.

The policy of the Company is in conformity with the various labour welfare legislations in force. The policy addresses inter alia, joining formalities, working hours, leave policy and travel policy, wage policy, provident fund, gratuity, bonus and resignation.

Intellectual Property

We own and use certain trade marks. The details of the trade marks owned and used by our Company and the status with respect to the same are indicated in the following table:

SI No.	Particulars of Trademark	Application Number and Class	Date of Application	Status
1	Logo of Mudra Lifestyle Limited	1465369; Class 24	June 9, 2006	Application under process
2	Trade name– stylized form	1465370; Class 24	June 9, 2006	Application under process
3	Loge and Trade name	1465371; Class 24	June 9, 2006	Application under process
4	Trade name	1465373; Class 24	June 9, 2006	Application under process
5	Logo of Mudra Lifestyle Limited	1465372; Class 25	June 9, 2006	Application under process
6	Trade name– stylized form	1465377; Class 25	June 9, 2006	Application under process
7	Loge and Trade name	1465375; Class 25	June 9, 2006	Application under process
8	Trade name	1465374; Class 25	June 9, 2006	Application under process

Immovable Property details

The Company is in possession of the following immovable properties:

S. No	Schedule of Immovable Properties in the Possession of the Company	Nature of Interest
1.	Unit nos. 5129 and 5130 on 5 th floor admeasuring 1215 sq. ft. super built-up area in the building called Oberoi Garden Estates situated at Village Chandivili, Taluka Kurla, Mumbai Suburban CTS No. 47, 47/1 to 47/20, Mumbai 400 072. Vendor: M/s Wellworth Developers Limited Consideration: Rs. 2,430,000	Freehold
2.	Unit nos. 5131, 5132 (part) and 5140 on 5 th floor admeasuring 1340 sq. ft. super built-up area in the building called Oberoi Garden Estates situated at Village Chandivili, Taluka Kurla, Mumbai Suburban CTS No. 47, 47/1 to 47/20, Mumbai 400 072. Vendor: M/s Wellworth Developers Limited Consideration: Rs. 2,680,000	Freehold
3.	Unit nos. 5133 and 5134 on 5 th floor admeasuring 960 sq. ft. super built-up area in the building called Oberoi Garden Estates situated at Village Chandivili, Taluka Kurla, Mumbai Suburban CTS No. 47, 47/1 to 47/20, Mumbai 400 072. Vendor: M/s Wellworth Developers Limited Consideration: Rs. 1,296,000	Freehold
4.	Unit nos. 5132 (part) and 5139 on 5 th floor admeasuring 1055 sq. ft. super built-up area in the building called Oberoi Garden Estates situated at Village Chandivili, Taluka Kurla, Mumbai Suburban CTS No. 47, 47/1 to 47/20, Mumbai 400 072. Vendor: M/s Wellworth Developers Limited Consideration: Rs. 1,424,250	Freehold

S. No	Schedule of Immovable Properties in the Possession of the Company	Nature of Interest
5.	Unit nos. 5135 on 5 th floor admeasuring 990 sq. ft. super built-up area in the building called Oberoi Garden Estates situated at Village Chandivili, Taluka Kurla, Mumbai Suburban CTS No. 47, 47/1 to 47/20, Mumbai 400 072. Vendor: M/s Wellworth Developers Limited Consideration: Rs. 1,336,000	Freehold
6.	Unit nos. 5136 on 5 th floor admeasuring 990 sq. ft. super built-up area in the building called Oberoi Garden Estates situated at Village Chandivili, Taluka Kurla, Mumbai Suburban CTS No. 47, 47/1 to 47/20, Mumbai 400 072. Vendor: M/s Wellworth Developers Limited Consideration: Rs. 1,336,000	Freehold
7.	Unit nos. 5137 and 5138 on 5 th floor admeasuring 960 sq. ft. super built-up area in the building called Oberoi Garden Estates situated at Village Chandivili, Taluka Kurla, Mumbai Suburban CTS No. 47, 47/1 to 47/20, Mumbai 400 072. Vendor: M/s Wellworth Developers Limited Consideration: Rs. 1,296,000	Freehold
8.	Unit nos. 5141 on 5 th floor admeasuring 606 sq. ft. super built-up area in the building called Oberoi Garden Estates situated at Village Chandivili, Taluka Kurla, Mumbai Suburban CTS No. 47, 47/1 to 47/20, Mumbai 400 072. Vendor: M/s Wellworth Developers Limited Consideration: Rs. 1,212,000 As stated hereinabove, we are in possession of inter alia Unit Nos. 5129, 5130, 5131, 5132 (part), 5133, 5140 and 5141 on the 5th floor of Oberoi Garden Estates situated at Village Chandivili, Taluka Kurla, Mumbai Suburban CTS No. 47, 47/1 to 47/20, Mumbai 400 072. These units were by virtue of 4 sale agreements dated June 21, 2005 in the name of Mudra Impex (a partnership firm). However, it is of note that Mudra Impex was dissolved by virtue of a dissolution deed dated October 1, 2004. Consequently, although the Company is in possession of the premises, the Company does not have a valid marketable title to the same.	Freehold
9.	Industrial Gala No.149 admeasuring 490 sq. ft. carpet area on the 1 st floor of Shivshakti Industrial Premises Co-op. Soc. Ltd. Situated at Shivshakti Industrial Estate, Phase III, Opp. Mittal Industrial Estate, Andheri Kurla Road, Andheri east, Mumbai 400 059 on the piece of land bearing survey no. 79, Hissa no. 15, Survey No. 80, Hissa no.1, at village Marol, Taluka Andheri in registration district and sub-district of Mumbai city and Mumbai suburban. Vendor: M/s Horizon Electricals Consideration: Rs. 752,000	Freehold
10.	Industrial Gala No.157 admeasuring 490 sq. ft. carpet area on the 1 st floor of Shivshakti Industrial Premises Co-op. Soc. Ltd. Situated at Shivshakti Industrial Estate, Phase III, Opp. Mittal Industrial Estate, Andheri Kurla Road, Andheri east, Mumbai 400 059 on the piece of land bearing survey no. 79, Hissa no. 15, Survey No. 80, Hissa no.1, at village Marol, Taluka Andheri in registration district and sub-district of Mumbai city and Mumbai suburban. Vendor: By virtue of the Scheme of Amalgamation sanctioned by the Bombay High Court on January 27, 2006	Freehold
11.	Land bearing S. no. 9 H. no. 2-A, S. no. 12, H. no.4 within the limits of Bhiwandi Nizampur Municipal council, Bhiwandi district Thane. Vendor: By virtue of the Scheme of Amalgamation sanctioned by the Bombay High Court on January 27, 2006	Freehold

S. No	Schedule of Immovable Properties in the Possession of the Company	Nature of Interest
12.	The portion of land in line (row) 'E' along with plinth no. 11 survey no. 196/ 5/ 1, 222 & 196/ 5 Paki, admeasuring 1831 sq. feet, situated at village Sonale, Taluka Bhiwandi, Dist. Thane, in the registration sub-district Bhiwandi, district registration Thane and within the local limits of Bhiwandi Municipal Council. Vendor: By virtue of the Scheme of Amalgamation sanctioned by the Bombay High Court on January 27, 2006	Freehold
13.	The portion of land in line (row) 'E' alongwith plinth no.12 survey no. 222 Paki, admeasuring 1877 sq. feet, situated at village Sonale, Taluka Bhiwandi, Dist. Thane, in the registration sub-district Bhiwandi, district registration Thane and within the local limits of Bhiwandi Municipal Council. Vendor: By virtue of the Scheme of Amalgamation sanctioned by the Bombay High Court on January 27, 2006	Freehold
14.	The portion of land in line (row) 'F' alongwith plinth no. 8, survey no. 196/ 5 Paki, admeasuring 1831 sq. feet, situated at village Sonale, Taluka Bhiwandi, Dist. Thane, in the registration sub-district Bhiwandi, district registration Thane and within the local limits of Bhiwandi Municipal Council. Vendor: By virtue of the Scheme of Amalgamation sanctioned by the Bombay High Court on January 27, 2006	Freehold
15.	The portion of land in line (row) 'F' alongwith plinth no. 9 survey no. 196/ 5 Paki, admeasuring 1831 sq. feet, situated at village Sonale, Taluka Bhiwandi, Dist. Thane, in the registration sub-district Bhiwandi, district registration Thane and within the local limits of Bhiwandi Municipal Council. Vendor: By virtue of the Scheme of Amalgamation sanctioned by the Bombay High Court on January 27, 2006	Freehold
16.	The portion of land in line (row) 'F' along with plinth no. 10 survey no. 222 & 196/ 5 Paki, admeasuring 1877 sq. feet, situated at village Sonale, Taluka Bhiwandi, Dist. Thane, in the registration sub-district Bhiwandi, district registration Thane and within the local limits of Bhiwandi Municipal Council. Vendor: By virtue of the Scheme of Amalgamation sanctioned by the Bombay High Court on January 27, 2006	Freehold
17.	The portion of land in line (row) 'F' along with plinth no. 11 survey no. 222 & 196/ 5 Paki, admeasuring 11,100sq. feet, situated at village Sonale, Taluka Bhiwandi, Dist. Thane, in the registration sub-district Bhiwandi, district registration Thane and within the local limits of Bhiwandi Municipal Council. Vendor: By virtue of the Scheme of Amalgamation sanctioned by the Bombay High Court on January 27, 2006	Freehold
18.	Portion of land admeasuring 1877 sq. ft. situated in 'E' row, Village Sonale, Taluka Bhiwandi, district Thane, CTS no. 196, hissa no. 5/ 2. Vendor: M/s. Olivetex Silk Mills Consideration: Rs. 187,700	Freehold
19.	Portions of land admeasuring 3662 (1831 sq. feet each) sq. ft. situated in plinth no. 10 and 11, 'E' row, Village Sonale, taluka Bhiwandi, District Thane, CTS no. 196, Hissa No. 5/ 2. Vendor: M/s. Olivetex Silk Mills Consideration: Rs. 371,850	Freehold
20.	Portions of land admeasuring 3662(1831 sq. feet each) sq. ft. situated in plinth no. 8 and 9, 'E' row, Village Sonale, taluka Bhiwandi, district Thane, CTS no. 196, hissa no. 5/ 2. Vendor: M/s. Olivetex Silk Mills Consideration: Rs. 371,850	Freehold
21.	Plot No. N-12, MIDC, Tarapur Industrial Area, Village Pumtembhi, Taluka Palghar, District, Thane Vendor: Debt Recovery Tribunal Consideration: Rs. 16,000,000	Freehold

S. No	Schedule of Immovable Properties in the Possession of the Company	Nature of Interest
22.	Plot no. 62 in the T.T.C. industrial area, within the village limits of Mahape, taluka and registration sub-district Thane, district and registration district Thane admeasuring 2100 sq. meters Lessor: Maharashtra Industrial Development Corporation Rent Payable: Rs. 960,000 per month	Lessee
23.	Plot No. D-25, Tarapur Industrial Area within village limites of Salwad Taluka Palghar admeasuring 21760 sq. mts By virtue of an assignment of lease executed by Arodyne Chemicals Limited in favour of the Company. The Assignment was completed with the consent of the tax recovery officer and the MIDC (lessor)	Leasehold
24.	Portions of land admeasuring 3866.50 (1961 and 1905.50 sq. feet respectively) sq. ft. situated in plinth no. 20 and 21, 'D' Row, Village Sonale, Taluka Bhiwandi, District Thane, CTS no. 222. Vendor: M/s.SRHM Exports Pvt. Ltd Consideration: Rs. 1,159,905	Leasehold
25.	Rectangular non-agricultural industrial plot of land situated at village Dabhel, Taluka of Daman, sub-district and district of Daman within the jurisdiction of sub-registrar of Daman not specifically registered in the land registration office or taluka revenue office bearing survey no. 168/ 94 admeasuring 780 sq. meters along with the constructed industrial building standing thereon consisting of ground floor having built-up area of 3358.34 sq. feet. Vendor: Executed by: M/s. Arihant Flex Pack, a partnership firm in favour of: Mudra Impex, a partnership firm (Purchasers). Consideration: Rs. 2,700,000 Subsequently sold to the Company. Vendor: Mudra Impex Consideration: Rs. 2,712,900	Freehold
26.	Rectangular non-agricultural industrial plot of land situated at village Dabhel, Taluka of Daman, sub-district and district of Daman within the jurisdiction of sub-registrar of Daman not specifically registered in the land registration office or taluka revenue office bearing survey no. 168/ 234 admeasuring 377.98 sq. meters. Vendor: M/s. Clifton Yarn Processors in favour of East Coast Polytex Consideration: Rs. 1,200,000 Non- agricultural industrial plot of land situated at village Dabhel, Taluka of Daman, sub-district and district of Daman within the jurisdiction of Village Panchayat of Dabhel and within the jurisdiction of sub-registrar of Daman not specifically registered in the land registration office or taluka revenue office bearing plot no. 168/ 12 admeasuring 1250 sq. meters Vendor: Dabhel Industrial Cooperative Society Limited In favour of: M/s. East Coast Polytex Consideration: Rs. 125,000 Subsequently both properties sold to the Company.Land bearing S No.168/12 admeasuring 1250 sq meters alongwith construction standing therein consisting of Ground floor admeasuring 506 sq meters, first floor admeasuring 506 sq meters i.e. 1012 sq meters i.e. 10890 sq feet and S. No. 168/234 admeasuring 945 sq meters along with construction standing thereon consisting of Ground floor admeasuring 378 sq meters i.e. 4070 sq feet both situated at village Dabhel, Dist Daman. Vendor: East Coast Polytex Consideration: Rs. 5,036,700	Freehold

S. No	Schedule of Immovable Properties in the Possession of the Company	Nature of Interest
27.	Non-agricultural plot of land together with hereditaments and premises and building standing thereon having total built up area of 563.20 square meters which consist of 480.00 square meters on ground floor and 83.20 square meters on mezzanine floor, on plot of land or ground known as Plot No. 12-A situated at Village Dabhel, Nani Daman, Taluka of Daman, sub-district and district of Daman, within the jurisdiction of village panchayat of DABHEL, CEARING Survey No. 168/12-A admeasuring 1200.00 square meters Vendor: M/s. Newage Generators Consideration: Rs. 2,700,000	Freehold
28.	Unit no. AP-9/1, 9/2 and 9/3 in R.C.C. building admeasuring 8283 sq. feet built-up area situated at Rajlaxmi Complex, village Kalher, Agra road, within the limits of Kalher Gram Panchayat, Taluka Bhiwandi, district ThaneLicensor: Mr. Manilal Meghji Shah Consideration: Rs.15,875.75/- per month; Additionally, Rs.3/- per sq. foot of built-up area to be paid for common facilities;Security deposit of Rs.47,628/- to each of the Licensors;15% increase in monthly compensation after 3 years	Licensee
29.	Unit no. AP-9/4 in R.C.C. building admeasuring 2761 sq. feet built-up area situated at Rajlaxmi Complex, village Kalher, Agra road, within the limits of Kalher Gram Panchayat, Taluka Bhiwandi, district Thane.Executed by: Mrs. Meena Bhadresh Shah (Licensor) In favour of: M/s. East Coast Polytex (Licensee) Consideration: Rs.15,875.75/- per month; Additionally, Rs.3/- per sq. foot of built-up area to be paid for common facilities; Security deposit of Rs.47,628/- to each of the Licensors;15% increase in monthly compensation after 3 years	Licensee
30.	Ground and 1 st floor situated on part of Eastern Portion Property bearing site no. 1, Katha no. 743/ 1, situated at Hongasandra village, Old Mangamma Palya Road, Begur Hoobli, Bangalore, south taluk, measuring approximately 18,798 sq. feet (9399 sq. ft. ground floor and 9399 sq. ft. 1 st floor) Lessor: Smt. Lakshamma and others Lessee: Company Consideration: Lease rent: Rs.1,22,000/- per month;- Rs. 16,00,000/- as security deposit;- Lease rent to be enhanced by 5% once a year from the date of commencement of the lease period;	Licensee
31.	Industrial premises bearing No. 39, Chikkathoguru Village, Begur Hubli, Bangalore South Taluk, Bangalore, consisting of Ground, first, second, third and fourth floors Lessor: Smt. Rathamma and others Lessee: Company Consideration: Rent payable is Rs. 3,00,000 p.m. and advance payable is Rs. 28 lakhs towards security deposit.	Leasehold
32.	Immovable properties situated at Mouje Indrad of Kadi Taluka in the Registration District Mehsana and Sub-District of Kadi, Survey No. 855, Private Plot No. 10 admeasuring 2034.08 Sq. Yds. Equivalent to 1700.75 Sq.Mtrs out of which 1805.945 Sq. Yds. Equivalent 1510.00 Sq. Mtrs. land at plot no. 10 And also together with 1/12th undivided impartible joint ownership right, share and interest and use in the internal Approach road land abutting on Nal Road on the Southern border of the said land described in the First Schedule above written which undivided impartible right, share and interest comes to 228.135 Sq. Yds. Equivalent to 190.75 Sq. Mtrs Vendor: Rabari: A Mondanbhai Consideration: 223,749/-	Freehold

Further, the Karnataka Industrial Areas Development Board (KIADB) has, by its letter dated August 18, 2006 allotted to the Company, on a lease cum sale basis, property admeasuring 2.12 acres for situated at Plot No. 9-M in sub-layout of plot no. 9 of Yarandanahalli, Bommasandra I Phase Industrial Area, Bangalore.

As per the terms of the allotment letter, the period of the lease is 6 years, at the end of which, the lease shall be converted into a sale subject to the utilization of minimum 50% of the land allotted. We have made payments aggregating to Rs. 16.96 million as per the terms of the Allotment Letter dated July 19, 2006 issued by the KIADB. Further, the KIADB has has vide letter dated December 26, 2006 confirmed the allotment of the said land. However, the Company is yet to execute a definite agreement with the KIADB in this regard and enter into possession of the land.

We have received Letter dated December 15, 2006 from KIADB informing us that land to the extent of 8 acres in Apparel Park, Phase II, Doddaballapur, Bangalore will be allotted in favour of the Company. Company has already made a payment of Rs. 5.84 million, the balance payable is Rs. 23.36 million and it will be paid as and when demanded by KIADB.

Insurance details

We have insured all moveable and immovable properties of our Company including all stocks, factory premises, plant and machinery. In addition to the same, we also have taken out burglary insurance in respect of our fabrics, Standard Fire and Special Perils Policy for Stocks, buildings, machinery and electrical installations in all our factories and offices.

We have taken out the following policies in respect of our properties:

A.	Policy No:	253200/11/06/3300000502
	Insurer	National Insurance Corporation Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on May 24, 2006 to May 23, 2007 Midnight
	Subject matter	Stock and Stock in progress
	Risk Covered	Fire
	Sum Insured	Rs. 200,000,000/-
B.	Policy No:	253200/46/06/7500000045
	Insurer	National Insurance Corporation Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on May 24, 2006 to May 23, 2007 Midnight
	Subject matter	Stock and Stock in progress
	Risk Covered	Burglary
	Sum Insured	Rs. 200,000,000/-
C.	Policy No:	253200/11/06/3300000501
	Insurer	National Insurance Corporation Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on August 8, 2006 to August 7, 2007 Midnight
	Subject matter	Buildings, Plant & Machinery and accessories
	Risk Covered	Fire
	Sum Insured	Rs. 172,500,000/-

D.	Policy No: 2310000/11/05/11/00000626	
	Insurer	New India Assurance Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on November 24, 2006 to November 23, 2007 Midnight
	Subject matter	Buildings, Plant & Machinery, Furniture and fixtures, stock and stock in progress
	Risk Covered	Fire
	Sum Insured	Rs. 36,840,000/-
E.	Policy No: 2310000/11/06/11/00000150	
	Insurer	New India Assurance Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on June 3, 2006 to June 2, 2007 Midnight
	Subject matter	Buildings, Plant & Machinery, Furniture and fixtures, stock and stock in progress
	Risk Covered	Fire
	Sum Insured	Rs. 31,000,000/-
F.	Policy No: FM000367160001000	
	Insurer	Royal Sundaram General Insurance Company Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on May 25 2006 to May 24, 2007 Midnight
	Subject matter	Stock and stock in progress
	Risk Covered	Fire
	Sum Insured	Rs. 100,000,000/-
G.	Policy No: ZB00003694000100	
	Insurer	Royal Sundaram General Insurance Company Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on May 25 2006 to May 24, 2007 Midnight
	Subject matter	Furniture and Fixtures
	Risk Covered	Burglary
	Sum Insured	Rs. 100,000,000/-
H.	Policy No: 231000/11/06/11/00000317	
	Insurer	National Insurance Corporation Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on July 20, 2006 to July 19, 2007 Midnight
	Subject matter	Buildings, Plant & Machinery, Furniture and fixtures, stock and stock in progress
	Risk Covered	Fire
	Sum Insured	Rs. 36,000,000/-

I.	Policy No: 253200/11/06/3100001211	
	Insurer	National Insurance Corporation Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on August 9, 2006 to August 8, 2007 Midnight
	Subject matter	Buildings, Plant & Machinery, Furniture and fixtures, stock and stock in progress
	Risk Covered	Fire
	Sum Insured	Rs. 40,000,000/-
J.	Policy No: 253200/11/06/3100001213	
	Insurer	National Insurance Corporation Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on August 8, 2006 to August 7, 2007 Midnight
	Subject matter	Plant & Machinery and accessories
	Risk Covered	Fire
	Sum Insured	Rs. 25,000,000/-
K.	Policy No: 253200/11/06/3100001219	
	Insurer	National Insurance Corporation Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on August 9, 2006 to August 8, 2007 Midnight
	Subject matter	Plant & Machinery and accessories
	Risk Covered	Fire
	Sum Insured	Rs. 10,000,000/-
L.	Policy No: 253200/11/06/3100001212	
	Insurer	National Insurance Corporation Limited
	Insured	Mudra Lifestyle Limited
	Policy Period	00:00 hrs on August 8, 2006 to August 7, 2007 Midnight
	Subject matter	Plant & Machinery and accessories, Furniture and fixtures
	Risk Covered	Fire
	Sum Insured	Rs. 17,000,000/-

We have also taken out Directors and Officer's liability insurance. The insurer is Tata AIG General Insurance Company Limited and the coverage is for the period January 4, 2007 to January 3, 2008.

REGULATIONS AND POLICIES

Over the past five years, the Indian government has initiated the process of liberalisation of regulatory controls of the Indian textile sector. Some of the important initiatives taken by the Indian Government in the textile sector are as follows:

1. 51% Foreign Direct Investment in “Single Brand” Retail Outlets:

Prior to 1997, there was no specific regulation restricting Foreign Direct Investment (FDI) in the retailing sector. In 1997, it was decided that FDI would not be allowed for mere trading as it would lead to the outflow of foreign exchange, drive out the domestic unorganised retailers from business and increase unemployment.

The Indian Government has recently decided to allow foreign direct investment (FDI) up to 51% in the retail trade of “single brands products” with prior Government approval. This will allow global players an easier access to the Indian markets. However, retailing of multiple brands has not been allowed under this new relaxation, even if such multiple brands are produced by the same manufacturer.

The relaxation in FDI norms for the retail sector will facilitate the Company to raise funds in future via the FDI route to establish different retail outlets exclusively for its different brands. This may further augment the prospects of the Company.

2. 100% Foreign Direct Investment in the Textile Sector:

The Indian Government has allowed foreign equity participation upto 100%, through automatic route, in the textile sector. Indian manufacturing companies are allowed 100% FDI to carry out wholesale trading on “a cash and carry basis” as also export trading through the automatic route, without seeking prior Government approval.

3. 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 Indian textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The policy endeavors to achieve the target of textile and apparel exports to US\$ 50 billion by 2010, of which the share of garments will be US\$ 25 billion.

The salient features of the NTxP 2000 are:

- To assist the private sector to set up specialised financial arrangements to fund the diverse needs of the textile industry.
- To encourage the private sector to set up world class, environment-friendly, integrated textile complexes and textile processing units in different parts of India.
- To de-reserve the garment industry from the Small-Scale Industry sector.
- To implement vigorously, in a time bound manner, the Technology Upgradation Fund Scheme (TUFS) covering all manufacturing segments of the industry.
- To review and revitalise the working of the TRAs (Textile Research Associations) to focus research on industry needs
- To transform and professionalise all field organisations under the Ministry of Textiles to enable them to play the role of facilitators of change and growth.

In furtherance of the NTxP objectives, the strategic thrust by the Indian Government will be on technological upgradation; enhancement of productivity; quality consciousness; strengthening of the raw material base; product diversification; increase in exports and innovative marketing strategies; financing arrangements; maximizing employment opportunities and integrated Human Resource Development.

Subsequent to the announcement of NTxP 2000, readymade garments, hosiery and knitwear have been de-reserved from the SSI sector. Since the Company primarily operates in the readymade garment sector and proposes to expand in the knitwear sector, these policy initiatives will prove to be beneficial for the Company's growth and development.

4. Technology Upgradation Fund Scheme:

In view of the urgent need for stepping up the process of modernisation and technology upgradation of the textile industry in India, Ministry of Textiles launched a Technology Upgradation Fund Scheme ("TUFS") for the textile and jute industry for a five years time frame w.e.f. 1st April 1999 to 31st March 2004, providing for 5% interest reimbursement in respect of loans availed under the Scheme from the concerned financial institutions for investment-benchmarked technology for the sectors of the Indian textile industries specified by the Government. Operation of this scheme has been 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.

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.

Investments in assets other than plant and machinery which are eligible to be included under TUFS at concessional interest rates are land and building, effluent treatment plant, water treatment plant, captive power generation, energy saving device, preliminary and pre-operative expenses, margin money for working capital, contingency upto 5% of the plant and machinery subject to the aggregate value not normally exceeding 25% of the total investment in plant and machinery.

Marginal increase over 25% will be permitted. Loans against investments above this limit will attract normal lending rates. For the speedy modernization of the textile processing sector, the Government of India has introduced a Credit Linked Capital Subsidy Scheme from 20th April 2005 at the rate of 10% under TUFS, in addition to the existing 5% interest reimbursement.

5. Export Incentives

The following export incentives of the Government of India are applicable to the Company.

(i) *Export Promotion Capital Goods (EPCG) Scheme*

The EPCG Scheme facilitates import of capital goods at 5% concessional rate of duty with export obligation equivalent to 8 times of duty saved on capital goods imported under the Scheme to be fulfilled over a period of 8 years reckoned from the date of issuance of license.

(ii) *Advance Licensing Scheme*

The Advance License Scheme allows the Company to duty-free import of raw materials that are incorporated in its exported products. Standard input-output norms for about 300 textiles and clothing export products have been prescribed by the Indian Government.

(iii) *Duty Exemption Pass Book (DEPB) Scheme*

Under the DEPB scheme, the Company is entitled to apply for a credit, as a specified percentage of FOB value of its exports. DEPB credit rates have been prescribed for textiles and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalized.

(iv) *Duty Drawback Scheme*

Under the Duty Drawback Scheme, the Company would be entitled to a refund of the excise and import duty incurred on raw materials.

6. Human Resource Development:

The Indian Government has promoted the training of fashion professionals for the Indian textile sector. The National Institute of Fashion Technology (NIFT) which provides training to fashion designers and fashion technologists has seven branches at Delhi, Mumbai, Calcutta, Hyderabad, Bangalore, Chennai and Gandhinagar. The Ministry of Textiles has established a Nodal Centre for Upgradation of Textile Education at the Indian Institute of Technology, Delhi with funding from the Ministry of Textiles. The NIFT and the Apparel Training & Design Centres (ATDCs) are

running various courses/ programmes to meet the skilled manpower requirements of the textile industry, especially apparel, in the field of design, merchandising and marketing.

7. Construction of Apparel International Mart:

The Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from the Indian Government. This will provide a world class facility to the Company and other apparel exporters to showcase their products and will serve as one stop shop for reputed international buyers.

8. 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 India meet all international environmental standards. The Company can avail of facilities like ecotesting laboratories, which have been established to enable exporters to get garments/textiles pre-tested so that they conform to the requirements of the importing countries.

9. APPAREL Park for Exports Scheme (APES):

A centrally sponsored scheme titled "Apparel Parks for Exports Scheme" was launched to impart focused thrust on setting up of apparel manufacturing units of international standards at potential growth centers and to give fillip to exports. Since the inception of the 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).

10. 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, the Textile Centres Infrastructure Development Scheme (TCIDS) was launched for upgrading infrastructure facilities at important textile centres.

11. Scheme for Integrated Textile Parks (SITP):

To provide the textile industry with world class infrastructure facilities for setting up their textile units, the Scheme for Integrated Textile Parks has been launched by merging the existing two schemes i.e. Textile Centres Infrastructure Development Scheme (TCIDS) and Apparel Park for Exports Scheme (APES). The Government of India's support under the SITP, by way of grant or equity is limited to 40% of the project cost, subject to a ceiling of Rs. 40 crores.

12. 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.

All 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 the business leaders in the textile industry. The removal of the quota system has created a level ground for all industry participants and has thereby provided an opportunity to the Company to establish itself in the global industry on the basis of its merit and innovation.

13. Fiscal Incentives

The Indian fiscal duty structure has been generally rationalized to achieve growth and maximum value addition within the country. Additional excise duty on textiles and textile articles (AT&T) and additional excise duty (Goods of Special Importance) Act have been abolished. Except for mandatory excise duty on man-made filament yarns and man-made staple fibres, the whole value addition chain has been given an option of excise exemption. Excise duty on polyester filament yarn has been reduced.

Basic customs duty on designated textile machinery and spare parts has been reduced. The import of specified textiles and garment machinery items has been allowed at a concessional rate of customs duty to encourage investments and to make the Indian textile products competitive in the global market. The cost of machinery has also been reduced through fiscal policy measures.

14. Environmental Regulations

We are subject to Indian laws and regulations concerning environmental protection, in particular, the discharge of effluent water and solid particulate matter during our manufacturing processes. The principal environmental regulations applicable to industries in India are the Water (Prevention and Control of Pollution) Act, 1974, the Water Access Act, 1977, the Air (Prevention and Control of Pollution) Act, 1981, the Environment Protection Act, 1986 and the Hazardous Wastes (Management and Handling) Rules, 1989.

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

The PCBs located across the various States in India monitor compliance with the applicable environmental regulations. No industrial or productive facility may operate without a valid authorisation/ consent from the jurisdictional PC. PCBs routinely inspect industrial and productive facilities, to monitor compliance with applicable environmental standards and regulations, including the provisions of the Water Act and the Water Access Act. The PCBs are also empowered to grant authorisation for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

Violations of relevant environmental regulations are punishable by monetary fines and imprisonment for company officers and controlling persons. The authorities are further empowered to shut down operations of a defaulting concern.

We have established water and air pollution control systems at our dye processing plant

OUR HISTORY AND CORPORATE STRUCTURE

The Mudra Group

The Mudra Group started operations in 1986. We have facilities for manufacture of fabrics and garments, processing, design development, sampling etc. The Mudra group is promoted by Mr. Murarilal B Agrawal, Mr. Ravindra B Agarwal, and Mr. Vishwambharlal K Bhoot.

The Company

Our Company was incorporated as Bombay Fine Fabrics Private Limited on March 31, 1997. Subsequently name of the company was changed to Mudra Textiles Private Limited w.e.f. October 10, 2001. On December 1, 2005 our Company was converted into a public limited company. Name of the company was further changed to Mudra Lifestyle Limited w.e.f. December 2, 2005. In October 2004, with a view to consolidate business of our Group, East Coast Polytex, a Partnership Firm in the Group engaged in the business of weaving and two other Partnership Firms viz Mudra Exports (India) and Mudra Impex engaged in the business of Garmenting were taken over by our company. Further w.e.f April 01, 2005 Picanova Fabrics Private Limited, Mudra Synthetics Private Limited and Venus Processors Private Limited were amalgamated with our Company.

Consolidation of Our Business

The Mudra Group started its operations in 1986. Subsequently, other companies were incorporated and partnership firms were formed within the Group to carry on various aspects of the business like manufacture of fabric, sale of fabric in domestic and overseas markets and manufacture and sale of garments. The following table gives a summary of our Group:

Sr. No.	Name	Date of Incorporation/formation	Nature of Business
1	Olive Tex Silk Mills*	December 23, 1986	Manufacture of Fabrics
2	East Coast Polytex	February 28, 1993	Manufacture of Fabrics
3	Mudra Exports (India)	April 04, 1997	Manufacture of Garments & Fabrics
4	Mudra Synthetics Private Limited	September 24, 1997	Manufacture of Fabrics
5	Mudra Lifestyle Limited	March 31, 1997	Manufacture of Fabrics
6	Picanova Fabrics Private Limited	April 23, 1998	Manufacture of Fabrics
7	Olive Silk Mills Private Limited	March 15, 2000	Manufacture of Fabrics
8	Venus Processors Private Limited**	April 30, 1992*	Processing, Dyeing, And Printing.
9	Mudra Impex	April 3, 2001	Manufacture of Garments & Fabrics
10	Western India (Impex)***	August 18, 2001	Export of Fabrics

* Promoters have disassociated from this firm in tranches vide an Admission-cum-Retirement Deed

** Venus Processors Private Limited was bought by our promoters on January 29, 2001

*** Firm dissolved on June 1, 2006

The Corporate Consolidation

With an objective to consolidate business of the Mudra Group, all the group companies and partnership firms, except Olive Silk Mills Private Limited, were merged into one corporate entity, Mudra Lifestyle Limited.

Takeover of the Group partnership firms:

To strengthen our operations and corporate structure in the business of garments export, we decided to take over the businesses of Mudra Exports (India) (MEI), Mudra Impex (MI) and East Coast Polytex (ECP) our Group partnership firms with effect from October 1, 2004.

Amalgamation of Picanova Fabrics Private Limited (PFPL), Mudra Synthetics Private Limited (MSPL) and Venus Processors Private Limited (VPPL) with Mudra Lifestyle Limited (MLL).

The Bombay High Court has by, order dated January 27, 2006 approved the Scheme of Amalgamation of PFPL, MSPL, and VPPL with MLL effective April 1, 2005. The amalgamation has reduced the overlapping businesses amongst our Group entities and has synergized the manufacture and sale of woven fabrics in both domestic and overseas markets. The particulars of the group entities prior to consolidations are provided below. The valuation of the fixed assets of the transferee companies was done by the court approved valuation firm M/s Gandhi & Associates. The board of Mudra Textile Private Limited appointed an independent chartered accountancy firm M/s D Kothary and Co to prepare the report on fair basis of amalgamation of the aforesaid four companies. The report of M/s D Kothary and Co used the valuation report of M/s Gandhi and Associates to arrive at the fair value of shares using the intrinsic value of fixed assets method.

Details of ECP, MEI, ME, PFPL, MSPL and VPPL before Consolidation

East Coast Polytex (ECP)

ECP was formed as a partnership firm on February 28, 1993 to carry on the business of texturising and twisting of yarn and that of dealers, importers and exporters of textiles, dress material, suiting, shirting, garments, dress materials, or any other commodities and/or such other business or businesses as may be mutually agreed upon from time to time. ECP was dissolved on October 1, 2004 and the business was taken over by MLL on a going concern basis together with all of its assets and liabilities.

Capital holding position of ECP as on September 30, 2004

Rs. In Million

Name of Partners	Capital	% of Total
Murarilal Agarwal	7.53	28.64
Ravindra Agarwal	8.04	30.56
Narendra Agarwal	7.54	28.66
Vishwambharlal Bhoot	3.20	12.14
Total	26.30	100.00

Partners of ECP as on September 30, 2004

Immediately before dissolution of ECP, the following were the partners of the firm:

Name of Partners	Share in Business
Murarilal Agarwal	30%
Ravindra Agarwal	29%
Narendra Agarwal	28%
Vishwambharlal Bhoot	13%
Total	100 %

Financial Performance

Rs. In million

For the period ended	FY 05*	FY 04	FY03
Total Income	39.23	35.12	27.16
Profit/(Loss) after Tax	10.92	9.10	9.70
Capital	26.29	23.46	13.71

* Financials for the period starting April 1, 2004 and ending September 30, 2004

Mudra Exports (India) (MEI)

MEI was formed as a partnership firm on April 4, 1997 to carry on the business of exports and imports and to deal as cloth merchants, textile processors and commission agents and such other business or businesses as the partners may from time to time agree upon. MEI was dissolved on October 1, 2004 and the business was taken over by MLL on a going concern basis together with all of its assets and liabilities.

Capital holding position of MEI as on September 30, 2004

Rs. In Million

Name of Partners	Capital	% of Total
Murarilal Agarwal	3.24	25.63
Ravindra Agarwal	3.24	25.70
Narendra Agarwal	4.15	32.86
Vishwambharlal Bhoot	2.00	15.81
Total	12.62	100.00

Partners of MEI as on September 30, 2004

Immediately before dissolution of MEI, the following were the partners of the firm:

Name of Partners	Share in Business
Murarilal Agarwal	30%
Ravindra Agarwal	29%
Narendra Agarwal	28%
Vishwambharlal Bhoot	13%
Total	100 %

Financial Performance

Rs. In Million

For the period ended	FY 05*	FY 04	FY03
Total Income	69.20	133.88	242.16
Profit/(Loss) after Tax	0.47	2.05	18.93
Capital	12.62	18.4.5	15.45

* Financials for the period starting April 1, 2004 and ending September 30, 2004

Mudra Impex (MI)

MI was formed as a partnership firm on April 3, 2001 to carry on the business of exports and imports and to deal as cloth merchants, textile processors and commission agents and such other business or businesses as the partners may from time to time agree upon. MI was dissolved on October 1, 2004 and the business was taken over by MLL on a going concern basis together with all of its assets and liabilities.

Capital holding position of MI as on September 30, 2004

Rs. In Million

Name of Partners	Capital	% of Total
Murarilal Agarwal	3.57	29.29
Ravindra Agarwal	3.85	31.59
Narendra Agarwal	3.43	28.10
Vishwambharlal Bhoot	1.34	11.02
Total	12.19	100.00

Partners of MI as on September 30, 2004

Immediately before dissolution of MI, the following were the partners of the firm:

Name of Partners	Share in Business
Murarilal Agarwal	30%
Ravindra Agarwal	29%
Narendra Agarwal	28%
Vishwambharlal Bhoot	13%
Total	100 %

Financial Performance

Rs. In Million

For the period ended	FY 05*	FY 04	FY2003
Total Income	49.02	79.23	11.52
Profit/(Loss) after Tax	3.16	2.87	1.28
Capital	12.19	9.11	3.84

* Financials for the period starting April 1, 2004 and ending September 30, 2004

Picanova Fabrics Private Limited (PFPL)

PFPL was incorporated on 23rd April 1998 with the Registrar of Companies, Mumbai. The main objects of the company as contained in its Memorandum of Association are, *inter alia*, to carry on the business of and/or manufacturing, processing, spinning, doubling weaving, dyeing, mercerizing, knitting, combing, finishing, printing, sizing, squeezing, twirling, chemical processing, producing, designing, acquiring, trading, dealing, buying, selling, importing, exporting, distributing, storing, exchanging, packaging or otherwise dealing in cloth, fabrics, hosiery goods, embroidering, embroidery treads, braided threads, ribbons, tapes, saree border, woven labels, strings of all descriptions, cotton yarns, silk yarns, artificial silk, woolen, linen and other yarns. PFPL was amalgamated with MLL under a Scheme of Amalgamation approved by the Bombay High Court vide an order dated January 27, 2006.

Shareholding Pattern of PFPL as on March 31, 2005

Category	Number of Shares	%of Total
Promoters		
Murarilal Agarwal	2,35,700	26.67
Ravindra Agarwal	2,35,600	26.66
Narendra Agarwal	2,83,850	32.12
Vishwambharlal Bhoot	1,28,450	14.53
Sub Total (A)	8,83,600	99.97
Promoters Group		
Rita Devi Agarwal	10	0.00
Kunal Agarwal	10	0.00
Mayadevi Agarwal	10	0.00
Narendra Agarwal HUF	10	0.00
Narayanidevi Agarwal	10	0.00
Satyanarayan Agarwal HUF	10	0.00
Sub Total (B)	60	0.01
Promoters and Promoters Group (A+B)	8,83,660	99.98
Others	190	0.02
Total Equity Shares	8,83,850	100.00

Board of Directors of PFPL as on March 31, 2005

Name	Designation
Shri Murarilal Agarwal	Director
Shri Ravindra Agarwal	Director
Shri Narendra Agarwal	Director
Shri Vishwambharlal Bhoot	Director

Financial Performance

The audited financial performance of PFPL for three financial years ending FY 05 was as given below:

(Rs. in Million, except per share data)

For the year ended March 31,	FY 05	FY 04	FY 03
Total Income	54.12	96.67	103.70
Profit after tax	0.10	0.56	0.88
Equity Share Capital	8.84	8.84	8.84
Reserves and Surplus (Note 1)	7.12	7.00	6.42
Dividend (%)	Nil	Nil	Nil
Earning Per Equity Share (Rs.) (Note 2)	0.12	0.63	1.00
Book Value per Equity Share (Rs.) (Note 2)	18.05	17.93	17.26

Note 1 : Reserves and surplus are stated after deducting miscellaneous expenditure.

Note 2 : At a face value of Rs. 10/- each

Mudra Synthetics Private Limited (MSPL)

MSPL was incorporated on 24th September, 1997 with Registrar of Companies, Mumbai. The main objects of the company as contained in its Memorandum of Association are, inter alia, to carry on the business of manufacturers, processing, calendaring including running, of hand and power process house, buying, selling, importing, exporting, distributing, and dealing in textiles, cottons, woollens, synthetics and synthetics fibres and blends both with natural (viz. vegetable and/or animal) and man made and artificial fibres, polyester, polyamide, acrylic, poly propylene, poly nisisic, poly methane, poly acrylic and any other synthetic fibre, including running of a manufacturing unit, either unitary or composite and to take over the business of the partnership firm in the name of Mudra Synthetics.

Shareholding Pattern of MSPL as on March 31, 2005

Category	Number of Shares	%of Total
Promoters		
Murarilal Agarwal	6,20,200	31.08
Ravindra Agarwal	5,42,100	27.17
Narendra Agarwal	5,37,700	26.95
Vishwambharlal Bhoot	2,95,100	14.79
Sub Total (A)	19,95,100	99.99
Promoters Group		
Rita Devi Agarwal	10	0.00
Kunal Agarwal	10	0.00
Mayadevi Agarwal	10	0.00
Sub Total (B)	30	0.00
Promoters and Promoters Group (A+B)	19,95,130	99.99
Others	200	0.01
Total Equity Shares	19,95,330	100.00

Board of Directors of MSPL as on March 31, 2005

Name	Designation
Shri Murarilal Agarwal	Director
Shri Ravindra Agarwal	Director
Shri Narendra Agarwal	Director
Shri Vishwambharlal Bhoot	Director

Financial Performance

The audited financial performance of MSPL for three financial years ending FY 05 was as given below:

(Rs. in Million, except per share data)

For the year ended March 31,	FY 05	FY 04	FY 03
Total Income	21.05	26.31	78.78
Profit after tax	0.05	(0.32)	(0.69)
Equity Share Capital	19.95	19.95	19.95
Reserves and Surplus (Note 1)	2.39	9.93	10.22
Dividend (%)	Nil	Nil	Nil
Earning Per Equity Share (Rs.) (Note 2)	0.03	-	-
Book Value per Equity Share (Rs.) (Note 2)	11.20	14.98	15.12

Note 1 : Reserves and surplus are stated after deducting miscellaneous expenditure.

Note 2 : At a face value of Rs. 10/- each

Venus Processors Private Limited (VPPL)

VPPL was incorporated on 13th April, 1992 with Registrar of Companies, Mumbai, under the name of Abhishek Processors Private Limited, which was later changed to Venus Processors Private Limited on 7th March 2001. The main objects of the company as contained in its Memorandum of Association are, inter alia, to carry on the business of manufacturers, producers, processors, bleachers, dyers, ginners, spinners, importers, exporters, buyers, sellers of and dealers in yarns, fibres, and fabric whether synthetics, pile fabrics, artificial or natural, nylon, silk, artificial silk, cotton, wool, jute, and wool combers, worsted spinners, woolen spinners.

Shareholding Pattern of VPPL as on March 31, 2005

Category	Number of Shares	%of Total
Promoters		
Murarilal Agarwal	75,628	39.50
Ravindra Agarwal	53,960	28.18
Narendra Agarwal	48,923	25.55
Vishwambharlal Bhoot	12,950	6.76
Sub Total (A)	1,91,461	100.00
Promoters Group	Nil	0.00
Sub Total (B)	Nil	0.00
Promoters and Promoters Group (A+B)	1,91,461	100.00
Others	Nil	0.00
Total Equity Shares	1,91,461	100.00

Board of Directors of VPPL as on March 31, 2005

Name	Designation
Shri Murarilal Agarwal	Director
Shri Ravindra Agarwal	Director
Shri Narendra Agarwal	Director

Financial Performance

The audited financial performance of VPPL for three financial years ending FY 05 was as given below:

(Rs. in Million, except per share data)

For the year ended March 31,	FY 05	FY 04	FY 03
Total Income	78.56	73.92	62.67
Profit after tax	.10	.12	2.47
Equity Share Capital	19.15	16.88	16.88
Reserves and Surplus (Note 1)	(13.29)	(10.79)	(10.92)
Dividend (%)	Nil	Nil	Nil
Earning Per Equity Share (Rs.) (Note 2)	0.53	0.72	14.63
Book Value per Equity Share (Rs.) (Note 2)	30.58	36.07	35.30

Note 1 : Reserves and surplus are stated after deducting miscellaneous expenditure.

Note 2 : At a face value of Rs. 100/- each

Key Events in the History of the Mudra Group

Year	Key Events
1986	The Group commenced the business of woven fabric
1993	East Coast Polytex was formed to start manufacturing facilities for woven fabric at Daman
1997	<ul style="list-style-type: none"> ✓ Mudra Exports (India) was formed to export woven fabric and garment. ✓ Mudra Lifestyle Limited was incorporated for undertaking business of woven fabrics. ✓ Mudra Synthetics Private Limited was incorporated for undertaking business of woven fabrics at Sonale in Thane District.
1998	Picanova Fabrics Private Limited was incorporated for undertaking business of woven fabrics at Sonale in Thane District.
2001	<ul style="list-style-type: none"> ✓ Mudra Impex was formed to start manufacturing facilities for garment at Daman and export the same. ✓ Acquisition of Venus Processors Private Limited engaged in Processing, printing and dyeing.
2004	✓ Takeover of partnership firms by Mudra Lifestyle Limitedü Start of Garmenting Unit at Bangalore.
2005	Awarded contract to Gherzi Eastern Limited for technical appraisal of the Expansion Project
2006	✓ Consolidation of group companiesü Company sales cross Rs. 100 Crores
2007	Allotment of shares to SIDBI Venture Capital and SBI as a part of Pre-IPO placement.

Our Main Objects

The main objects of Mudra Lifestyle Limited as contained in its Memorandum of Association are,

1. To carry on the business of manufacturers, spinners, combers, doublers, twistors, winders, weavers, processors, dyers, bleachers, ginners, water proofers, printers, packers, balers of cotton, yarn, wool, silk, artificial silk, nylon, polyester, linen, rayon and fabrics whether artificial or natural and whether felted, knitted or looped.
2. To carry on the business as manufacturers, consigners, agents, traders, wholesalers, retailers, importers & exporters in textiles, cotton, wool, silk, nylon, silk materials, raw silk, ropes, cards, milliners, surgical cotton, surgical bandages, gauze, sanitary and other textile goods including wearing apparel, readymade garments and made-ups.

Amendments to our Memorandum of Association

Date	Particulars of Amendment
March 31, 1997	Incorporation
January 10, 2002	Increase of authorised share Capital of the Company from Rs.2,500,000/- to Rs.7,500,000
July 11, 2002	Increase of authorized share Capital of the Company from Rs.7,500,000/- to Rs.7,600,000
November 29, 2002	Increase of authorised share Capital of the Company from Rs. 76,00,000 to 10,100,000
October 1, 2004	Increase of authorised share Capital of the Company from Rs. 10,100,000/- to Rs. 100,100,000/-
November 26, 2005	Change of name of the Company from "Mudra Textiles Private Limited" to "Mudra Lifestyle Limited" and to convert the Company from a "private" to a "public" company
January 29, 2006	Alteration of the main objects of the Company.
February 23, 2006	Increase / alteration of authorised share Capital of the Company from Rs. 100,100,000/- to Rs. 260,100,000/-
August 10, 2006	Increase of authorised share Capital of the Company from Rs. 260,100,000/- to Rs. 400,100,000

Our Subsidiaries

We do not have any subsidiaries.

Shareholders Agreements

- (i) Subscription-Cum- Shareholders Agreement executed between the Company and SIDBI Venture Capital Limited.

The Company has executed a Subscription-Cum- Shareholders Agreement dated January 16, 2007 with the Promoters and the SIDBI Venture Capital Limited ('SVCL' or 'Investor' for the purpose of this clause). By virtue of this Agreement. SVCL agreed to subscribe to, and the Company agreed to issue and allot to SVCL 9,86,665 Equity Shares at a price of Rs. 75/- each at an aggregate value of Rs. 7,39,99,875/- (Rupees Seven Crores Thirty Nine Lakhs Ninety Nine Thousand Eight Hundred and Seventy Five Only). The key terms of the Agreement are summarized hereunder

1. The Company shall deposit an amount equivalent of upto 1% of the Subscription Amount to SVCL;
2. SVCL shall have the right to appoint one nominee on the Board of Directors. SVCL Nominee Director shall be on the Board for a period of one year from the date of Listing of equity shares of the Company.
3. The Promoters shall undertake that they shall not without the prior written approval of SVCL , transfer, assign, dispose of, gift, pledge, charge or in any way encumber or create any lien on the their shares, both present and those that may be allotted to them in the future by way of bonus, rights etc, or do any act which has the effect of undermining any underlying beneficiary / fiduciary rights and responsibilities of the Promoters without the express written consent of SVCL as long as it holds shares. The Company shall be a confirming party to the undertaking;

4. Subject to the provisions of the Companies Act, 1956, the Company shall not, without the prior consent in writing of SVCL, capitalise its reserves after SVCL makes the investment in the Company and till such time it holds Shares in the Company;
5. Until listing of the shares of the Company, the Company shall not make any fresh issue of capital without the prior written consent of the Investors and on terms more favourable than those offered to SVCL. The minimum offer price for the shares during the IPO shall be Rs. 75/- per share for the shares of face value of Rs. 10/- each or as otherwise approved by SVCL.
6. Until listing of the shares of the Company, the Company shall obtain prior approval in writing of SVCL before taking any decision that influences the long term performance of the Company.
7. Until listing of the shares of the Company, the Company has given SVCL a right of first refusal in any future private equity financing undertaken by the Company by making a preferential allotment of Equity Shares or any instruments convertible into Equity Shares to third parties.

Notwithstanding the above, SVCL shall, during such Preferential Allotment to a third party, be entitled to subscribe to such number of Shares, as is required to maintain the its shareholding in the Company at the same percentage as it exists prior to the Preferential Allotment, on terms no less favourable than those on which the Preferential Allotment is to be made. Where SVCL does not exercise the right of first refusal, the Company may, subject to the terms of this Agreement including those applicable to Preferential Allotment, offer such Preferential Allotment to a third party on terms no more favourable than those offered to SVCL.

8. In the event that the Company is unable to make an IPO by June 30, 2007 or provide SVCL with a mutually acceptable exit option, the Promoters and the Company will render all necessary assistance to SVCL in making an offer for sale of SVCL's Shares on stock exchange(s) at such price and other terms and at such time as may be decided by SVCL at its sole discretion. The Promoters shall also offer for sale to the public their shareholding in the Company to the extent required by law for securing listing of the Shares on a recognised stock exchange.

Without prejudice to the above, in the event that the listing of the Equity Shares as stated above is not implemented by June 30, 2007, SVCL shall have the following rights which it may exercise at its option without prejudice to each other:

- a. right to sell the its Shares to any third party or Strategic Investor at any price determined by the Investor. In such event, the Promoters shall be bound by the Drag Along provision below.
- b. The right to require the Company to buy back the its Shares and/or the Promoters to buy SVCL's Shares
9. In the event that the Promoters transfer / sell any part of their shareholding in the Company, after having obtained the written consent from the Investor, then the Promoters shall arrange for a pro rata tag-along option for SVCL for all or such number of Equity Shares as SVCL may wish to sell on terms no less favourable than those offered to the Promoters;
10. In the event that SVCL exercises its right to sell its Shares to any third party ("**Potential Buyer**") or Strategic Investor and SVCL receives an offer from Potential Buyer or Strategic Investor and on being offered a right of first refusal, the Promoters do not accept such offer unconditionally within 30 days of the offer or make payment to SVCL for buying SVCL's shares within 30 days of the unconditional acceptance of the offer, then SVCL shall have the option to sell its Shares to Potential Buyer or Strategic Investor. In such event, each of the Promoters shall be obligated to sell along with SVCL such quantum of their shareholding in the Company on a pro rata basis, as may be required to enable SVCL to sell its Shares.
11. Subject to applicable laws, the Company and the Promoters hereby agree and confirm that in the event of a failure to get the Equity Shares of the Company listed before June 30, 2007 or such extended period as agreed to by SVCL in writing, SVCL shall additionally have the option to require the Promoters (either directly or through a third party nominated by the Promoters) to purchase or the Company to buyback all shares held by SVCL, at such time as may be decided by SVCL and at such price that provides a return of 25% on IRR basis. The Promoters undertake and agree that the Investor shall have a preferential right over the Promoters and other shareholders in respect of a buyback of Shares by the Company and that if required by the Investor, the Promoters will not offer their Shares for such buyback.

12. The Company shall consider and decide the following matters only at meetings of the Board unless the Investor specifically agrees otherwise in writing. Further, in addition to and without prejudice to the rights of the Investor provided elsewhere in this Agreement, no resolution(s) concerning these matters can be validly passed and no action taken by the Company unless the affirmative vote(s) of the Investor Nominee Director or the express written approval of the Investor is obtained for it:

- Long term exclusive - arrangements with group/associate companies of Promoters;
- Capital expenditure in excess of 20% over the approved annual Business Plan;
- Purchase and sale of assets upto Rs. 5 Crores.
- Selection/change in of top management
- Proposal for any expansion or diversification;
- Approval of the budget for revenue or capital expenditure either on an annual basis or more frequently if so desired;
- Listing of Shares on stock exchanges and matters connected therewith, including the timing, pricing etc;
- Any borrowing either short term or long term and repayment of the same;
- Investments to be made by the Company;
- Finalisation of accounts, formulation/change in accounting policies, declaration of dividend;
- Any Liquidation Event that facilitates exit to the Investor including any merger or consolidation with another Company;
- Any alteration of any rights of any class of Shareholders;
- Any amendment to the Articles of Association of the Company;
- Sale or license of any intellectual property owned by the Company;
- Issuance of Shares or any other securities of the Company or any transfer or encumbrance on any Shares held by any Shareholder other than the Investor;
- Entering into strategic alliances, mergers, acquisitions, capital restructuring or sale of assets having significant impact on the Company's business;
- Payment of dividends;
- Changes to size / election procedure of Board;
- Any agreement to transfer Shares of the Company to a third party / independent group;
- Appointment of internal and statutory auditors;
- Future Stock option or additional/new profit sharing scheme for the employees;
- Induction or removal of a whole time director or managing director;
- Changes in the accounting policies;
- Any buy back of Equity Shares;
- Changes in the business plan;
- Any acquisition or a new company formation by the Company;
- Any change in any marketing arrangement of the Company;
- Any grant of loans by the Company;
- Creation of a subsidiary or permitting another company to become a subsidiary of the Company.

The agreement provides that the terms as detailed in points 3 to 12 hereinabove shall and cease to have effect upon the listing of the Company's shares on the stock exchanges.

(ii) Subscription-Cum- Shareholders Agreement executed between the Company and State Bank of India .

The Company has executed a Subscription-Cum- Shareholders Agreement dated January 15, 2007 with the Promoters and the State Bank of India (SBI or 'Investor' for the purpose of this clause). By virtue of this Agreement., SBI agreed to subscribe to, and the Company agreed to issue and allot to SBI 933,335 Equity Shares at a price of Rs. 75/- each at an aggregate value of Rs. 70,000,125/- (Rupees Seventy million One Hundred and Twenty Five Only). The key terms of the Agreement are summarized hereunder

1. The Promoters shall undertake that they shall not without the prior written approval of SBI , transfer, assign, dispose of, both present and those that may be allotted to them in the future by way of bonus, rights etc, or do any act which has the effect of undermining any underlying beneficiary / fiduciary rights and responsibilities of the Promoters without the express written consent of the Investor as long as the Investor holds Investor Shares. The Company shall be a confirming party to the undertaking;
2. Until listing of the shares of the Company, the Company shall not make any fresh issue of capital without the prior written consent of the Investors and on terms more favourable than those offered to the Investors. The minimum offer price for the shares during the IPO shall be Rs. 75/- per share for the shares of face value of Rs. 10/- each or as otherwise approved by SBI.
3. In the event that the Company is unable to make an IPO by June 30, 2007 or provide SBI with a mutually acceptable exit option, the Promoters and the Company will render all necessary assistance to SBI in making an offer for sale of SBI's Shares on stock exchange(s) at such price and other terms and at such time as may be decided by SBI at its sole discretion. The Promoters shall also offer for sale to the public their shareholding in the Company to the extent required by law for securing listing of the Shares on a recognised stock exchange.

Without prejudice to the above, in the event that the listing of the Equity Shares as stated above is not implemented by June 30, 2007, SBI shall have the following rights which it may exercise at its option without prejudice to each other:

- c. right to sell the Investor Shares to any third party or Strategic Investor at any price determined by the Investor. In such event, the Promoters shall be bound by the Drag Along provision below.
- d. The right to require the Company to buy back the Investor Shares and/or the Promoters to buy SBI's Shares
4. In the event that the Promoters transfer / sell any part of their shareholding in the Company, after having obtained the written consent from the Investor, then the Promoters shall arrange for a pro rata tag-along option for SBI for all or such number of Equity Shares as SBI may wish to sell on terms no less favourable than those offered to the Promoters;
5. In the event that SBI exercises its right to sell its Shares to any third party ("**Potential Buyer**") or Strategic Investor and SBI receives an offer from Potential Buyer or Strategic Investor and on being offered a right of first refusal, the Promoters do not accept such offer unconditionally within 30 days of the offer or make payment to SBI for buying SBI's shares within 30 days of the unconditional acceptance of the offer, then SBI shall have the option to sell its Shares to Potential Buyer or Strategic Investor. In such event, each of the Promoters shall be obligated to sell along with SBI such quantum of their shareholding in the Company on a pro rata basis, as may be required to enable SBI to sell its Shares.
6. Subject to applicable laws, the Company and the Promoters hereby agree and confirm that in the event of a failure to get the Equity Shares of the Company listed before June 30, 2007 or such extended period as agreed to by SBI in writing, SBI shall additionally have the option to require the Promoters (either directly or through a third party nominated by the Promoters) to purchase or the Company to buyback all shares held by SBI, at such time as may be decided by SBI and at such price that provides a return of 25% on IRR basis which will be determined by an independent firm of chartered accountants appointed by the Investor. The Promoters undertake and agree that the Investor shall have a preferential right over the Promoters and other shareholders in respect of a buyback of Shares by the Company and that if required by the Investor, the Promoters will not offer their Shares for such buyback.

The agreement provides that the terms as detailed in points 1 to 6 hereinabove shall and cease to have effect upon the listing of the Company's shares on the stock exchanges.

Other Agreements

We have executed a Debenture Trust Deed with IDBI Trusteeship Services Limited in respect of the NCDs dated December 5, 2006 issued by the Company For further details please refer to the chapter 'Outstanding Litigations and Material Development' on page 140 of this Red Herring Prospectus.

Strategic and Financial Partners

We do not have any Strategic and Financial Partners.

OUR MANAGEMENT

BOARD OF DIRECTORS

Under its Articles of Association, the Company is required to have at least 3 Directors and not more than 12 Directors. As at the date of this Red Herring Prospectus, the Company has six Directors.

The Board as on October 15, 2006 comprises the following Directors.

S. No.	Name	Designation
1	Mr. Murarilal Agarwal	Chairman and Managing Director
2	Mr. Ravindra Agarwal	Joint Managing Director
3	Mr. Vishwambharlal K. Bhoot	Executive Director
4	Dr. Surendra Ambalal Dave	Independent Director
5	Mr. Subhash Chandra Bhargava	Independent Director
6	Mr. K.K. Maheshwari	Independent Director

Note: By Virtue of the Subscription cum Shareholders Agreement dated January 16, 2007 executed with SIDBI Venture Capital Limited, SIDBI Venture Capital Limited is entitled to appoint its nominee on the Board of the Company. We shall, upon his appointment also comply the Clause 49 of the Listing Agreement vis-à-vis composition of the Board.

The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospectus:

Names	Date of Appointment	Date of Birth	Designation	Address	Occupation	Directorships in other companies
Mr. Murarilal Agarwal Fathers Name: Shri Bisesar Lal Agarwal	March 31, 1997	November 14, 1957	Managing Director and Chairman	703, Minaxi Apartment, Gokuldham, Goregaon, Mumbai – 400 063	Industrialist	Olive Silk Mills Private Limited
Mr. Ravindra Agarwal Fathers Name: Shri Bisesar Lal Agarwal	March 31, 1977	December 20, 1960	Joint Managing Director	803, Orchid Building, Vasant Valley, Malad (E), Mumbai – 400 097	Industrialist	Olive Silk Mills Private Limited
Mr. Vishwambharlal Bhoot Fathers Name: Shri Kanhaiyalal Bhoot	December 12, 2001	July 10, 1941	Executive Director	302, Rajnigandha, Film City Road, Gokuldham, Goregaon (E), Mumbai – 400 063	Industrialist	Olive Silk Mills Private Limited
Dr. Surendra Dave Fathers Name: Shri Ambalal Dave	April 28, 2006	August 03, 1936	Independent Director	17/31, MHB Colony, Bandra Reclamation, Bandra (W), Mumbai - 50	Professional Director	<ul style="list-style-type: none"> ● Escorts Limited ● HDFC Limited ● Indo National Limited ● Phoenix Township Limited ● Plus Papers Limited ● Quantum Information Services Limited ● SBI DFHI Limited ● Shrenuj & Company Limited ● CMIE Private Limited ● Nitin Fire Protection Industries Ltd. ● Paras Pharmaceuticals Ltd.

Names	Date of Appointment	Date of Birth	Designation	Address	Occupation	Directorships in other companies
Mr. Subhash Chandra Bhargava Fathers Name: Shri Jyoti Swarup Bhargava	April 28, 2006	July 20, 1945	Independent Director	Flat No. 14, Queens Court, Maharshi Karve Rd., Churchgate, Mumbai - 20	Professional Director	<ul style="list-style-type: none"> ● UTI AMC Pvt. Limited ● Aditya Birla Nuvo Limited ● DCM Shriram Consolidated Limited ● Bank of Maharashtra ● Escorts Limited ● Swaraj Engine Limited ● Jaiprakash Associates Limited ● Jaiprakash Enterprises Limited ● Jaiprakash Power Ventures Limited ● Jaypee Cement Limited ● Srei Venture Capital Limited ● OTC Exchange of India ● OTC Securities Limited ● IL&FS Insurance & Risk Management Services Limited ● IL&FS Academy for Insurance & finance Limited ● All Bank Finance Limited
Mr. K.K.Maheshwari Father's Name: Shri R.K.Maheshwari	September 16, 2006	June 30, 1962	Independent Director	214, Raghava Ratna Towers, Chirag Ali Lane, ABIDS, Hyderabad – 500 001.	Business	<ul style="list-style-type: none"> ● CIL Securities Limited ● CIL Finstocks (P) Limited ● CIL Industries limited ● CIL Financial Services Limited ● CIL Commodities Private Limited ● Hiflex Hoses (P) Limited

Mr. Murarilal Agarwal, aged 49 years, Chairman and Managing Director, is a commerce graduate. He is the founder of the MUDRA group and has over 25 years experience in various facets of the textile industry. Shri Agarwal, as Executive Chairman, overlooks the entire working and affairs of the company's management. He presently holds 8,481,322 equity shares in the Company. He is the member of the Shareholders/ Investor's Grievance Committee

Mr. Ravindra Agarwal, aged 46 years, Joint Managing Director, has done his M.A. (Gold Medalist) from Mumbai University. He has experience of over 18 years in the textile industry. He heads the Finance and Marketing Functions of the company. He is supported by a team of experienced professionals. He presently holds 8,450,763 equity shares in the Company. He is the member of the following committees of the board:-

- Audit Committee
- Remuneration Committee
- Shareholders/ Investor's Grievance Committee

Mr. Vishwambharlal Bhoot, aged 65 years, is a matriculate and has experience of over 38 years in the textile industry. He controls the company's administration and accounting functions. He is supported by a team of experienced professionals. He presently holds 2,679,504 equity shares in the company.

Dr. S.A.Dave, aged 70 years, is an Independent Director on our Board. He has over forty four years of professional experience as an Economist. He is currently Chairman of Centre for Monitoring Indian Economy, the premier economic monitoring institution in the country, prior to that he had a diversified work exposure with Reserve Bank of India, IDBI, SEBI and Unit Trust of India. He was founder chairman of SEBI and also chairman of Unit Trust of India from where he retired in 1996. By training he is an economist and topped the list of students both as BA and MA level in economics in the University of Bombay. He has been associated with various Committees of Government of India dealing with reforms in the Capital Market, Mutual Funds Sector, Insurance Sector and Pensions. He does not hold any equity shares in the Company. He is the member of the following committees of the board:-

- (i) Remuneration Committee
- (ii) Shareholders/ Investor's Grievance Committee
- (iii) Audit Committee

Mr. S.C.Bhargava, aged 61 years, is an Independent Director on our Board. He has around 39 years of experience as financial expert. He retired as Executive Director (Investment), Life Insurance Corporation of India on July 31, 2005. He has had training in finance from reputed institutions such as Indian Institute of Management, Ahmedabad and Manchester Business School, UK. He has also worked as member of technical advisory committee on money, foreign exchange and government securities market, Reserve Bank of India,. Currently he is on the board of various reputed organisations. He does not hold any equity shares in the Company. He is the member of the following committees of the board:-

- (i) Audit Committee
- (ii) Remuneration Committee
- (iii) Shareholders/ Investor's Grievance Committee

Mr. K.K. Maheshwari, aged 44 years, is an independent Director on the Board of the Company. He has over 20 years experience in the areas of finance. He is on the Board of CIL Securities Limited, CIL Finstocks Limited, CIL Industries Limited. CIL Financial Services Limited, CIL Commodities Private Limited and Hifex Hoses Private Limited. He does not hold any equity shares in the Company.

Remuneration of Directors

Mr. Murarilal Agarwal

The members of our Company have vide resolution passed in the meeting held on April 25, 2006 approved the appointment of Mr. Murarilal Agarwal as Managing Director of the Company for a period of five years with effect from April 1, 2006 on the following terms and conditions:

1. Salary : Rs 100,000 per month
2. Bonus: equivalent of one month's salary
3. Perquisites and allowances including Rent free furnished accommodation or HRA to the extent of 40% of salary, Provident fund and superannuation fund contribution, medical reimbursement, club membership fees, personal accident insurance, use of car, telephone, LTA, bonus, gratuity etc. as per the rules of our Company.

Mr. Ravindra Agarwal

The members of our Company have vide resolution passed in the meeting held on April 25, 2006 approved the appointment of Mr. Ravindra Agarwal as Joint Managing Director of the Company for a period of five years with effect from April 1, 2006 on the following terms and conditions:

1. Salary : Rs 100,000 per month
2. Bonus: equivalent of one month's salary
3. Perquisites and allowances including Rent free furnished accommodation or HRA to the extent of 40% of salary, Provident fund and superannuation fund contribution, medical reimbursement, club membership fees, personal accident insurance, use of car, telephone, LTA, bonus, gratuity etc. as per the rules of our Company

Mr. Vishwambharlal K. Bhoot

The members of our Company have vide resolution passed in the meeting held on April 25, 2006 approved the appointment of Mr. Vishwambharlal Bhoot as Director (Executive) of the Company for a period of five years with effect from April 1, 2006 on the following terms and conditions:

1. Salary : Rs 100,000 per month
2. Bonus: equivalent of one month's salary

3. Perquisites and allowances including Rent free furnished accommodation or HRA to the extent of 40% of salary, Provident fund and superannuation fund contribution, medical reimbursement, club membership fees, personal accident insurance, use of car, telephone, LTA, bonus, gratuity etc. as per the rules of our Company

Minimum Remuneration

Where in any financial year during the currency of the tenure of the appointee, the company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above, provided that the total remuneration by way of salary, perquisites and any other allowances shall not exceed the ceiling as provided in section II of Part II of Schedule XIII of the said Act or any amendments thereto.

Borrowing powers of the Board

Our Articles, subject to the provisions of the Act, authorise our Board, at its discretion, to generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Our members have, pursuant to a resolution dated January 29, 2006 authorised our Board to borrow monies together with moneys already borrowed by us, in excess of the aggregate of the paid-up capital of the Company and its free reserves, not exceeding Rs. 3000 million at any time.

Compliance with Corporate Governance requirements

We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

- (a) Audit Committee;
- (b) Shareholders'/ Investors' Grievance Committee;
- (c) Remuneration Committee;

Audit Committee

The Audit Committee was constituted on December 5, 2005 and it was reconstituted last on April 28, 2006. It functions as prescribed under Section 292(A) of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The members are:

Name	Position
Mr. S.C. Bhargava	Chairman – Independent Director
Dr. S.A. Dave	Member – Independent Director
Mr. Ravindra Agarwal	Member – Executive Director

The terms of reference of the Audit Committee are broadly as under:

- Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information are disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fees and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - any changes in accounting policies and practices;
 - major accounting entries based on exercise of judgment by management;
 - qualifications in draft audit report;
 - significant adjustments arising out of audit;
 - the going concern assumption;
 - compliance with accounting standards;

- any related party transactions as per Accounting Standard 18;
- Compliance with stock exchange and legal requirements concerning financial statements (upon listing of shares);
- Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Shareholders/ Investors' Grievance Committee

A Board committee under the chairmanship of non-executive independent director formed to specifically look into the redressal of shareholder and investor complaints

Name	Position
Dr. S.A. Dave	Chairman
Mr. S.C Bhargava	Member
Mr. Ravindra Agarwal	Member
Mr. Murarilal Agarwal	Member

The Committee has been formed to look into redressal of shareholders' / Investors' complaints relating to transfer of shares, non receipt of Balance Sheet, non receipt of dividend or any other matters, as also to approve requests requiring issue of new share certificates

Remuneration Committee

The remuneration committee is constituted as under:

Name	Position
Dr. S.A. Dave	Chairman
Mr. S.C. Bhargava	Member
Mr. Ravindra Agarwal	Member

The broad terms of reference of the Committee are:

- To review the Company's remuneration policy on specific remuneration packages to executive directors including pension rights and any compensation payment while striking a balance with the interest of the Company and the shareholders.
- To approve the Annual Remuneration Plan of the Company

IPO Committee

The committee was constituted on September 16, 2006. The Board has appointed this committee to oversee and administer the activities to be undertaken for this Issue.

The members of the IPO Committee are:

Name	Position
Mr. Murarilal Agarwal	Chairman
Mr. Ravindra Agarwal	Member
Mr. Vishwambharlal Bhoot	Member

Share holdings of Directors

The list of Directors holding Equity Shares and the number of Equity Shares held by each of them as on October 15, 2006 is given below:

S. No.	Directors	No. of Equity Shares
1	Mr. Murarilal Agarwal	8,481,322
2	Mr. Ravindra Agarwal	8,450,763
3	Mr. Vishwambharlal Bhoot	2,679,504

Note: As per the Articles of Association of the Company, a director is not required to hold any qualification share in the Company.

Interests of Directors

All Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of, reimbursement of expenses payable to them. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in the Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

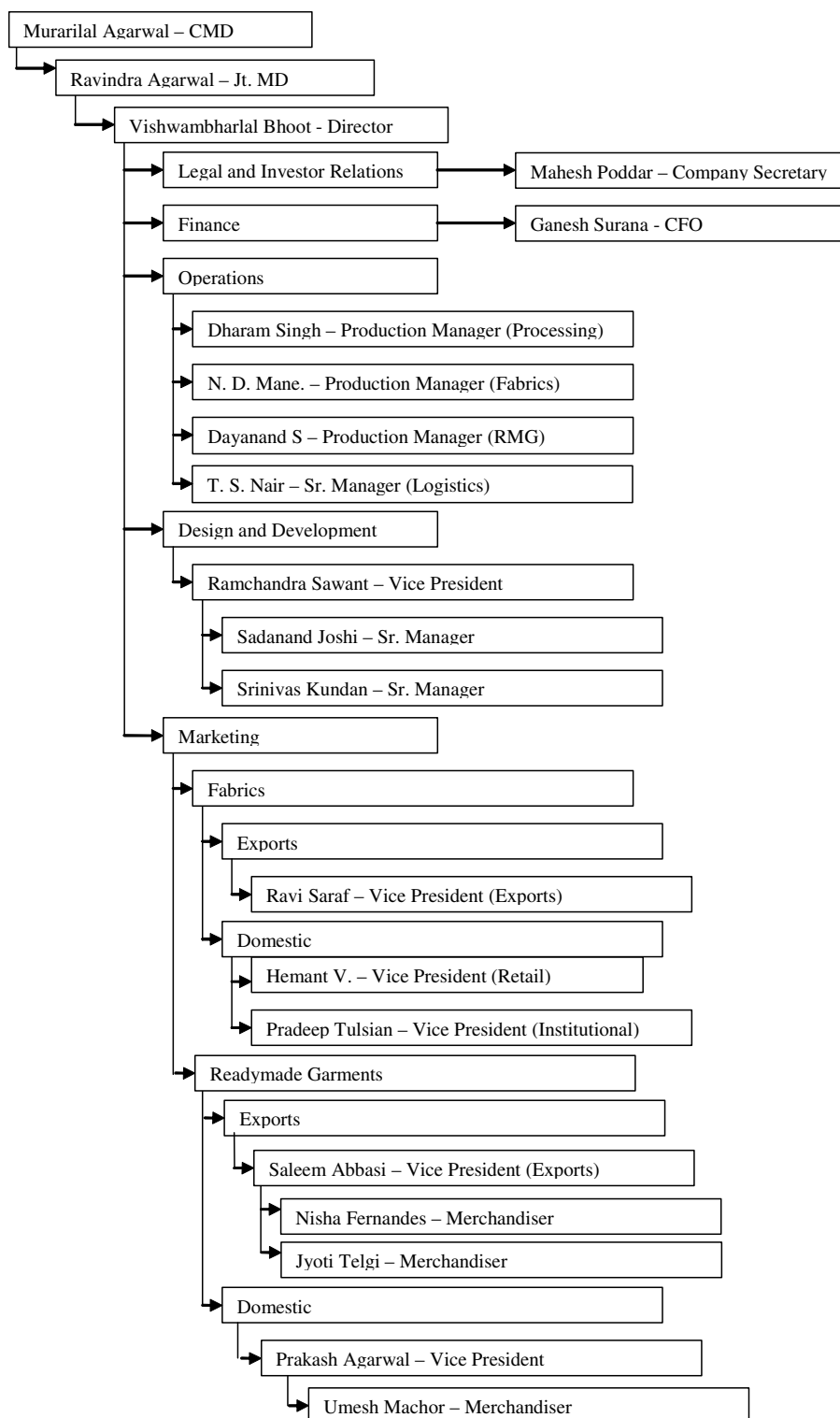
Our Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trusts, in which they are interested as Directors, members, partners or trustees.

Changes in the Board of Directors during the last Three years

The Changes in the Board of Directors during the last three years are as follows:-

Name	Date of Appointment	Date of Cessation	Remarks
Mr. Murarilal Agarwal	April 1, 2006	-	Appointed as Chairman & Managing Director
Mr. Ravindra Agarwal	April 1, 2006	-	Appointed as Jt. Managing Director
Mr. Vishambharlal Bhoot	April 1, 2006	-	Appointed as Whole Time Director
Dr. S. A Dave	April 28, 2006	-	Appointment as Independent Director
Mr. S. C Bhargava	April 28, 2006	-	Appointment as Independent Director
Mr. Narendra Agarwal	March 31, 1997	July 10, 2006	Resigned with other pre-occupancies
Mr. K.K. Maheshwari	September 16, 2006	-	Appointment as Independent Director

Organisational Structure:



Key Managerial Personnel of the Company.

1. **Mr. Prakash Agarwal**, aged 43 years, Vice President (Garment Domestic), is working with us since 1986 i.e. inception of the group. He is member of The Institute of Cost and Works Accountants of India and Commerce Graduate from Sydenham College, Mumbai University. He is presently in manages the domestic market garment division. Prior to which, he was in production and marketing and accounting & financial functions of the Mudra Group.
2. **Mr. Ravi Prakash Saraf**, 31 years, Vice President (Fabric Export), is working with us from March 2001. Prior to joining our Company he was associated with Siyaram Silk Mills as an Export Executive for around 3 years. He has done B.Com from Sydenham College, Mumbai University with distinction marks and PGDBM from Sydenham Institute of Management, Research and Entrepreneurship Education, Mumbai University.
3. **Mr. Saleem Aijaj Abbasi**, 36 years, Vice President (Garment Export), is with our group since February 2005. Prior to joining our Company he was with Misuki Exports, Quest Clothing Co., SPL Ind. Ltd. and Toy N Toy Intl. at various senior level positions. He is B.A. (English Hons.) from Delhi University. He has also done Fabric Styling & Production Technology from NIFT
4. **Mr. Ganesh Surana**, 45 years, Chief Financial Officer is with us since July, 2006. He has over 20 years of experience including 18 years of experience in textile industry. Prior to joining our Company he has worked with Blue Blends India Limited and Sharp Industries Limited. He is fellow member of The Institute of Chartered Accountants of India and Commerce Graduate from Rajasthan University. He has got wide experience in all aspects of Accounts, Finance, taxation and MIS.
5. **Mr. Dharam Singh**, 44 years, Production Manager (Processing), is looking after all the activities relating to processing and he is with us since December 2005. He has over 23 years of experience in textile industry. Prior to joining our Company, he has worked with Samarath Knitters Pvt. Ltd., Sharda Textile mills, Trimurti Textile and Shri Hari Mills. He has done B.Sc. in chemistry from Mumbai university.
6. **Mr. Pradeep V. Tulsyan**, 32 years, Vice President, (Fabric Domestic Institutional) is with our group since 1999. He has over 7 years of rich experience in textile industry. He is Commerce Graduate from Mumbai University.
7. **Mr. Mahesh K. Poddar**, 32 years, Company Secretary and Compliance Officer, is with our group since March 2006. Prior to joining our Company he has worked with Vikas WSP Limited as General Manager (Operations) & Company Secretary & with Mukerian Papers Limited as Company Secretary.

He is an Associate Member of the Institute of Company Secretaries of India. He is also Law Graduate from Rajasthan University, Jaipur and Diploma in Labour Law from MDS University, Ajmer. He is Commerce Graduate from MDS University, Ajmer with a 4th Rank in the University.
8. **Mr. Hemant Vikam**, 47 years, Vice President (Fabrics Domestic Retail), has joined recently our company w.e.f. March, 2006. He has over 26 years experience in textile industry. Prior to joining our company he has worked with Mafatlal, Century Enka, Akruiti Silk Mills, Donear Industries and Arvind Ind. Ltd. He is B.Text from V.J.T.I., Mumbai and also done Diploma in Marketing Management and Financial Management.
9. **Mr. Ramchandra Krishna Sawant**, 52 years, Vice President (Design & Development) is with our group since January, 1992. He has over 22 years experience in textile industry. Prior to joining our Company he has worked with Mukesh Textile Mills for over 8 years.

He is Inter Science from Mumbai University. He has a very good understanding of the upcoming trends in fabric market.
10. **Mr. Sadanand S. Joshi**, 39 years, Sr. Manager (Design & Development) is with our group since December, 2003. He has over 18 years experience in textile industry. Prior to joining our Company he has worked with Tunicas, as Designer for over 4 years. He has also worked with Ajanta Fabritex Pvt. Ltd. as designer for over 6 years. In the Initial stages of his career he has worked with Kriplon Silk Mills and National Textile Corporation. He is Diploma in Textile (Weaving Technology).

11. **Mr. Dayanand Sunder**, 40 years, Production Manager (Fabric), is with our group since June 2005. Prior to joining our Company he was with Gokuldas Exports, Bangalore Clothing and Shahi at various Sr. Level Position. He is B. Com. from Mangalore University.
12. **Mrs. Nisha Jude Feranandes**, 40 years, Merchandiser (Readymade Garments), is with us from July 2005. Prior to joining our Company she was working as Merchandiser Manager with Grey's EXIM for 11 years. Also she was working as Merchandiser and Production co-ordination with Choudhary International and B'Sorbji for 4 years each. She has done B.Com and L.L.B from Bombay University.
13. **Mr. N.D.Mane**, Production Manager (Fabric) at Bhiwandi, aged 38 years, holds a Diploma in Textile Manufacturing. He has about 8 years of experience in fabric manufacturing. Prior to joining the group he has worked with Donear Industries, Sat Karan Textiles and Creative M.

Shareholding of the Key Managerial Personnel

None of the Key Managerial Employees hold any Equity Shares of Mudra Lifestyle Limited

Changes in the Key Managerial Personnel during the last three years.

The changes in the Key Managerial Personnel in the last three years are as follows:

Name of Employee	Date of Appointment/ Resignation	Designation	Reason for Change
Mr. Saleem Aijaj Abbasi	February, 2005	Vice President (Garment Export)	Appointment
Mr. Ganesh Surana	July, 2006	Chief Financial Officer	Appointment
Mr. Dharam Singh	December, 2005	Production Manager (Processing)	Appointment
Mr. Mahesh K. Poddar	March, 2006	Company Secretary	Appointment
Mr. Hemant Vikam	March, 2006	Vice President (Fabrics Domestic Retail)	Appointment
Mr. Sadanand S. Joshi	December, 2003	Sr. Manager (Design & Development)	Appointment
Mr. Dayanand Sunder	June, 2005	Production Manager (Garment)	Appointment
Mrs. Nisha Jude Feranandes	July, 2005	Merchandiser (Readymade Garments)	Appointment
Mr. Vinayak Barhate	July, 2006	Vice President (Fabrics Domestic Retail)	Resignation
Mr. S.K.Jain	August, 2006	Chief Financial Officer	Resignation

Payment or benefit to our officers

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

Other than as disclosed in the section titled "Financial Statements" on page 104 of this Red Herring Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

OUR PROMOTERS & PROMOTER GROUP

Our Promoters are Mr. Murarilal Agarwal, Mr. Ravindra Agarwal and Mr. Vishwambarlal Bhoot



Name	Mr. Murarilal Bisesarlal Agarwal
Date of Birth	14/11/1957
Age	49 years
Address	703-704, Minaxi Apartments, Filmcity Road, Gokuldham, Goregaon (East), Mumbai – 400 063.
Designation	Chairman and Managing Director
Qualification	B.Com
Experience	25 years
PAN	ADOPA8257C
UIN (MAPIN) No.:	Not applied for
Driving License No.	Not applied for
Bank Account no.	State Bank of India, Andheri (East) #3005663337-7
Passport No.	F1460129 <i>Date of Issue: 16/11/2004</i> <i>Date of Expiry: 25/02/2008</i>
Voters Id:	Not applied for
Occupation	Business

Brief Profile: Mr. Agarwal is a commerce graduate, aged 49 years. He is the founder of the MUDRA group and has over 25 years experience in various facets of the textile industry. Shri Agarwal, as Executive Chairman, overlooks the entire working and affairs of the company's management.



Name	Mr. Ravindra Bisesarlal Agarwal
Date of Birth	20/12/1960
Age	46 years
Address	803-804, Orchid Building, Vasant Valey, Malad (East), Near Dindoshi Depot, Mumbai – 400 098.
Designation	Joint Managing Director
Qualification	M.A. from Mumbai University
Experience	19 years
PAN	ADPPA1180R
UIN (MAPIN) No.:	Not applied for
Driving License No.	MH02-99 6/135
Bank Account no.	State Bank of India, Andheri (East) #1051230871-4
Passport No.	Z-1592149 <i>Date of Issue: 24/11/2003</i> <i>Date of Expiry: 28/05/2012</i>
Voters Id:	MT/09/042/637780
Occupation	Business

Brief Profile: He, aged 46 years, has done his M.A. (Gold Medalist) from Mumbai University. He has experience of over 18 years in the textile industry. He heads the Finance and Marketing Functions of the company. He is supported by a team of experienced professionals.



Name	Mr. Vishwambharlal K. Bhoot
Date of Birth	10/07/1941
Age	65 Years
Address	302, Rajnigandha Apartments, Film City Road, Gokuldham, Goregaon (East), Mumbai 400 063
Designation	Executive Director
Qualification	Matriculate
Experience	38 years
PAN	AENPB1243F
UIN (MAPIN) No.:	Not applied for
Driving License No.	Not Applied For
Bank Account no.	Oriental Bank of Commerce, Andheri(West) # 4796
Passport No.	E-4809911, <i>Date of Issue:</i> 19/03/2003, <i>Date of Expiry:</i> 18/03/2013
Voters Id:	Not Applied for
Occupation	Business

Brief Profile: He is a matriculate, aged 65 years, and has experience of over 38 years in the textile industry. He controls the company's administration and accounting functions. He is supported by a team of experienced professionals.

Common Pursuit

There are no common pursuits in the business of the Company and other companies promoted by the promoters of the Company other than as described in the RHP.

Companies of the promoter group/subsidiaries referred to BIFR/under winding up/ having negative net worth

Mudra Lifestyle limited has no subsidiaries; neither there is any promoter group

Interest of the Promoters

The Promoters may be deemed to be interested to the extent of shares held by them, benefits arriving from their holding directorship in the company. Except as disclosed in related party transaction, the Promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits, if any.

Payment of benefits to our Promoters

Except as stated in the section titled "Related Party Transactions" beginning on page 102 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Red Herring Prospectus.

Other Confirmations

We confirm that the details of the permanent account numbers, bank account numbers and passport numbers of our Promoter, namely, have been submitted to the Stock Exchanges at the time of filing this Red Herring Prospectus with the Stock Exchanges.

Sales or Purchase between companies in the Promoter Group

There have been no sales or purchases between companies in the promoter group of the Company exceeding in value in the aggregate 10% of the total sales or purchases of the Company.

Promoter Group Companies and Entities

Our company does not have a promoter group.

Companies with which the Promoters / Promoter Group have disassociated in the last three years.

- Our Promoters alongwith Mr. Narendra Agarwal had formed a partnership firm named M/s. Western India Impex. The firm came into existence on August 16, 2001 vide a deed of partnership.

Our promoters have dissolved the firm vide a Dissolution Deed executed on June 1, 2006. This decision was taken by promoters to dissolve the firms in which common pursuits exists.

Western India Impex was formed to carry on the business of exports and imports and to deal as cloth merchants, textile processors and commission agents and such other business or businesses as the partners may from time to time agree upon.

- Our Promoters alongwith Mr. Narendra Agarwal had formed a partnership firm named M/s. Olive Tex Silk Mills. The firm came into existence on December 23, 1986 vide a deed of partnership. From time to time partners were admitted in the firm.

Our Promoters have disassociated from this firm in tranches firstly vide an Admission-cum-Retirement Deed executed on June 28, 2006, wherein Mr. Vishwambharlal Bhoot, Mrs. Ritadevi Agarwal and Mr. Ravindra Agarwal were retiring partners whereas Mrs. Maya Narendra Agarwal and Mr. Kunal Narendra Agrawal were admitted as the partners. Secondly vide a Retirement Deed executed on September 1, 2006, wherein Mr. Murarilal Agarwal was retiring partner. This decision by the Promoters of our company as a part of family settlement where in common control in Olive Tex Silk Mills and Mudra Lifestyle was relinquished in the favour of the counterparty. Subsequently, none of our promoters have any association with Olive Tex Silk Mills.

For more details please see section titled “Financial Information Of Group Companies” on page no. 120 of the RHP.

RELATED PARTY TRANSACTIONS

Statement of Related Party Transactions

(Rs.in millions)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Group companies/firms						
Picanova Fabrics Pvt. Ltd.						
- Weaving charges paid	-	0.03	-	0.40	-	-
- Purchase from	-	-	-	16.05	-	-
- Weaving charges received	-	-	-	0.61	-	-
- Sales to	-	-	2.78	-	-	-
Mudra Synthetics Pvt. Ltd.						
- Weaving charges paid	-	0.42	-	7.87	-	-
- Purchase from	-	7.26	-	-	-	-
Venus Processors Pvt. Ltd.						
- Processing charges paid	-	8.75	6.93	25.54	-	-
Mudra Exports (India)						
- Purchase	-	-	0.82	-	-	-
- Sales & Service charges	-	3.95	6.17	0.40	-	-
East Coast Ploytex						
- Purchase from	-	-	0.03	-	-	-
Mudra Impex						
- Sales & Service charges	-	-	0.75	0.29	-	-
Olive Tex Silk Mills						
- Weaving charges paid	-	0.84	0.30	2.53	5.90	3.32
Western India Impex						
- Purchase from	-	-	-	-	6.34	-
- Sales to	-	0.04	4.90	-	-	-
Key Managerial Personnel						
Directors Remuneration						
Murarilal B Agarwal	-	-	-	0.12	0.08	0.60
Ravindra B Agarwal	-	-	-	0.12	0.08	0.60
Narendra M Agarwal	-	-	-	0.12	0.08	-
Vishwambharlal K Bhoot	-	-	-	0.12	0.08	0.60

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments will be made in cash to the shareholders of the Company. As of date, the Company has not declared any dividend. However, this is not necessarily indicative of our dividend amounts, if any, or our dividend policy, in the future.

FINANCIAL STATEMENTS

FINANCIAL INFORMATION AUDITORS' REPORT

To,

The Board of Directors,
Mudra Lifestyle Limited,
149, Shiv Shakti Industrial Estate,
Andheri Kurla Road, Andheri (East),
Mumbai 400 059

- A. a) We have examined the annexed financial information of Mudra Lifestyle Limited for the five financial years ended March 31, 2006 and half yearly ended September 30, 2006 being the last date to which the accounts of the Company have been made up and audited by us. The financial statements for the year ended March 31, 2006 and half yearly ended September 30, 2006 is approved by the Board of Directors of the Company for the purpose of disclosure in the Offer Document being issued by the Company in connection with the Public Issue of Equity Shares by the Company.
- b) In accordance with the requirements of
- Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956;
 - 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 the Securities and Exchange Board of India Act, 1992 and related amendments and
 - Our terms of reference given vide the Company's letter dated 10th August 2006 requesting us to carry out work in connection with the Issue as aforesaid.

We report that the restated assets and liabilities of the Company as at March 31, 2002, 2003, 2004, 2005, 2006 and half yearly ended September 30, 2006 are as set out in Annexure I to this report after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and Changes in Accounting Policies as appearing in Annexure III.

We report that the restated profits of the Company for the financial years ended March 31, 2002, 2003, 2004, 2005, 2006 and half yearly ended September 30, 2006 are as set out in Annexure II to this report. These profits 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 Significant Accounting Policies. The Company has not paid any dividend on Equity Shares in any of the years mentioned above.

- B. We have examined the following financial information relating to the Company proposed to be included in the Red Herring Prospectus, as approved by you and annexed to this report:
1. Statement of Cash Flow as appearing in Annexure IV to this report;
 2. Statement of Dividend enclosed as Annexure V to this report
 3. Statement of Related Party Transactions enclosed as Annexure VI to this report
 4. Statement of Sundry Debtors enclosed as Annexure VII to this report;
 5. Statements of Loans and advances as appearing in Annexure VIII to this report;
 6. Statement of Secured Loans as appearing in Annexure IX (With Addendum) to this report.
 7. Statement of Unsecured Loans as appearing in Annexure X to this report;
 8. Statement of Other Income as appearing in Annexure XI to this report;
 9. Statement of Accounting Ratios as appearing in Annexure XII to this Report;
 10. Statement of Capitalisation Statement as at September 30, 2006 as appearing in Annexure XIII to this report;
 11. Statement of Tax Shelters as appearing in Annexure XIV to this report;

- C. In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies and Changes in Accounting Policies enclosed in Annexure III to this report, after making adjustments / restatements and regroupings as considered appropriate has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 and the SEBI Guidelines.

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 other purpose without our prior written consent.

For **V.K. Beswal and Associates**
Chartered Accountants

Sd/-
R. P. Laddha
Partner
Membership No. 48195

Place : Mumbai
Date : October 16, 2006

Annexure to Financial Information

Annexure - I

Statement of Restated Assets and Liabilities

(Rs .in millions)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07*
Fixed Assets (A)						
Gross Block	8.31	16.95	22.82	106.06	340.20	430.47
Less : Accumulated Depreciation/Amortisation	-	0.79	2.24	5.90	32.34	49.71
Net Block	8.31	16.16	20.57	100.15	307.87	380.76
Total (A)	8.31	16.16	20.57	100.15	307.87	380.76
Investments (B)	-	-	-	-	0.10	0.10
Current Assets, Loans and Advances (C)						
Inventories	-	28.29	43.61	200.14	306.01	349.87
Sundry Debtors	-	24.20	22.70	85.07	228.00	287.12
Cash & Bank Balance	0.02	0.00	0.00	2.17	8.37	4.66
Loans & Advances	0.06	1.07	4.93	23.40	45.56	72.09
Total (C)	0.08	53.56	71.24	310.78	587.93	713.74
Liabilities and Provisions (D)						
Secured Loans	-	14.52	27.92	158.06	259.54	340.27
Unsecured Loans	3.17	2.88	8.36	10.79	6.68	4.96
Share Application Money	0.10	9.60	14.60	-	11.00	-
Deferred Tax Liability/(Assets)	-	0.75	1.44	3.84	(1.73)	0.58
Current Liabilities & Provisions	0.62	33.64	29.03	119.57	246.55	250.21
Total (D)	3.89	61.40	81.34	292.26	522.05	596.02
Net Worth (A+B+C-D) = (E)	4.51	8.32	10.47	118.68	373.85	498.58
Represented by						
1. Share Capital	4.61	7.06	7.06	88.77	230.90	244.90
2. Reserves & Surplus	-	1.36	3.49	29.96	142.98	253.68
Total	4.61	8.43	10.55	118.73	373.89	498.58
Less : Miscellaneous Expenditure Written off	0.11	0.11	0.08	0.06	0.04	-
Net Worth	4.51	8.32	10.47	118.68	373.85	498.58

* H1 FY 07 shall mean half year ending September 30, 2007.

Note:

1. With effect from October 1, 2004 with a view to consolidate business of the Group partnership firms viz. East Coast Polytex, Mudra Exports (India) and Mudra Impex taken over by the company. Accordingly the figures for March 31, 2005 are inclusive of assets and liabilities of these entities.
2. Further w.e.f April 01, 2005 Picanova Fabrics Private Limited, Mudra Synthetics Private Limited and Venus Processors Private Limited were amalgamated with the Company. Accordingly the figures for March 31, 2006 are inclusive of assets and liabilities of these companies.

Annexure - II
Statement of Restated Profits and Losses
(Rs .in millions)

	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07*
Income						
Sales & Operating Income	-	80.33	104.01	340.80	1,031.09	663.97
Other Income	-	-	-	5.48	7.27	4.90
Increase / (Decrease) in Stocks	-	24.59	(0.14)	106.33	34.75	47.77
Total (A)	-	104.92	103.86	452.61	1,073.12	716.64
Expenditure						
Cost of Material	-	61.38	58.70	266.62	665.17	449.42
Manufacturing, Administration & other expenses	-	36.21	35.97	136.31	233.10	128.46
Employees' Remuneration & Benefits	-	1.92	2.04	5.82	25.88	21.05
Interest and Financial Charges	-	2.29	2.39	8.68	24.18	23.36
Total (B)	-	101.80	99.10	417.43	948.33	622.29
Profit before Depreciation and Tax	-	3.12	4.76	35.18	124.79	94.35
Depreciation/Amortisation	-	0.79	1.46	3.85	26.53	17.37
Profit before Tax	-	2.33	3.31	31.32	98.26	76.97
Provision for Taxation						
- Current Tax	-	0.21	0.50	2.45	9.15	8.65
- Fringe Benefit Tax	-	-	-	-	1.28	0.65
- Less/ (Add) Deferred Tax	-	0.75	0.68	2.40	(2.94)	2.30
Profit after Tax as per Audited Financial Statements	-	1.36	2.13	26.47	90.77	65.37
- Less/ (Add) Prior Period Adjustments	-	-	-	-	(0.10)	0.25
Profit available for appropriations	-	1.36	2.13	26.47	90.87	65.12
Add : Balance brought from previous year	-	-	1.36	3.49	29.96	120.84
Balance carried forward to Balance Sheet	-	1.36	3.49	29.96	120.84	185.96

* H1 FY 07 shall mean half year ending September 30, 2007.

Note:

1. With effect from October 1, 2004 with a view to consolidate business of the Group partnership firms viz. East Coast Polytext, Mudra Exports (India) and Mudra Impex taken over by the company. Accordingly the figures for March 31, 2005 are inclusive of assets and liabilities of these entities.
2. Further w.e.f April 01, 2005 Picanova Fabrics Private Limited, Mudra Synthetics Private Limited and Venus Processors Private Limited were amalgamated with the Company. Accordingly the figures for March 31, 2006 are inclusive of assets and liabilities of these companies.

Significant Accounting Policies & Changes In Accounting Policies

A. Significant Accounting Policies

a) Basis of Preparation Of Financial Statement

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern and are consistent with generally accepted accounting principles.

b) Inventories:

Inventories are valued at lower of cost or Net Realisable Value. Cost is determined on moving weighted average basis. Cost of Work in Progress and manufactured goods includes material, labour and other appropriate overheads wherever applicable.

c) Depreciation:

Depreciation on Fixed Assets is provided on "Straight Line Method" in the manner prescribed in Schedule-XIV to the Companies Act, 1956.

d) Revenue Recognition:

Domestic sales and Processing Charges are accounted for on dispatch of goods to customers and Export Sales are accounted for on the basis of dates of Bill of Lading. Gross Sales are accounted for inclusive of Excise Duty but net of sales return.

e) Fixed Assets:

Fixed Assets are stated at cost of acquisition less accumulated depreciation. The Cost includes taxes, duties, freight, installation and other direct or allocated expenses up to the date of commercial production and net of CENVAT Credit.

f) Foreign Currency Transactions:

Transactions of foreign currencies are recorded at the exchange rates prevailing on the date of the transaction or at the exchange rate under related forward exchange contracts. The realized exchange gains/losses are recognized in the Profit & Loss Account. All foreign currency assets/ liabilities are translated in rupees at the rates prevailing on the date of Balance Sheet.

g) Investments:

Long term investments are stated at cost.

h) Employee Retirement Benefit:

Contributions to defined contributions schemes such as Provident Fund, ESIC are charged to the Profit & Loss Account as and when paid.

The company also provides retirement benefits in the form of Gratuity on the basis of estimates made by the management.

i) Borrowing Cost:

Borrowing cost that are attributable to the acquisition or construction of the qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for the intended use, all other borrowing costs are charged to revenue.

j) **Taxation:**

- (i) Provision for current Tax is made with reference to taxable income computed for the accounted period, for which the financial statements are prepared by the tax rates as applicable.
- (ii) Deferred tax is recognized subject to the consideration of prudence, on timing differences 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. Such deferred tax is quantified using the tax rates and laws enacted / substantively enacted as on the Balance Sheet date. Deferred tax Assets are recognized and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

k) **Impairment of Assets:**

At each balance sheet date, the carrying amounts of fixed assets are reviewed by the management to determine whether there is any indication that those assets suffered an impairment loss.

If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use.

l) **Miscellaneous Expenditure:**

Miscellaneous expenditures are written off equally over a period of 5 years.

B. Changes in Accounting Policy

There is no change in accounting policy in the reporting years. The previous year's figures have been regrouped & re-arranged, wherever necessary.

Annexure - IV

Statement of Cash Flow

(Rs. in million)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07*
Cash Flow from Operating Activities (A)						
Profit before Tax	-	2.33	3.31	31.32	98.26	76.97
Adjustments for :	-	-	-	-	-	-
(Profit)/Loss on Sale of Fixed Assets	-	-	-	0.23	(0.27)	-
Depreciation and Amortisation	-	0.79	1.46	3.85	26.53	17.37
Miscellaneous Income	-	-	-	(0.21)	(0.08)	(1.80)
Interest and financial charges	-	2.29	2.39	8.68	24.18	23.36
Miscellaneous Expenditure Written off	-	0.03	0.03	0.03	0.05	0.04
Operating Profit before Working Capital Changes	-	5.43	7.18	43.90	148.66	115.93
Adjustments for :						
(Increase)/Decrease in Inventories	-	(28.29)	(15.32)	(156.53)	(63.03)	(43.86)
(Increase)/Decrease in Debtors	-	(24.20)	1.50	(62.37)	(9.50)	(59.12)
(Increase)/Decrease in Loans and Advances	(0.06)	(1.00)	(3.86)	(18.48)	(95.07)	(26.53)
Increase/(Decrease) in Current Liabilities & Provisions	0.60	32.97	(4.74)	91.02	55.26	(5.89)
(Increase) in Miscellaneous Expenditure	(0.09)	(0.03)	-	-	-	-
Cash Generated from Operations	0.45	(15.13)	(15.24)	(102.45)	36.32	(19.47)
Tax Paid (Net of Refund)	-	(0.15)	(0.37)	(2.94)	(3.10)	-
Net Cash Flow from Operating Activities	0.45	(15.28)	(15.61)	(105.39)	33.22	(19.47)
Cash Flow from investing Activities (B)						
(Purchase) / Sale of Fixed Assets (net)	(8.31)	(8.64)	(5.87)	(84.35)	(123.67)	(90.26)
Miscellaneous Income	-	-	-	0.21	0.08	1.80
Proceeds on sale of Fixed Assets	-	-	-	0.69	22.28	-
Net Cash Flow from Investing Activities	(8.31)	(8.64)	(5.87)	(83.45)	(101.31)	(88.46)
Cash Flow from Financing Activities (C)						
Proceeds from issue of Share Capital	4.61	2.45	-	81.71	23.97	14.00
Proceeds from Share Application Money	0.10	9.50	5.00	(14.60)	11.00	(11.00)
Proceeds from Share Premium	-	-	-	-	18.79	45.57
Proceeds from Secured Loans	-	14.52	13.40	130.15	72.63	80.73
Proceeds from Unsecured Loans	3.17	(0.29)	5.47	2.43	(28.07)	(1.73)
Interest Paid	-	(2.29)	(2.39)	(8.68)	(24.18)	(23.36)
Net Cash Flow from Financing Activities	7.88	23.90	21.48	191.01	74.15	104.22
Net (Decrease) / (Increase) in Cash and	0.02	(0.02)	0.00	2.17	6.06	(3.71)
Cash Equivalents (A+B+C)						
Cash and Cash Equivalents at the Beginning of the Year	-	0.02	0.00	0.00	2.31	8.37
Cash and Cash Equivalents at the end of the Year	0.02	0.00	0.00	2.17	8.37	4.66

* H1 FY 07 shall mean half year ending September 30, 2007.

Annexure - V
Statement of Dividend
(Rs. in million)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Dividend in Rs. Million	-	-	-	-	-	-
Dividend Rate (%)	-	-	-	-	-	-

Annexure - VI
Statement of Related Party Transactions
(Rs. in million)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Group companies/firms						
Picanova Fabrics Pvt. Ltd.						
- Weaving charges paid	-	0.03	-	0.40	-	-
- Purchase from	-	-	-	16.05	-	-
- Weaving charges received	-	-	-	0.61	-	-
- Sales to	-	-	2.78	-	-	-
Mudra Synthetics Pvt. Ltd.						
- Weaving charges paid	-	0.42	-	7.87	-	-
- Purchase from	-	7.26	-	-	-	-
Venus Processors Pvt. Ltd.						
- Processing charges paid	-	8.75	6.93	25.54	-	-
Mudra Exports (India)						
- Purchase	-	-	0.82	-	-	-
- Sales & Service charges	-	3.95	6.17	0.40	-	-
East Coast Ploytex						
- Purchase from	-	-	0.03	-	-	-
Mudra Impex						
- Sales & Service charges	-	-	0.75	0.29	-	-
Olive Tex Silk Mills						
- Weaving charges paid	-	0.84	0.30	2.53	5.90	3.32
Western India Impex						
- Purchase from	-	-	-	-	6.34	-
- Sales to	-	0.04	4.90	-	-	-
Key Managerial Personnel						
Directors Remuneration						
Murarilal B Agarwal	-	-	-	0.12	0.08	0.60
Ravindra B Agarwal	-	-	-	0.12	0.08	0.60
Narendra M Agarwal	-	-	-	0.12	0.08	-
Vishwambharlal K Bhoot	-	-	-	0.12	0.08	0.60

Annexure - VII

Statement of Sundry Debtors (Unsecured and Considered Good)

(Rs. in million)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Exceeding Six Months	-	0.49	1.77	1.67	34.68	24.23
Other	-	23.72	20.93	83.41	193.31	262.89
Total	-	24.20	22.70	85.07	228.00	287.12

Annexure - VIII

Statement of Loans and Advances

(Rs. in million)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Advance recoverable in cash or kind or for value to be received	0.06	1.07	4.93	23.40	45.56	72.09
Total	0.06	1.07	4.93	23.40	45.56	72.09

Statement of Secured Loans
(Rs. in million)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Working Capital						
State Bank of India, I.F.B., Andheri (E), Mumbai.	-	7.50	21.50	95.58	131.93	139.39
Central Bank of India, Ballard Estate Mumbai.	-	-	-	19.04	10.96	-
Bank of India	-	-	-	-	-	31.67
Oriental Bank of Commerce	-	-	-	-	-	27.38
Bharat Co-operative Bank (Mumbai) Ltd., Navi Mumbai.	-	-	-	-	5.00	5.00
Total (A)	-	7.50	21.50	114.62	147.89	203.44
Term Loan						
State Bank of India, I.F.B., Andheri (E), Mumbai.	-	6.78	5.98	32.23	64.30	68.07
Central Bank of India, Ballard Estate, Mumbai.	-	-	-	2.77	14.44	-
Bank of India	-	-	-	-	-	24.13
Oriental Bank of Commerce	-	-	-	-	-	13.63
Bharat Co-operative Bank (Mumbai) Ltd., Navi Mumbai.	-	-	-	-	19.56	19.56
Total (B)	-	6.78	5.98	35.00	98.30	125.39
Vehicle Loan from Banks and others (C)	-	0.24	0.43	3.57	4.58	3.45
ICICI Home Finance Co. Ltd (D)	-	-	-	4.87	8.77	7.99
Total (A+B+C+D)	-	14.52	27.92	158.06	259.54	340.27

Security Provided for Secured Loan

- Term Loan from Banks are secured by first charge on all fixed assets of the company except specific assets and second charge on current assets.
- Working Capital loans from banks are secured by Hypothecation of current assets and collateral security of specified immovable assets of the company & of the promoters and personal guarantee of promoter Directors.
- The vehicle loans from banks and others are secured by Hypothecation of specified vehicles against which the finance is obtained.

ADDENUM TO ANNEXURE IX OF RESTATEMENT FINANCIAL INFORMATION AUDITORS' REPORT ISSUED ON 16TH OCTOBER, 2006

Statement of Secured Loans

(Rs. in million)

Bank	Nature of Loan	Sanctioned Amount	Outstanding (as on 30th September 2006)	Rate of Interest P.A.	Repayment of Terms	Security Offered
A) Term Loans						
State Bank of India, I.F.B., Andheri (E), Mumbai 69	Term Loan	822.00	680.70	12.75% p.a. at monthly rests	To be Repaid fully in 5 Years	<p>Primary :- 1) First charge by way of equitable mortgage over the entire fixed assets of the company comprising of land and building, plant and all existing and proposed fixed assets at Survey No. 168/12 and 168/234, village Dhabel, Nani Daman.</p> <p>2) EM charge on Gala No-146 in Shiv Shakti Industrial Estate, Andheri Kurla Road, Mumbai-72 belonging to M/s. Olive Tex Silk Mills.</p> <p>3) EM charge on industrial Gala No-156 in Shiv Shakti Industrial Estate, Andheri Kurla Road, Andheri Mumbai-72</p> <p>4) Hypothecation of assets purchased under this loan.</p> <p>Collateral 1) EM on all the existing and proposed factories of the company as under [A]. 222, Raj Rajeswari Compound [B]. 168/234 Dhabel Ind Complex, Daman, [C]. 168/12 Dhabel Ind. Complex, Daman 1B), Hypothecation charges on the company entire plant & Machinery and other movable assets. 2) 2nd pari passu charge on assets purchased from this loan and first equitable mortgage charge over land, building situated at 'E' Row plinth No. 11, 12 'F' Row plinth No. 8, 9 & 10 bearing survey No. 196/5, Raj Rajeswari Compound, Village Sonale, Bhiwandi. 1C) EM charge on Gala No-146 in Shiv Shakti Industrial Estate, Andheri Kurla Road, Mumbai-72 belonging to M/s. Olive Tex Silk Mills. 1D) EM charge on industrial Gala No-156 in Shiv Shakti Industrial Estate, Andheri Kurla Road, Andheri Mumbai-72 Personal guarantees of 1. Shri Muraril Agarwal 2. Shri Ravindra Agarwal 3. Shri Narendra Agarwal 4. Viswambarlal Bhoot and Corporate guratneee of Olive Tex Silk Mills</p>
Oriental bank of Commerce, Andheri (E), Mumbai	Term Loan	137.60	136.34	13.25% p.a	To be Repaid fully in 60 EMIs of Rs.3,14,846 each	<p>EM Charge on fixed assets of the company in pari-passu charge to SBI for working capital facilities.</p> <p>2) Extension of EM of Gala No. 3 & 3A Olive Tex Silk Mills</p> <p>3) Extension of EM of Flat No. 409 B, Meghdoot CHSL Malad (E) in the name of Ravindra Agarwal</p>
Bank of India, Andheri (W), Mumbai	Term Loan	600.00	241.28	11.25% p.a.	To be Repaid fully in 5 years, equated installments for 20 Quarter is Rs. 30 lacs each	<p>Primary :- First charge of proposed land and building Plot No. N/2 MIDC Tarapur. 1st charge on hypothication on entire P & M. at Begur Hobly Banglore and at Tarapur, to be financed by the bank.</p> <p>Collateral:- 1) Land and building and plant & machinery of all factories and all office premises 2) Flat No. 409B Megdhoot CHS, Malad (E), Mumbai in the name of Shri Ravindra Agarwal and gala 3 & 3A at Tenghar, Bhiwandi of Olive Tex Silk Mills</p>

Bank	Nature of Loan	Sanctioned Amount	Outstanding (as on 30th September 2006)	Rate of Interest P.A.	Repayment of Terms	Security Offered
Bharat Co-operative Bank (Mumbai) Ltd., Navi Mumbai	Term Loan	406.00	195.57	12.00 % p.a.	of Rs.300 lakhs sanctioned amount to be repaid fully in 5 years and balance to be repaid fully in 6 years	Primary :- 1) Equitable mortgage of Factory Land & Building at plot no-62,village mahape T.T.C. industrial area,Navi Mumbai.2) Existing machinery & other moveable assets at the above premises 3)Machinery financed by the Bank Collateral :- 1) Industrial Unit No-42 situated at Bindal Industrial Estate.Off Andheri-Kurla Road,Andheri (E),Mum-72 owned by M/s. Olive Tex Silk Mills 2) Industrial Unit No-203 situated at bhullar Star Industrial Estate,Off Andheri Kurla Rd,Andheri (E),Mum-723) Recurring deposit of Rs.70,000/- with the bank.
B) Working Capital Facilities						
State Bank of India, I.F.B., Andheri (E), Mumbai 69	Cash Credit	2,700.00	1,393.94	12.75%p.a.		Primary :- -1)Hypothecation of entire current assets of the company in pari-pasu with Oriental Bank of Commerce Collaterals) Hypothecation charge over the companies entire fixed assets and other movable assests.
Bharat Co-operative Bank Ltd. , Navi Mumbai (Refer note 1)	Cash Credit	50.00	50.00	12.00% p.a.		Primary :- 1) Hypothecation of entire current assets of the company. 2) Equitable mortgage of land,Factory building,site development at plot no-62,village mahape T.T.C. industrial area,Navi Mumbai. Collateral: 1) Industrial Unit No-42 situated at Bindal Industrial Estate.Off Andheri-Kurla Road,Andheri (E),Mum-72 owned by M/s. Olive Tex Silk Mills 2) Industrial Unit No-203 situated at bhullar Star Industrial Estate,Off Andheri Kurla Rd,Andheri (E),Mum-72
Oriental bank of Commerce	Cash Credit	450.00	273.82	12.75% p.a.		Primary :- Hypothecation entire current assets of the company on pari-passu basis with SBI.
Bank of India	Cash Credit	900.00	316.66	11.25% p.a.		Primary :- Hypothecation entire stocks of raw material, stocks-in-process, finished goods and all current assets, receivables etc. on Darn Dassu basis with SBI and OBC Collateral :- Second charge on entire fixed assets of the company.
C) Vehicle Loan						
Banks & others	Vehicle Loan	34.47		Different rates		Charge of respective financed vehicles
D) Property Loan						
ICICI Bank	Property Loan	100	79.93	9.75% P.A.	72 EMIs of Rs.92,001 each and 62 EMIs of Rs. 1,04,400 each	Charge of Office premises at Chandivali, Mumbai
Total			3,402.71			

Note : 1. Loans of Bharat Co-operative Bank have been taken over by Oriental Bank of Commerce, Prabhadevi Branch, Mumbai, however till 30th September, 2006 no disbursements had been effected thereby the outstanding still continue to remain in the name of Bharat Co-operative Bank.

2. The company is in the process of getting the sanctions transferred in the name of the company which stood in the name of its erstwhile merged/ takeover companies and partnership firms.

Annexure - X

Statement of Unsecured Loans

(Rs. in million)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
From Directors	0.02	0.28	3.70	1.10	2.22	2.84
From Shareholders, Friends & Relatives.	2.00	2.60	4.66	9.69	-	-
From Body Corporate	1.15	-	-	-	1.55	-
From Banks	-	-	-	-	2.91	2.11
Total	3.17	2.88	8.36	10.79	6.68	4.96

Annexure - XI

Statement of Other Income

(Rs. in million)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Recurring						
Export Incentives	-	-	-	5.49	6.93	3.10
Miscellaneous Income	-	-	-	0.21	0.08	1.80
<u>Non Recurring</u>	-	-	-	-	-	-
Profit/(Loss) on sale of Assets	-	-	-	(0.23)	0.27	-
Total	-	-	-	5.48	7.27	4.90

Statement of Accounting Ratios

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Earning Per Share (EPS) Rs. - annualised	-	2.09	3.01	7.45	9.04	5.35
Cash Earning Per Share (CEPS) Rs. - annualised	-	4.50	6.08	9.21	11.39	6.97
Return on Net Worth (%)	-	16.41	20.31	22.31	24.31	13.06
Net Asset Value Per Share (Rs.)	9.77	11.77	14.83	13.37	16.19	20.36
Equity shares outstanding at the end of the year/period	461,260	706,260	706,260	8,876,860	23,090,469	24,490,469
Weighted average number of Equity shares outstanding during the year	4,290	652,739	706,260	3,555,390	10,051,800	24,329,373

Notes:-

The Ratios have been calculated as below

Earning Per Share=a/b

Cash Earning Per Share = c/b

Return on Net Worth = a/d%

Net Asset Value Per Share = e/f

- Net Profit After Tax
- Weighted Average number of Equity shares outstanding during the year.
- Cash earning=Net Profit after tax add back depreciation, preliminary expenses written off and deferred tax
- Net Worth=Equity share Capital plus reserve and surplus less miscellaneous expenditure to the extent not written off
- Net Asset=Equity share capital plus reserve and surplus less miscellaneous expenditure to the extent not written off or adjusted.
- Equity shares outstanding at the end of the year/period.

Statement of Capitalisation

(Rs. in million)

Particulars	Pre-Issue As at September 30, 2006	Post Issue*
<u>Debt</u>		
Short-term Debt	203.44	[•]
Long-term Debt (A)	136.83	[•]
Total	340.27	[•]
<u>Shareholder's Funds</u>	-	[•]
Share Capital	244.90	[•]
Reserves and Surplus after deduction of Miscellaneous Expenditure not written off or adjusted	253.68	[•]
Total Shareholder's Funds (B)	498.58	[•]
Long Term Debt/Total Shareholder's Funds (A/B)	0.27	[•]

Notes:

*Information pertaining to Share Capital and Reserves post-Issue can be ascertained only after completion of Book Building process.

Annexure - XIV
Statement of Tax Shelters
(Rs. in million)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Profit before Tax as per books - (A)	-	2.33	3.31	31.32	98.26	76.97
Tax Rates (%)	-	3.68	3.59	3.66	3.37	3.37
Tax on actual rate on book profits	-	0.86	1.19	11.46	33.07	25.91
Adjustments :						
Permanent Differences	-	-	-	-	-	-
Deduction - U/S 80 IB	-	-	-	19.70	68.90	48.96
- Other Adjustments	-	(0.06)	(0.06)	-	0.89	(0.89)
Total Permanent Differences - (B)	-	(0.06)	(0.06)	19.70	69.79	48.07
Timing Differences						
Difference between Tax Depreciation and Book Depreciation	-	2.05	1.95	7.01	15.03	30.55
Total Timing Differences - (C)	-	2.05	1.95	7.01	15.03	30.55
Net Adjustments - (B+C)	-	1.99	1.89	26.72	84.83	78.62
Tax Savings thereon	-	0.73	0.68	9.78	28.55	26.46
Profit as per Income Tax Returns (D) = (A-B-C)	-	0.34	1.41	4.61	13.43	(1.65)
MAT Rate	-	0.79%	0.77%	0.78%	0.84%	1.12%
(I) Taxable Income as per MAT	-	0.18	0.25	2.46	8.27	8.64
(II) Tax as per Income Tax Returns	-	0.12	0.51	1.69	4.52	(0.55)

Note: 1) The company has to pay higher of the taxes calculated under I or II

2) MAT - Minimum Alternate Tax under section 115JB of the Income Tax Act, 1961

FINANCIAL INFORMATION OF GROUP COMPANIES

Olive Silk Mills Private Limited

Name of the Company:	Olive Silk Mills Private Limited
Date of Incorporation:	March 15, 2000
Date of Commencement of Business:	Not Commenced
Nature of Activity:	NIL

Shareholding Pattern

Name of the Promoter Group Members	Number of equity shares held	% shareholding
Murarilal B. Agarwal	9600	96%
Ravindra B. Agarwal	200	2%
Vishwambharlal K. Bhoot	100	1%
Ritadevi Agarwal	100	1%

Financial performance

(In Rs.)

Particulars	For the year ended March 31		
	FY 06	FY 05	FY 04
Sales	0.00	0.00	0.00
Other Income	0.00	0.00	0.00
PBIDT	(10112)	(5510)	(5940)
PBT	(10112)	(5510)	(5940)
PAT	(10112)	(5510)	(5940)
Share Capital	100000	100000	100000
Reserves & Surplus	0.00	0.00	0.00
Net Worth	72838	82950	88460
EPS (Rs.)	NIL	NIL	NIL
Book Value per share (Rs.)	7.28	8.30	8.84
Debt Equity Ratio	NIL	NIL	NIL
Dividend	NIL	NIL	NIL

Details of Western India Impex and Olive Tex Silk Mills, before promoters' disassociated themselves with these companies.

Western (India) Impex (WII)

Western (India) Impex was formed on August 16, 2001 to carry on the business of exports and imports and to deal as cloth merchants, textile processors and commission agents and such other business or businesses as the partners may from time to time agree upon.

Capital holding position of WII as on March 31, 2006

Rs. In Million

Name of Partners	Capital	% of Total
Murarilal Agarwal	(85068)	(11.14 %)
Ravindra Agarwal	808318	105.81 %
Narendra Agarwal	304203	39.82 %
Vishwambharlal Bhoot	(263512)	(34.49 %)
Total	763941	100 %

Partners of WII as on March 31, 2006

Name of Partners	Share in Business
Murarilal Agarwal	30%
Ravindra Agarwal	29%
Narendra Agarwal	28%
Vishwambharlal Bhoot	13%
Total	100 %

Financial Performance

The audited financial performance of WII for FY 06, FY 05 and FY 04 was as given below:

Rs. In Million

For the period ended	FY 06	FY 05	FY 04
Total Income	6.43	15.09	37.36
Profit/(Loss) after Tax	0.06	0.11	0.45
Capital	0.76	0.71	-2.51

Olive Tex Silk Mills (OTSM)

Olive Tex Silk Mills was formed on December 23, 1986 to carry on the business of importers, exporters, dealers, manufacturers and distributors of all kinds of cloth, fabrics, yarn, textiles, fibre, paper, hardboard, paper cone, chemicals, poeithine, cotton waste and other items, commission agents, brokers, financiers etc and/or such other business or businesses as may be mutually agreed upon by the partners from time to time.

Capital holding position of OTSM as on March 31, 2006

Rs. In Million

Name of Partners	Capital	% of Total
Murarilal Agarwal	5.05	17.59
Ravindra Agarwal	6.13	21.34
Narendra Agarwal	10.02	34.86
Vishwambharlal Bhoot	3.08	10.71
Rita Devi Agarwal	4.46	15.51
Total	287.41	100.00

Partners of OTSM as on March 31, 2006

Name of Partners	Share in Business
Murarilal Agarwal	20%
Ravindra Agarwal	29%
Narendra Agarwal	28%
Vishwambharlal Bhoot	13%
Rita Devi Agarwal	10%
Total	100 %

Financial Performance

The audited financial performance of OTSM for FY 06, FY 05 and FY 04 was as given below:

Rs. In Million

For the period ended	FY 06	FY 05	FY 04
Total Income	5.93	7.25	7.92
Profit/(Loss) after Tax	-0.72	-1.53	-1.65
Capital	28.74	-0.45	-0.39

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our financial statements, as restated, under Indian GAAP for FY 02, FY 03, FY 04, FY 06, including the significant accounting policies and notes and annexure thereto beginning on page 108 of this Red Herring Prospectus. The following discussion relates to our Company and is based on our restated financial statements. Our restated financial statements have been derived from our financial statements prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act and Indian securities regulations. You are also advised to read the section titled "Risk Factors" beginning on page xv, which discusses a number of factors and contingencies that could affect our financial condition, results of operations and cash flows. Our Fiscal Year ends on March 31 of each year, so all references to a particular Fiscal Year are to the twelve-month period ended March 31 of that year.

(All the figures used in this section, unless stated otherwise, have been derived from the unconsolidated restated financial statements of Mudra Lifestyle Limited)

Overview of the business of the Company:

We are in the business of fabric and apparel manufacturing for domestic and international brands. Our group was started in 1986 and the company (Mudra Lifestyle Limited) was incorporated in 1997. The company started as a domestic fabric manufacturer but has since moved across the value chain to become a leading integrated fabric and garments manufacturer for both domestic and international brands.

The promoters of the company have 20 years of individual experience in textile industry. They are proficient in not only running a textile and garmenting firm but also have experience in developing the firm through movement across value chains through organic and inorganic means.

The manufacturing facilities of the company can handle multiple types of fibers and fabrics of different quality. Our plants are located at Bhiwandi, Daman, Bangalore and Tarapur.

We have integrated production facilities with in-house facilities for designing, sampling, weaving, processing and garmenting. The availability of sampling unit gives us, the capability to give a larger choice to the customer at a low cost. Fashion industry being highly dynamic prefers short turnaround time for its orders. Our Designing and Sampling capabilities along with our in-house production facilities enables us to have a very short turnaround time. We are setting up a new integrated unit having all the processes of yarn dyeing, weaving, and process house and garment manufacturing. Garmenting would be done at Bangalore while weaving and processing would be carried out at Tarapur.

Significant Accounting Policies

a) Basis of Preparation of Financial Statement

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern and are consistent with generally accepted accounting principles.

b) Inventories:

Inventories are valued at lower of cost or Net Realisable Value. Cost is determined on moving weighted average basis. Cost of Work in Progress and manufactured goods includes material, labour and other appropriate overheads wherever applicable.

c) Depreciation:

Depreciation on Fixed Assets is provided on "Straight Line Method" in the manner prescribed in Schedule-XIV to the Companies Act, 1956.

d) Revenue Recognition:

Domestic sales and Processing Charges are accounted for on dispatch of goods to customers and Export Sales are accounted for on the basis of dates of Bill of Lading. Gross Sales are accounted for inclusive of Excise Duty but net of sales return.

e) Fixed Assets:

Fixed Assets are stated at cost of acquisition less accumulated depreciation. The Cost includes taxes, duties, freight, installation and other direct or allocated expenses up to the date of commercial production and net of CENVAT Credit.

f) Foreign Currency Transactions:

Transactions of foreign currencies are recorded at the exchange rates prevailing on the date of the transaction or at the exchange rate under related forward exchange contracts. The realized exchange gains/losses are recognized in the Profit & Loss Account. All foreign currency assets/ liabilities are translated in rupees at the rates prevailing on the date of Balance Sheet.

g) Investments:

Long term investments are stated at cost.

h) Employee Retirement Benefit:

Contributions to defined contributions schemes such as Provident Fund, ESIC are charged to the Profit & Loss Account as and when paid. The company also provides retirement benefits in the form of Gratuity on the basis of estimates made by the management.

i) Borrowing Cost:

Borrowing cost that are attributable to the acquisition or construction of the qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for the intended use, all other borrowing costs are charged to revenue.

j) Taxation:

- (i) Provision for current Tax is made with reference to taxable income computed for the accounted period, for which the financial statements are prepared by the tax rates as applicable.
- (ii) Deferred tax is recognized subject to the consideration of prudence, on timing differences 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. Such deferred tax is quantified using the tax rates and laws enacted / substantively enacted as on the Balance Sheet date. Deferred tax Assets are recognized and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

k) Impairment of Assets:

At each balance sheet date, the carrying amounts of fixed assets are reviewed by the management to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use.

l) Miscellaneous Expenditure:

Miscellaneous expenditure is written off equally over a period of 5 years.

Significant developments subsequent to the last financial year

There have been no circumstances other than those mentioned below, since the date on which the last financial statement was made, which materially and adversely affect or is likely to affect the profitability of the company, the value of the assets of the company or company's ability to pay its liability within the next twelve months.

- Decision to purchase land from Debt Recovery Tribunal, Government of India at Tarapur for weaving/processing.
- Decision to purchase land from Tax Recovery Office at MIDC, Tarapur for weaving/processing.
- Decision to purchase land from KIADB at Bhomsundra in Bangalore for garmenting.
- Allotment of non-convertible, secured, redeemable debentures to LIC MF. For further details, please refer to page 140 of this Red Herring Prospectus.
- Pre-IPO placement of 986,665 shares to SIDBI Venture Capital Limited and 933,335 shares to State Bank of India
- Acquisition of the immovable properties situated at Mouje Indrad of Kadi Taluka in the Registration District Mehsana and Sub-District of Kadi, Survey No. 855, Private Plot No. 10 admeasuring 2034.08 Sq. Yds. Equivalent to 1700.75 Sq.Mtrs out of which 1805.945 Sq. Yds. Equivalent 1510.00 Sq. Mtrs. land at plot no. 10 And also together with 1/12th undivided impartible joint ownership right, share and interest and use in the internal Approach road land abutting on Nal Road on the Southern border of the said land described in the First Schedule above written which undivided impartible right, share and interest comes to 228.135 Sq. Yds. Equivalent to 190.75 Sq. Mtrs
- Letter dated December 15, 2006 from KIADB informing us that land to the extent of 8 acres in Apparel Park, Phase II, Doddaballapur, Bangalore will be allotted in favour of the Company. KIADB acknowledged receipt of Rs 1.4 million and the balance payable is Rs 4.44 million.

Factors that may affect results of the Operations

- Government policies including taxes and duties affecting textile sector.
- Changes in the buying pattern of our customers.
- Fluctuation in exchange rates
- General economic and business conditions in India

Discussion on Results of Operations:

A summary of past financial results for based on the restated accounts are given below:

Rs Million

	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Income						
Sales & Operating Income	-	80.33	104.01	340.80	1031.09	663.97
Other Income	-	-	-	5.48	7.28	4.90
Increase / (Decrease) in Stocks	-	24.59	-0.15	106.33	34.75	47.77
Total (A)	-	104.92	103.86	452.61	1073.12	716.64
Expenditure						
Cost of Material	-	61.38	58.70	266.62	665.17	449.42
Manufacturing, Administration & other expenses	-	36.21	35.97	136.31	233.10	128.46
Employees' Remuneration & Benefits	-	1.92	2.04	5.82	25.88	21.05
Interest and Financial Charges	-	2.29	2.39	8.68	24.18	23.36
Total (B)	-	101.80	99.10	417.43	948.33	622.30
Profit before Depreciation and Tax	-	3.12	4.76	35.18	124.79	94.35
Depreciation/Amortisation	-	0.79	1.46	3.85	26.53	17.37
Profit before Tax	-	2.33	3.31	31.32	98.26	76.97
Provision for Taxation						
-Current Tax	-	0.21	0.50	2.45	9.15	8.65
-Fringe Benefit Tax	-	-	-	-	1.28	0.65
-Less/ (Add) Deferred Tax	-	0.76	0.68	2.40	-2.95	2.30
Profit after Tax as per Audited	-	1.37	2.13	26.47	90.77	65.37
Financial Statements						
-Less/ (Add) Prior Period Adjustments	-	-	-	-	-0.10	0.25
Profit available for appropriations	-	1.37	2.13	26.47	90.87	65.12
Add : Balance brought from previous year	-	1.37	3.49	29.97	120.84	
Balance carried forward to Balance Sheet	-	1.37	3.49	29.97	120.84	185.96

Note: We did not have operations in FY 02, though we had purchased assets worth of Rs. 8.31 million.

Rs Million

	FY 02	FY 03	FY 04	FY 05	FY 06	H1 FY 07
Income						
Sales & Operating Income	-	80.327	104.009	340.798	1031.093	663.971
YoY Growth	-	-	29.48%	227.66%	202.55%	-
As a % of Total Income		76.56%	100.14%	75.30%	96.08%	92.65%
Other Income	-	-	-	5.477	7.275	4.9
YoY Growth	-	-	-	-	32.83%	-
As a % of Total Income	-	-	-	1.21%	0.68%	0.68%
Total (A)	-	104.92	103.864	452.608	1073.116	716.64
YoY Growth	-	-	-1.01%	335.77%	137.10%	-
As a % of Total Income		100.00%	100.00%	100.00%	100.00%	100.00%
Expenditure						
Cost of Material	-	61.384	58.696	266.618	665.169	449.423
YoY Growth	-	-	-4.38%	354.24%	149.48%	-
As a % of Total Income		58.51%	56.51%	58.91%	61.98%	62.71%
Manufacturing, Administration & other expenses	-	36.214	35.972	136.314	233.1	128.464
YoY Growth	-	-	-0.67%	278.94%	71.00%	-
As a % of Total Income		34.52%	34.63%	30.12%	21.72%	17.93%
Employees' Remuneration & Benefits	-	1.916	2.044	5.82	25.883	21.052
YoY Growth	-	-	6.68%	184.74%	344.73%	-
As a % of Total Income		1.83%	1.97%	1.29%	2.41%	2.94%
Interest and Financial Charges	-	2.288	2.387	8.68	24.175	23.356
YoY Growth	-	-	4.33%	263.64%	178.51%	-
As a % of Total Income		2.18%	2.30%	1.92%	2.25%	3.26%
Total (B)	-	101.802	99.1	417.432	948.327	622.295
Profit before Depreciation and Tax	-	3.118	4.764	35.176	124.789	94.345
YoY Growth	-	-	52.79%	638.37%	254.76%	-
As a % of Total Income		2.97%	4.59%	7.77%	11.63%	13.16%
Depreciation/Amortisation	-	0.789	1.456	3.852	26.531	17.371
YoY Growth	-	-	84.54%	164.56%	588.76%	-
As a % of Total Income		0.75%	1.40%	0.85%	2.47%	2.42%
Profit before Tax	-	2.33	3.308	31.324	98.259	76.974
YoY Growth	-	-	41.97%	846.92%	213.69%	-
As a % of Total Income		2.22%	3.18%	6.92%	9.16%	10.74%
Provision for Taxation						
-Current Tax	-	0.21	0.5	2.45	9.15	8.65
-Fringe Benefit Tax	-	-	-	-	1.282	0.65
-Less/ (Add) Deferred Tax	-	0.755	0.681	2.401	-2.945	2.304
Profit after Tax as per Audited	-	1.365	2.127	26.473	90.771	65.37
Financial Statements						
YoY Growth	-	-	55.82%	1144.62%	242.88%	-
As a % of Total Income		1.30%	2.05%	5.85%	8.46%	9.12%
-Less/ (Add) Prior Period Adjustments	-	-	-	-	-0.103	0.249
Profit available for appropriations	-	1.365	2.127	26.473	90.874	65.121
YoY Growth	-	-	55.82%	1144.62%	243.27%	-
As a % of Total Income		1.30%	2.05%	5.85%	8.47%	9.09%
Add : Balance brought from previous year	-	0	1.365	3.492	29.965	120.839
Balance carried forward to Balance Sheet	-	1.365	3.492	29.965	120.839	185.96
YoY Growth	-	-	155.82%	758.10%	303.27%	-
As a % of Total Income		1.30%	3.36%	6.62%	11.26%	25.95%

Sales and Operating Income

(Rs. Million)

	FY 03	FY 04	FY 05	FY 06
Sales				
Domestic	79.61	103.30	248.22	886.97
Exports	-	-	91.98	105.44
Total	79.61	103.30	340.19	992.41
Job Work	0.72	0.71	0.61	0.96
Processing Fees	-	-	-	37.72
Sales and Operating Income	80.33	104.01	340.80	1,031.09

Statement of Other Income

Rs. Million

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06
Recurring					
Export Incentives	-	-	-	5.49	6.93
Miscellaneous Income	-	-	-	0.21	0.08
Non Recurring	-	-	-	-	-
Profit/(Loss) on sale of Assets	-	-	-	(0.23)	0.27
Total	-	-	-	5.48	7.27

	FY 03	FY 04	FY 05	FY 06
Sales				
Domestic	79.61	103.30	248.22	886.97
% yoy growth		29.76%	140.28%	257.34%
As a % of Sales	100.00%	100.00%	72.96%	89.38%
Exports	-	-	91.98	105.44
% yoy growth		0.00%	0.00%	14.64%
As a % of Sales	0.00%	0.00%	26.99%	10.23%

Revenues

We derive our revenues from manufacturing and selling fabric and garments to our customers in India and abroad. It also includes revenues from processing of fabrics and job work for other textile companies. Fabric sales consist of various types of fabrics such as cotton and cotton blends with Polyester and Polyester Viscose. We manufacture and sell men's shirt, lady's' tops and lady's' bottoms.

We sell fabric and garments to garment manufacturers, export houses, international buying houses and local distributors.

Our revenues are affected by the macro economic conditions and the business in the textile industry. Our revenues also depend upon the performance of our clients. We, however, don't have any long term contracts with our clients.

Exports form a significant part of our revenues and we have to meet export obligations in return of the benefits acquired under TUFs. The billing for export orders is done in US Dollars or UK Pounds whereas the expenditure incurred is in Rupees. This exposes our firm to exchange rate risk. Currently, we do not have any hedging mechanism in place to reduce this risk.

Prior to amalgamation of Venus Processors Private Limited into Mudra Lifestyle Limited, we did not have any processing unit and thus did not record any revenue under that head.

Expenditure

Cost of Materials: The raw material we use for manufacturing fabric is yarn and for garmenting is fabric. The cost of raw materials consumed and other stores and spares items we consume in the manufacturing process are included under this head.

Manufacturing Expenses, Administrative and other Expenses: Our manufacturing, administrative and other expenses consist of expenditures on power and fuel, water charges, chemicals and dyes, establishment, general, business promotion expenses among others.

Personnel expenses (Staff Costs): Personnel expenses consist primarily of salary and wage expenses, provident fund contributions, bonus and gratuity.

Financial expenses: Our financial expenses consist of borrowing costs being interest payable on loans.

Depreciation: Depreciation expense relates principally to the machinery installed for manufacturing purposes and the other assets.

Taxation

We are subject to income tax liability pursuant to the Income Tax Act, 1961. Also, pursuant to this act, corporations are in some circumstances subject to a minimum tax liability based on book profit. We make provision for current tax as well as for deferred tax liability based on the effect of timing differences.

The Government also has introduced a fringe benefit tax on various benefits and expenditures we are deemed to provide or incur towards our employees as part of our business, for which we have made provision with effect from the current fiscal.

Comparison of FY 06 with FY 05

Figures of FY 06 and FY 05 are not strictly comparable because of the merger of the group companies with Mudra lifestyle limited.

The financial statements for FY 06 have been prepared after incorporating the figures relating to Mudra Lifestyle Limited and other three amalgamating companies viz. Picanova Fabrics Private Ltd. Mudra Synthetics Private Ltd. and Venus Processors Private Ltd. from April 1, 2005 to March 31, 2006.

Sales & Operational Income

The Sales and operational charges has increased from Rs. 340.79 million in FY2005 to Rs. 1031.09 million in FY 06 indicating a growth of 202.55% consequent to additional capacity installed during the year. During the year the company has installed additional stitching machines and automatic looms.

Raw Material Consumption

The raw material consumption has increased from Rs. 266.61 million in FY 05 to Rs. 665.16 million in FY 06 showing an increase of 149.48%. The increase was due to increase in sales.

Manufacturing, Administrative and other expenses

The manufacturing, administrative and other expenses have increased from Rs. 136.3.1 million in FY 05 to Rs. 233.1 million in FY 06 showing an increase of 71.00%. The manufacturing, administrative and other expense in terms of percentage to total income for FY 05 was 30.12 % as compared to 21.72% for FY 06. The increase was due to increase in sales.

Employees Remuneration and Benefits

The employee's remuneration and benefits increased from 5.82 million to 25.88 million. The increase was due to revision in pay scale and recruitment of additional manpower.

Interest and Financial Charges

Interest and financial charges comprise of interest payments to banks and financial institutions, etc. and bank charges. In absolute terms, interest and financial charges have gone up by 178.51% for F.Y. 2006 in comparison to F.Y. 2005. The increase was due to increase in secured loan during the year.

Profit before tax

Our net profit before tax increased by 213.69% to Rs. 98.25 million in fiscal 2006 from Rs. 31.32 million in fiscal 2005, primarily due to increase in sales and better margins.

Provision for tax and net profit

Our provision for tax was Rs. 7.48 million in fiscal 2006, and was Rs. 0.49 Million in fiscal 2005. The increase in the provision for taxation is due to increase in the profit. But the proportion of increase is not same as of profit before tax because of income tax deduction u/s 80 IB enjoyed by the company and carried forward losses of one of the amalgamating company.

Profit after Tax

Profit after tax increased from Rs. 26.47 million in FY 05 to Rs. 90.87 million in FY 06. The increase was due to increase in sales and better margins.

Comparison of FY 05 with FY 04

The financial statements for FY 05 have been prepared after incorporating the figures relating to Mudra Lifestyle Limited from April 1, 2004 to March 31, 2005 and of three partnership firms- M/s. Mudra Export (India), M/s. East Coast Polytex & M/s. Mudra Impex from October 1, 2004 to March 31, 2005. Therefore, in absolute terms, there is substantial increase in almost all the items of income and expenditure.

Sales & Operating Income

Sales & operating income for FY 05 was Rs 340.80 Million as compared to Rs. 104.01 Million in FY 04, year on year increase was 227.66% .The increase was mainly due to takeover of three of the group partnership firms. During the same period, domestic sales increase from Rs. 103.30 Million to Rs. 248.22 Million. YoY increase in domestic sales was 140.28% .During this period our exports stood at Rs. 91.98 Million. The exports mainly constituted of fabrics.

Cost of Raw Material:

Expenditure on the raw material consumed for FY 05 was Rs. 266.62 Million compared to Rs 58.70 Million in FY 04, year on year increase was 354.24%.The increase was due to increase in sales and effect of takeover. As a percentage of total income, the expense increased from 56.51% in FY 04 to 58.91% in FY 05.

Manufacturing, Administration & other expenses:

Manufacturing, administrative and other expenses consists of weaving and embroidery charges, power, octroi, repairs and maintenance etc. It increased from Rs. 35.97 Million in FY 04 to Rs. 136.31 Million in FY 05.The increase was due to increase in sales. YoY increase was 278.94%. As a percent of total income the expense decreased from 34.63% in FY 04 to 30.12% in FY 05.

Employees' Remuneration & Benefits

Employee remuneration increased from Rs. 2.04 Million in FY 04 to Rs. 5.82 Million in FY 05. YoY increase was 184.73%.The increase was due to addition of new employees as an effect of the takeover.

Interest and Financial Charges

Interest and financial charges increased from Rs. 2.39 Million in FY 04 to Rs. 8.68 Million in FY 05.The increase was due to transfer of loans from the partnership firms taken over by Mudra Lifestyle Limited. YoY increase was 263.61%. As a percent of total income the expense decreased from 2.30% in FY 04 to 1.92% in FY 05.

Taxation

Current Tax: Current tax increased by 390% from Rs.0.5 Million in FY 04 to Rs.2.45 Million in FY 05 due to increase in earnings.

Deferred Tax: Deferred tax increased by 252.52% from Rs. 0.68 Million in FY 04 to Rs. 2.40 Million in FY 05.

Profit after Tax as adjusted

PAT increased from Rs. 2.13 Million in FY 04 to Rs. 26.47 Million in FY 05. YoY increase was 1144.68%.The increase was due to the takeover of partnership firms.

Comparison of FY 04 with FY 03

Sales & Operating Income

Sales & operating income for FY 04 was Rs 104.01 Million as compared to Rs. 80.33 Million in FY 03, year on year increase was 29.48% .The increase was in due course of business.

Cost of Raw Material:

Expenditure on the raw material consumed for FY 04 was Rs. 58.70 Million compared to Rs 61.38 Million in FY 03, year on year decrease was 4.38%. As a percentage of total income, the expense decreased from 58.51% in FY 03 to 56.51% in FY 05.

Manufacturing, Administration & other expenses:

Manufacturing, administration & other expenses decreased to Rs. 35.97 Million in FY 04 from Rs. 36.21 Million in FY 03.The decrease was due to increase in efficiency as the previous year was the first year of operations. YoY decrease was 0.67%. As a percent of total income the expense increased from 34.52% in FY 03 to 34.63% in FY 04.

Employees' Remuneration & Benefits

Employee remuneration increased from Rs.1.92 Million in FY 03 to Rs. 2.04 Million in FY 04. YoY increase was 6.70%.The increase was due to increase in salary and increase in number of employees.

Interest and Financial Charges

Interest and financial charges increased to Rs. 2.39 Million in FY 04 from Rs. 2.29 Million in FY 05.The increase was due to additional loans on the company's books. YoY increase was 4.32%. As a percent of total income the expense increased to 2.30% in FY 04 from 2.18% in FY 03.

Taxation

Current Tax: Current tax increased by 138% % from Rs. 0.21 Million in FY 03 to Rs. 0.5 Million in FY 04 due to increase in earnings.

Deferred Tax: Deferred tax decreased by 9.8% from Rs. 0.76 Million in FY 03 to Rs. 0.68 Million in FY 04

Profit after Tax as adjusted

PAT increased by 55.83% from Rs. 1.37 Million in FY 03 to Rs. 2.13 Million in FY 04. The increase was due to increase in sales and better margins.

Overview of Balance Sheet

Figures of FY 06 and FY 05 are not strictly comparable because of the merger of the group companies with Mudra lifestyle limited.

Fixed assets

Rs. Million

Fixed Assets	FY 02	FY 03	FY 04	FY 05	FY 06
Gross Block	8.31	16.95	22.82	106.06	340.20
Depreciation	-	0.79	2.24	5.90	32.34
Net Block	8.31	16.16	20.57	100.15	307.87

We saw a consistent increase in our gross block; increase in FY 03 over FY 02 was due to expenditure on. Factory building, plant and machinery and office premises. Increase in FY 04 over FY 03 was due to addition machinery. Increase in Gross Block in FY 05 over FY 04 was primarily due to takeover of partnership firms, similarly increase in FY 06 was due to amalgamation of group companies.

Current Assets

	FY 02	% of Total Current Assets	FY 03	% of Total Current Assets	FY 04	% of Total Current Assets	FY 05	% of Total Current Assets	FY 06	% of Total Current Assets
Inventories	-	0.00%	28.29	52.82%	43.61	61.21%	200.14	64.40%	306.01	52.05%
Sundry Debtors	-	0.00%	24.20	45.19%	22.70	31.87%	85.07	27.37%	228.00	38.78%
Cash and Bank Balances	0.02	23.00%	0.00	0.00%	0.00	0.00%	2.17	0.70%	8.37	1.42%
Loan and Advances	0.06	77.00%	1.07	1.99%	4.93	6.91%	23.40	7.53%	45.56	7.75%
Total	0.08	100.00%	53.56	100.00%	71.24	100.00%	310.78	100.00%	587.93	100.00%

Inventory

Inventory mainly consists of yarn, grey fabric, and finished fabric. Inventory was valued at Rs. 306.01 million, Rs. 200.14 Million, and Rs. 43.61 Million, Rs.28.29 Million respectively as on March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 respectively.

Sundry debtors

Sundry debtors consist of receivables from customers. In turn, these receivables are divided into those that have been outstanding for periods up to six months and those that have remained outstanding for over six months. The following table presents the details of our debtors:

Figures in Rs. Millions except %

	FY 02	FY 03	% of total debtors	FY 04	% of total debtors	FY 05	% of total debtors	FY 06	% of total debtors
Exceeding Six Months	-	0.49	2.01%	1.77	7.79%	1.67	1.96%	34.68	15.21%
Other	-	23.72	97.99%	20.93	92.21%	83.41	98.04%	193.31	84.79%
Total	-	24.20	100.00%	22.70	100.00%	85.07	100.00%	228.00	100.00%

Amount due from debtors outstanding for more than 6 months, as a percentage of total debtors, has declined from 2.01% in FY 03 to 1.96% in FY 05. Other debtors are debtors considered good and whose dues are outstanding for a period less than 6 months.

Loans and advances

Rs. Millions

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06
Advance recoverable in cash or kind or for value to be received	0.06	1.07	4.93	23.40	45.56

Loans and advances mainly consist of export incentive receivables, security deposits, prepaid expenses and advances that are considered good. These include, among other items, amounts retained by customers as security deposits that are recoverable in cash or in kind or for value to be received (net of provisions for doubtful advances). As of March 31, 2002, 2003, 2004 and 2005, loans and advances totaled Rs. 0.06 Million, Rs. 1.07 Million, Rs. 4.93 Million and Rs. 23.40 Million, respectively.

Debt obligation

Rs. Millions

	FY 02	FY 03	FY 04	FY 05	FY 06
Secured Loans	-	14.52	27.92	158.06	259.54
Unsecured Loans	3.17	2.88	8.36	10.79	6.68

Secured loan consists of loan for working capital, term loan and vehicle loan. As of March 31, 2003, 2004, 2005, secured loans was Rs.14.52 Million, Rs. 27.92 Million and Rs. 158.06 Million respectively. Increase in secured loan in FY 05 was due to takeover of partnership firms. Increase in secured loans in FY 06 was due to amalgamation of group companies and further infusion of fund through debt.

The terms of certain of our borrowings contain certain restrictive covenants, such as requiring lender consent inter alia for incurring further indebtedness, creating further encumbrances on our assets, disposing of our assets, undertaking guarantee obligations, declaring dividends or incurring capital expenditures beyond certain limits. Some of these borrowings also contain covenants, which limit our ability to make any change or alteration in our capital structure, make investments, effect any scheme of amalgamation or restructuring, enlarge or diversify our scope of business. Certain of our long-term debt are secured by a charge over our immoveable and moveable property, and certain of our short-term debt are secured by a charge on our current assets, including, but not limited to, our inventory and receivables.

Current liabilities and provisions

Rs. Millions

	FY 02	FY 03	FY 04	FY 05	FY 06
Current Liabilities & Provisions	0.62	33.64	29.03	119.57	246.55

Current liabilities and provisions consist primarily of liabilities to sundry creditors, provisions for Income taxes, fringe benefit tax and gratuity. Current liabilities and provisions increased to Rs. 119.57 Million in FY 05 from Rs. 29.03 Million in FY 04. The increase was due to the effect of takeover of partnership firms. The increase in FY 06 was due to amalgamation of group companies.

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risk from changes in foreign exchange rates and interest rates. The following discussion is based on our consolidated financial statements under Indian GAAP.

Interest Rate Risk

Our financial results are subject to changes in interest rates, which may affect our debt service obligations. Upward fluctuations in interest rates increase the cost of both existing and new debts.

Exchange Rate Risk

We maintain accounting records and prepare our financial statements in Rupees, although our export sales are priced in U.S. Dollars and U.K. Pounds. Changes in exchange rates influence the realizations, we get for our exports.

Commodity Price Risk

We are exposed to market risk with respect to the prices of raw material. Our raw material consists of yarn and dyes. The costs for these raw materials are subject to fluctuation based on commodity prices. In the normal course of business, we purchase these raw materials either on a purchase order basis.

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5. OF SEBI DIP GUIDELINES

Unusual or infrequent events or transactions

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

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

There have been no significant economic and regulatory changes that are likely to affect income from regular operations.

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

Other than as described in the section entitled "Risk Factors" and "Managements Discussion and Analysis of Financial Conditions and Results of Operations" in this Red Herring Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues 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

Other than as described in the section entitled "Risk Factors" and "Managements Discussion and Analysis of Financial Conditions and Results of Operations" in this Red Herring Prospectus, to our knowledge there are no future relationship between costs and income that have or had or are expected to have a material adverse impact on our operations and finances.

Total turnover of each major industry segment in which the Company operated

No separate segments have been identified by the company.

Status of any publicly announced new products or business segment

We have not announced new products or business segments.

The extent to which business is seasonal

Our Business is not seasonal.

Any significant dependence on a single or few suppliers or customers

Our Top 5 customers contributed around 32.52% of our total consolidated revenues of around Rs 1073.1 million for the FY 06. If we lose one or more large customers and fail to add sufficient new customers to offset such loss (es), our results of operations could be adversely affected.

In addition, any consolidation among our customers would be likely to increase our reliance on a few key customers. We are dependent on external sources for our raw materials. We are also dependent on external suppliers for the timely supply of raw materials. Furthermore, the majority of our raw materials are sourced from a few vendors. Failure to supply or delay in supply of the raw materials or non conformance to quality requirements or fluctuations in the prices of the same can impact our ability to meet our customer requirements and thus impact our profitability.

Competitive conditions

We face competition from the organized as well as the disorganized sector. At the international level, the company is in direct competition with companies in nations having a low cost base such as Philippines, China and Bangladesh etc. We are also in direct competition with the leading apparel and fabric manufacturers of India as well as the local brands.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as disclosed here, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings initiated for offences (including past cases, economic offences etc) irrespective of whether specified in paragraph (1) of part 1 of Schedule XIII of the Companies Act and proceedings or tax liabilities against our Company, our Promoters and Directors and our subsidiaries that would have a material adverse effect on our business. Except those disclosed here, there are also no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against our Company or Promoters, Directors and its subsidiaries.

A. LITIGATIONS FILED AGAINST OUR COMPANY

NIL

Note:

The Company has purchased various units of building situated at Oberoi Garden Estate, Chandivili, Mumbai from Wellworth Developers. The conveyance deeds executed in respect of the various units for the premises, states that, proceedings have been initiated against Wellworth Developers under the Urban Land (Ceiling & Regulations) Act, 1976 (ULCRA) in relation to the land on which the buildings are situated. The Company understands that the Government of Maharashtra has passed an order revoking the occupation certificate in respect of the entire building complex, including the portions owned by the Company. We have paid an aggregate amount of Rs. 13 million towards sale consideration for the purchase of the said units. The effect of the said order on the Company's ability to utilize the premises is not ascertainable.

B. SHOW CAUSE NOTICES/ LEGAL NOTICES ISSUED AGAINST THE COMPANY

Sl. No.	Details of the Notice		Brief Facts	Status
	Issued by	Date of Issue		
1.	Maharashtra State Pollution Control Board	October 5, 2006	The Maharashtra State Pollution Control Board had issued letter directing that Venus Processors Private Limited (now, the Company) change the fuel pattern from coal to LSHS/ LDO/ Furnace Oil. During the visit of the Sub-Regional officer on August 30, 2006 it was observed that the Company had not changed the fuel pattern. Hence, the Maharashtra State Pollution Control Board, in exercise of the powers conferred under section 31A of the Air (Prevention and Control of Pollution) Act, 1981, has issued letter dated October 5, 2006 directing the Company to close down manufacturing activity. The Maharashtra State Pollution Control Board has further directed the competent authorities to disconnect electricity and water supply to the said unit of the	Pursuant to meetings held between the Thane Belapur Industries Association and the Maharashtra State Pollution Control Board, the Maharashtra State Pollution Control Board has issued letter dated November 11, 2006 permitting the Company to recommence manufacturing activities subject to inter alia fulfillment of the below conditions: (i) that the Company shall within 90 days (wef October 10, 2006) build a structure along the existing factory compound to prevent the carbon particle fall out. The above arrangement is to be made in consultation with M/s Tit Bit Foods Pvt Ltd and the arbitration of Mr. D.T. Parekh, President, Thane Belapur Industries Association. (ii) In the event that any alternate fuels like associated gas or natural gas supply is

Sl. No.	Details of the Notice		Brief Facts	Status
	Issued by	Date of Issue		
			Company. The said direction has been issued in respect of factory situated Navi Mumbai. Further, the Maharashtra State Pollution Control Board invoked the bank guarantee for an amount Rs. 15,000/- issued by the Company.	available in future, the same shall be utilized. (iii) The Company shall operate and maintain an Effluent Treatment Plant (iv) The company shall furnish a fresh bank guarantee of Rs.15,000 ensuring the compliance of the above conditions.

Except for the condition stipulated in (iv) above the Company, the Company has not complied with the above conditions. Consequently, the Maharashtra State Pollution Control Board shall be entitled initiate further legal action against the Company. Further, the Maharashtra State Pollution Control Board shall be entitled to invoke the fresh bank guarantee of Rs. 15,000/- .

The Thane Belapur Industries Association has vide its letter dated January 15, 2007 informed the Maharashtra State Pollution Control Board that the work has commenced and is expected to be completed by the end of January 2007.

2.	Office of the Commissioner of Central Excise, Belapur	May 5, 2004	The Office of the Commissioner of Central Excise, Belapur has issued show cause notice dated May 5, 2004 bearing ref. no. V/Adj/{Scn}15-12/Commr./ 04/ Bel/37 addressed to Venus Processors Private Limited. The notice alleges intent to evade payment of central excise duty on the part of Venus Processors Private Limited, thereby contravening of the provisions of Rule 8 of the Central Excise Rules, 2002. The authority has called upon the company to show cause as to why (i) an amount of Rs. 7,802,052 should not be demanded and recovered alongwith interest; and (ii) penalty should not be imposed.Venus Processors Private Limited, has by its letter dated June 18, 2004 has denied the said allegations with cogent reasons.	No further correspondences between the parties have been issued.No proceedings have been initiated against Venus Processors Private limited in pursuance of the said show cause notice.
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C. LITIGATIONS FILED BY OUR COMPANY

Sl. No.	Details of the Case			Brief Facts	Status
	Suit/Case No. filed before:	Date of filing	Parties		
1.	Appeal Order 853/2004In Sp. Civ. Suit337/2001 Filed before the Hon'ble Bombay High Court.	September 22, 2004	Abhishek Processors Pvt Ltd. (later known as Venus Processors Pvt Ltd) vs Maharashtra Industrial Development Corporation and others	The Respondent had on March 5, 1993 allotted a plot of land to the Appellant for the purpose of establishing a factory and granted a 15mm diameter water connection. Subsequently, the Appellant was granted a 100mm diameter water connection. The Appellant factory was closed for the period of May 16, 2000 to May 21, 2001 due to recession and financial constraints.The Respondents raised invoices dated July 17, 2001 and	Matter is pending adjudication.

Sl. No.	Details of the Case			Brief Facts	Status
	Suit/Case No. filed before:	Date of filing	Parties		
				<p>August 17, 2001 aggregating to an amount of Rs. 2,014,698 purporting to be the bill for water consumption during the period of June 2000 till June 2001. The Appellants raised an objection to the aforesaid bills vide their letter dated August 30, 2001. However, the Respondent MIDC threatened to disconnect water supply without giving the Appellants a hearing. Consequently, the Appellant filed Special Civil Suit No. 337/2001 before the Court of Civil Judge (S.D) Thane seeking a declaration that the invoices and the actions of the Respondents are illegal.</p> <p>The Learned Addl. District Judge vide order dated September 28, 2001 ordered a status quo in respect of the water supply pending disposal of the Appellants application for interim relief. On August 21, 2004 the Learned Addl. District Judge rejected the Application for interim relief pending final disposal of the Special Civil Suit. Aggrieved by the said order, this Appeal Order No. 853/ 2004 has been filed before the Hon'ble Bombay High Court. The Hon'ble Bombay High Court has vide order dated September 30, 2004 directed that status quo be maintained in respect of the water supply and restrained the Respondents from billing the amounts in dispute. The Hon'ble Bombay High Court has on June 23, 2006 ordered that the ad interim relief granted on September 30, 2004 continue till disposal of the appeal.</p>	

D. LITIGATION AGAINST OUR DIRECTORS OTHER THAN PROMOTERS

Nil

Our Directors have no outstanding litigation towards tax liabilities, criminal prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non-payment of statutory dues, proceedings initiated for economic offences, in their individual capacity or in connection with our Company and other companies with which the Directors are associated.

Note: The SEBI has passed an order against M/s CIL Securities Limited, whose managing director is a director on the Board of our Company. Mr. K.K. Maheshwari, a director on the board of our Company, also holds the position of the managing director of CIL Securities Limited. SEBI has vide its order dated 27 November 2006 imposed a penalty of Rs. 100,000 on CIL Securities Limited. The SEBI had further directed that the penalty be paid by CIL Securities Limited within a period of 45 days from the date of receipt of the order. In accordance therewith, CIL Securities Limited has on December 27, 2006 paid the penalty amount.

E. LITIGATION WHERE PROMOTERS ARE INVOLVED

Sl. No.	Details of the Case			Brief Facts	Status
	Suit/Case No. filed before:	Date of filing	Parties		
1.	Misc Appeal in R.P No. 10/2002 In the Hon'ble Debt Recovery Tribunal II, Mumbai	January 7, 2007	Mr. Murarilal Agarwal and another v/s O m a n International Bank and Others	Olive Silk Mills Private Limited (group company), as prospective bidder had submitted a valid and competitive bid in respect of a public auction of Gala nos 26B, 27B, 29B, 30B, 32B Shahita warehousing complex, Andheri. It is submitted that although the Appellants offered a bid of Rs.7.7 million against the then prevailing bid of Rs. 7.0 million the Recovery Officer passed order dated December 26, 2006 passed by the Recovery Officer confirming the sale of immovable property in favour of the Respondents. Hence the Promoters and Olive Silk Mills Private Limited have filed an appeal against the said impugned order of December 26, 2006 passed by the Recovery Officer. The Promoters have interalia prayed that the said order be set aside and that a fresh auction be conducted.	Matter is pending adjudication.

F. LITIGATION INVOLVING GROUP COMPANIES

Nil

G. LITIGATION INVOLVING COMPLIANCE OFFICER

Complaint No. 246/M of 2005 was filed in the Court of Additional Chief Metropolitan Magistrate, 47th Court, Esplanade, Mumbai by the SEBI (Complainant) represented by its Manager Shri Banashwer Ghosh against Mukerian Papers Ltd & Others under Sec. 190 of the Code of Criminal Procedure, 1973 and Sec 24(2) and Sec 27 of the Securities and Exchange Board of India Act, 1992 (SEBI Act). Mr. Mahesh K. Poddar, then Company Secretary of Mukerian Papers Ltd., is one of the accused in the said complaint who is presently working as the Company Secretary of the Company and is the Compliance Officer to the Issue.

The Brief facts of the matter are as under:

- The Complainant submitted that 645 complaints, relating to non-receipt of interest on debentures, non-receipt of redemption amount on debentures and non-transfer of shares, were received from investors against Mukerian Papers Ltd. (hereinafter referred to as "the Accused"), alleging that the Accused did not redress their grievances. The Complainant by a letter dated December 31, 2002, called upon the Accused to redress the grievances within 30 days.
- Upon not receiving any reply from the Accused the Complainant issued a Show Cause Notice, dated May 21, 2003, to the Accused asking the Accused to redress the grievances within 30 days. The Accused neither complied with nor replied to the said Show Cause Notice. Subsequently the Complainant appointed an adjudicating officer in the matter and called the Accused for a personal hearing. Upon hearing the Accused, the adjudicating officer passed an order, dated October 21, 2004, imposing a penalty of Rs. 15,000/- on the Accused.
- However, the Accused neither paid the penalty nor preferred any appeal against the said order in the Securities Appellate Tribunal. Subsequently, the Complainant issued separate notices, dated March 14, 2005,

to each of the accused, along with Mukerian Papers Limited, calling upon them to show cause as to why criminal prosecution in terms of Sec. 24(2) and 27 of SEBI Act should not be launched against them for failure to pay the penalty amount.

In view of the abovementioned facts the complaint was filed praying under Sec. 190 of the Code of Criminal Procedure, Sec. 24(2) and 27 of SEBI Act for issuance of summons and severe punishment for the Accused together with Shri Mahesh K. Poddar and others. The litigation is currently subjudice before the Additional Chief Metropolitan Magistrate, 47th Court, Esplanade, Mumbai.

It is pertinent to note that Mr. Mahesh K. Poddar tendered his resignation from the post of Company Secretary as well as Compliance Officer of Mukerian Papers Limited on 8th July, 2002.

MATERIAL DEVELOPMENTS

Except as stated herein below and in other sections in this Red Herring Prospectus, including the section titled "Management's Discussion and Analysis of Financial Statements and Results of Operations" on page 123 of this Red Herring Prospectus and our financial statements included herein, no material developments have taken place after March 31, 2006, the date of the latest balance sheet, that would materially adversely affect the performance or prospects of our Company and its subsidiaries taken as a whole.

The following are the material developments have taken place after March 31, 2006:

Date	Particulars
April 25, 2006	Company made a preferential allotment of 700,000 equity shares to Hari Govind Murarka.
May 23, 2006	Company purchased land at D-25, MIDC, Tarapur
May 31, 2006	Company made a preferential allotment of 700,000 equity shares to Jewel Stationery Private Limited.
July 4, 2006	The company entered into a lease agreement with respect to industrial premises situated at Bangalore for a period of 6 years. The monthly rent is Rs.300,000, subject to an annual increase of 3%. The Company has paid a refundable security deposit of Rs. 2,800,000/-
July 10, 2006	Mr. Narendra Agarwal resigned from the Board of Directors of the Company
July 11, 2006	The Company has purchased land at N-12, MIDC, Tarapur
August 18, 2006	The Karnataka Industrial Development Board has allotted land measuring 2.12 acres situated at Kanchanahalli, Bommasandra I Phase Industrial Area, Bangalore.
September 1, 2006	Company purchased land bearing Serial No.168/94 admeasuring 780 sq meters i.e. 8393 sq feet situated at village Dabhel, Dist Daman for a consideration of Rs. 2,712,900/-Company purchased land bearing Serial No.168/12 and 168/ 234 admeasuring 2195sq meters sq feet situated at village Dabhel, Dist Daman for a consideration of Rs. 5,036,700/-.
September 29, 2006	The Company was granted ISO 9001:2000 certification in respect of its unit at 195/6, Raj-rajeshwari compound, Sonale, Bhiwandi, Thane
November 27, 2006	Allotment of non-convertible, secured, redeemable debentures of face value Rs. 1 Million aggregating to Rs. 250 million to LIC
December 4, 2006	Acquisition of the immovable properties situated at Mouje Indrad of Kadi Taluka in the Registration District Mehsana and Sub-District of Kadi, Survey No. 855, Private Plot No. 10 admeasuring 2034.08 Sq. Yds. Equivalent to 1700.75 Sq.Mtrs out of which 1805.945 Sq. Yds. Equivalent 1510.00 Sq. Mtrs. land at plot no. 10 And also together with 1/12th undivided impartible joint ownership right, share and interest and use in the internal Approach road land abutting on Nal Road on the Southern border of the said land described in the First Schedule above written which undivided impartible right, share and interest comes to 228.135 Sq. Yds. Equivalent to 190.75 Sq. Mtrs.

Date	Particulars
December 15, 2006	Letter dated December 15, 2006 from KIADB informing us that land to the extent of 8 acres in Apparel Park, Phase II, Doddaballapur, Bangalore will be allotted in favour of the Company. KIADB acknowledged receipt of Rs 1.4 million and the balance payable is Rs 4.44 million.
January 15, 2007	Pre-IPO placement of 986,665 shares to SIDBI Venture Capital Limited and 933,335 shares to State Bank of India

In addition to the above, the following credit facilities / loans have been sanctioned in favour of the Company.

1. State Bank of Patiala vide its letter dated 15th April, 2006 sanctioned a term loan of Rs. 600 million to the Company for its new project at Bangalore and Tarapur.
2. State Bank of Hyderabad vide its letter dated 13th June, 2006 agreed to sanction a Term loan facilities to the extent of Rs. 200 million to the Company.
3. Oriental Bank of Commerce vide its letter dated 16th June, 2006 sanctioned cash credit facility of Rs. 45 million and term loan of Rs. 13.76 million to the Company.
4. State Bank of India vide its letter dated 17th June, 2006 increased the term loan by Rs. 400 million for the Company for its new project at Bangalore and Tarapur. The validity of the loan has since expired and the Company has made an application for reprocessing of the loan.
5. The Bank of India vide its letter dated 23rd June, 2006 sanctioned cash credit facility of 90 million and a term loan of Rs. 60 million to the Company.
6. Oriental Bank of Commerce vide its letter dated 17th July, 2006 sanctioned fresh term loan facility of Rs. 250 million to the Company.
7. Bank of India vide its letter dated 7th Aug, 06 granted a working capital limit of Rs. 50 million to the Company.
8. Oriental Bank of Commerce vide its letter dated 11th August, 2006 sanctioned Term loan facility of Rs. 16.24 million to the Company.
9. Oriental Bank of Commerce has vide its letter dated November 15, 2006 sanctioned a term loan of Rs.4.5 million.
10. Hong Kong Shanghai Banking Corporation vide its letter dated December 6, 2006 sanctioned credit facilities and working capital loan aggregating to Rs.80 million.

Details of allotment of debentures to LIC Mutual Fund

The Company has, on November 27, 2006 issued and allotted 250 Secured Redeemable Taxable Non- Convertible Debentures of Rs.10 lakhs each aggregating to Rs. 250 million in favour of LIC Mutual Fund. This issue of Debentures is within the general borrowing limits of the Board of Directors as approved by the shareholders of the Company at the Annual General Meeting of the Company held on January 29, 2006. The issue was made pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on 27/11/2006. The Company has duly filed the requisite documents with the Registrar of Companies with respect to the creation of charge on immovable property pursuant to the above disclosed debenture issue.

The purpose of raising funds through these Non Convertible Secured Taxable Debentures is to augment short term resources of the company for general corporate purposes.

Salient features of the allotment of debentures are as follows:

Issuer	Mudra Lifestyle Limited
Debenture Holder	LIC Mutual Fund
Instrument	Secured, Redeemable, Taxable Non Convertible Debentures of Rs.10,00,000/- each of the aggregate nominal value of Rs.25,00,00,000/-
Quantum	Rs. 25 crores
Purpose of the Issue	General corporate purposes
Security	<p>(i) First Charge on the immovable property owned by the Company in Gujarat - immovable properties situated at Mouje Indrad of Kadi Taluka in the Registration District Mehsana and Sub-District of Kadi, Survey No. 855, Private Plot No. 10 admeasuring 2034.08 Sq. Yds. Equivalent to 1700.75 Sq.Mtrs out of which 1805.945 Sq. Yds. Equivalent 1510.00 Sq. Mtrs. land at plot no. 10 And also together with 1/12th undivided impartible joint ownership right, share and interest and use in the internal Approach road land abutting on Nal Road on the Southern border of the said land described in the First Schedule above written which undivided impartible right, share and interest comes to 228.135 Sq. Yds. Equivalent to 190.75 Sq. Mtrs.; and</p> <p>(ii) Personal Guarantee of the Promoter of the Company</p>
Tenure	364 days
Maturity	50% of NCD value will be redeemed on last day of 9th month from the deemed date of allotment i.e. 26th day of August 2007 and balance 50% will be redeemed on 364th day from the deemed date of allotment i.e. 25th day of November 2007. .Further, the Company shall at all times have the power to redeem the debentures issued hereunder at par in full any day after 3 months from the date of allotment, entirely at its own discretion.
Interest	Interest shall be payable quarterly. Interest on debentures shall be payable quarterly. The first date of such payment would be on 26th day of February, 2007 and the next date of payment will be on 26th day of May, 2007, 26th day of August, 2007 and the last date of such payment would be on 25th day of November, 2007.
Trustee	IDBI Trusteeship Services Limited
Drawn Down	27th day of November, 2006
Date of allotment	27th day of November, 2006
Put/Call Option	Nil
Coupon	The coupon on the NCD shall be floating rate and shall be reset daily equivalent to NSE MIBOR plus 400 basis points, on a daily compounding basis, subject to a "Floor" (minimum interest rate) of 9.15% p.a. annualized (equivalent to 8.7563% p.a. on a daily compounding basis) and a "Cap" (maximum interest rate) of 9.25% p.a. annualized (equivalent to 8.8479% p.a. on a daily compounding basis). The Floor and Cap shall be determined on a daily basis.
Coupon Payment	Payable quarterly, First payment will be on 26th day of February, 2007 and thereafter 26th day of May, 2007, 26th day of August, 2007 and 25th day of November, 2007
Debenture Trust Deed	Company has also executed a Debenture Trust Deed dated December 05, 2006 whereby, IDBI Trusteeship Services Limited has been appointed as the Debenture Trustee.

Other disclosures pursuant to issue of debentures to LIC Mutual Fund are as follows:

- a) Creation of full security as per terms of issue

Debentures are fully secured

- b) Default in payment of interest

Not applicable as on date, as interest shall be paid quarterly. The first date of such payment would be on 26th day of February, 2007 and the next date of payment will be on 26th day of May, 2007, 26th day of August, 2007 and the last date of such payment would be on 25th day of November, 2007.

- c) The default in redemption

Not applicable as on date as 50% of NCD value will be redeemed on last day of 9th month from the deemed date of allotment i.e. 26th day of August 2007 and balance 50% will be redeemed on 364th day from the deemed date of allotment i.e. 25th day of November 2007. Further, the Company shall at all times have the power to redeem the debentures issued hereunder at par in full any day after 3 months from the date of allotment, entirely at its own discretion.

- d) Non-creation of debenture redemption reserve

Not applicable, as Debenture Redemption Reserve shall be created.

- e) Default in payment of penal interest

Not applicable as no penal interest is imposed on Company as on date.

- f) Non-availability/non-maintenance of asset cover, interest cover, debt-service cover

Company shall maintain a minimum security cover of 1.25 times or such other cover as may be agreed to by the Company and the Trustees and the Investment Institution participating in the Debenture Issue (so long as they continue to hold the Debentures) of its net fixed assets. Company shall also maintain a minimum debt equity ratio of 2:1 or such other cover as may be agreed to by the Company and the Trustees and the Debenture Holders and a debt service coverage ratio of 1.5:1 or such other ratio as may be agreed to by the Company and the Trustees

Opening of Letters of Credit for order of machines for expansion other than that stated in the chapter "Objects of the Issue" on page of the RHP.

1. We have opened a Letter of Credit for purchase of 24 second hand Dornier Rapier looms, the total invoice amount is USD 1200,000.00 CFR Nhava Sheva
2. We have opened a Letter of Credit for purchase of 20 second hand Somet Excel Y.O.C 1997 Rapier Shuttleless weaving machines, the total invoice amount is EUR 500,000.00 CFR Nhava Sheva

STATUTORY LICENSES/ APPROVALS

The Company is required to obtain various statutory and regulatory licenses / approvals from the Central and State authorities for the purposes of its business. The approvals obtained by the Company are arranged in the following order:

- (i) The list of approvals obtained by the Company
- (ii) Licenses obtained in the name of erstwhile group entities
- (iii) Other Licenses/ Approvals/ Certifications/ Registrations Obtained by the Company or erstwhile group entities
- (iv) Licenses to be obtained for commencement of operations at Bangalore and Tarapur.

The same are provided in the tables below:

- (i) The list of approvals obtained by the Company is detailed in the table below:

Sl. No.	Act under which the license/approval is issued	Issuing Authority	Details of the license / approval
A.	Approval from Central and State Tax Authorities		
1.	Income Tax Act, 1961 – Section 139 A	Director of Income Tax	Permanent Account Number (PAN): AACCM6461E
2.	Income Tax Act, 1961 - Section 203	National Securities Depository Limited	TAN No.: MUMM21138F
3.	The Finance Act, 1994	Superintendent, Service Tax	Registration no. ST/MUM/DIVIII/GTA/629/05 Date of Issue: April 5, 2005, issued in the name of M/s. Mudra Textiles Private Limited An application has been made to effect the change in name of the Company
4.	Customs Act, 1962	Foreign Trade Development Officer, Government of India	Importer-Exporter Code No. 0301057320 Date of Issue: May 5, 2006
5.	Central Excise Act, 1944	Commissioner of Excise	The Company is yet to apply for transfer of the registration certificate from Venus Processors Private Limited to the name of the Company.
6.	Central Sales Tax Act, 1956	Sales Tax Officer	Registration Number: 400059/C/4378 allotted to Mudra Textiles Pvt. Ltd. w.e.f. 16 th January 2002 An application has been made to effect the change in name of the Company
7.	Maharashtra Tax On Professions, Trades, Calling And Employments Act 1976	Commissioner of Profession Tax, Maharashtra State	Certificate No. 1025166 dated May 18, 2002, issued in the name on Mudra Textiles Private Limited. An application has been made to effect the change in name of the Company
8.	Karnataka Tax On Professions, Trades, Calling And Employments Act 1976	Commissioner of Profession Tax, Karnataka State	Certificate No. 2710/04-05 dated March 15, 2004, issued in the name on Mudra Exports. Subsequently amended and issued in favour of 'Mudra Exports – a Unit of Mudra Lifestyle Limited' vide certificate dated April 5, 2006 bearing ref. no P070.427-C

Sl. No.	Act under which the license/approval is issued	Issuing Authority	Details of the license / approval
9.	Bombay Sales Tax Act, 1959	Sales Tax Officer	Registration Number: 400059/S/4786 allotted to Mudra Textiles Pvt. Ltd. An application has been made to effect the change in name of the Company
10.	Maharashtra Value Added Tax Act, 2002	Sales Tax Officer, Sales Tax Department, Maharashtra	VAT TIN: 27910254509V
11.	Karnataka Sales Tax Act, 1957	Commercial Tax officer	Registration Certificate No.: 18506124 Date of Issue: March 15, 2005
12.	Karnataka Value Added Tax Act, 2002	Sales Tax Officer, Sales Tax Department, Karnataka	An application is yet to be made for obtaining the same.
13.	Daman and Diu Value Added Tax Regulation, 2005	Sales Tax Officer, Sales Tax Department, Maharashtra	An application is yet to be made for obtaining the same.
14.	The Bombay Shops and Establishments Act, 1948		Registration no.: KE-II/010512 Date of Issue of Certificate: June 10, 1999. Date of Renewal: March 6, 2006.

B. Labour related approvals

Sl. No.	Act under which the license/approval is issued	Issuing Authority	Details of the license / approval
15.	Employees Provident Funds and Miscellaneous Provisions Act, 1952 – Section 1 (3) (b)	Regional Provident Fund Commissioner	Employees Provident Fund Code: MH/92994 issued in the name on Mudra Textiles Private Limited. An application has been made to effect the change in name of the Company
16.	Employees State Insurance Act, 1948 - Section 2A	E.S.I.C	Employees State Insurance Code: 35-01316-13 issued in the name on Mudra Textiles Private Limited. An application has been made to effect the change in name of the Company
17.	Contract Labour (Regulation & Abolition) Act, 1970	Office of the Assistant Labour Commissioner & Registering officer.	Principal Employer Registration Number: No. 01041/14. Date of issue: June 5, 2006. Date of expiry: December 31, 2006, application has already been made for renewal of the same on December 29, 2006.

C. Operational Licenses.

Sl. No.	Act under which the license/approval is issued	Issuing Authority	Details of the license / approval
18.	The Factories Act, 1948	Inspector of Factories	Factory at Sonale Gaon, Bhiwandi License No.: 078645 dated 7th May, 2003 Date of Expiry Dec 31, 2005 Applications have been made in the name of the Company for all factories of the Company
19.	Electricity (Supply) Act, 1948 and Indian Electricity Rules, 1956	Maharashtra State Electricity Distribution Co. Ltd. Maharashtra State Electricity Distribution Co. Ltd.	Letter dated February 16, 2006 issued to the Company sanctioning installation of 630 kVA transformer. Letter dated March 24, 2006 issued to the Company sanctioning the use of 450 kVA (D.G.Set) and granting permission for laying down cables for electricity in their premises situated at Raj Rajeshwari Compound, Sonale Gaon, Bhiwandi.

(ii) Licenses obtained in the name of erstwhile group entities

The Company has made applications to the relevant authorities for the renewal of the following license and/or effecting change of name of the licensee in favour of the Company.

Sl. No.	Act under which the license/approval is issued	Issuing Authority	Details of the license / approval
A.	Approval from Central and State Tax Authorities		
1.	The Finance Act, 1994	Superintendent, Service Tax	East Cost Polytex Registration no. ST/MUM/DIVIII/GTA/630/05 Mudra Exports (India) Registration no. ST/MUM/DIV III/GTA/632/05 Mudra Impex Registration no. ST/MUM/DIVIII/GTA/631/05 Venus Processors Pvt Ltd Registration no. ST/ GTA/ BEL/ 92/ 2005-06
2.	Customs Act, 1962	Foreign Trade Development Officer, Government of India	East Coast Polytex Importer-Exporter Code No. 0301058725 Date of Issue: January 28, 2002
3.	Central Excise Act, 1944	Commissioner of Excise	Venus Processors Pvt Ltd Regn No: AABCV3114GXM001 Certificate dated April 19, 2005:
4.	Bombay Sales Tax Act, 1959	Sales Tax Officer, Sales Tax Department, Maharashtra	East Coast Polytex Registration certificate no. 400059/S/4797 M/s Mudra Exports (India) Registration certificate no. 400059/S/3810 M/s Mudra Impex Registration certificate no. 400059/S/4758 Venus Processors Pvt Ltd. Registration certificate no. 400701/S/1169

Sl. No.	Act under which the license/approval is issued	Issuing Authority	Details of the license / approval
5.	Goa, Daman and Diu Sales Tax Act, 1964	Sales Tax Officer, Daman	M/s Mudra Impex Registration certificate dated August 5, 2003
6.	Central Sales Tax Act, 1956	Jurisdictional Sales Tax Officer	East Coast Polytex Registration certificate no.: 400059/C/4389 Registration certificate no DA/6698 M/s Mudra Exports (India) Registration certificate no.: 400059/C/3458 Registration certificate no DA (CST)/ 6495 Venus Processors Pvt Ltd) Registration certificate no.: 400701/ C/ 1044.

B. Operational Licenses.

Sl. No.	Act under which the license/approval is issued	Issuing Authority	Details of the license / approval
7.	The Factories Act, 1948	Inspector of Factories	Factory at Sonale, Bhiwandi Mudra Synthetics Pvt Ltd. License no. 078661 Expiry: December 31, 2005 Picanova Fabrics Pvt Ltd. license registration no. 078658 Expiry Dec 31, 2006 Factory at Daman East Coast Polytex License no. 2795 Expiry December 31, 2005 License no. 2116 Expiry December 31, 2006 Mudra Impex License no. 2267 Expiry Dec 31, 2006 Factory at Navi Mumbai Venus Processors Pvt Ltd License no. 089102 Expiry December 31, 2009 Note: The Company has made applications to the relevant authorities for the renewal of the following license and/or effecting change of name of the licensee in favour of the Company.

Sl. No.	Act under which the license/approval is issued	Issuing Authority	Details of the license / approval
8.	Electricity (Supply) Act, 1948 and Indian Electricity Rules, 1956	Maharashtra State Electricity Distribution Co. Ltd. 1. Electricity Department, Daman Central Electricity Authority, Panaji, Goa	Sanction letter dated 25 th November, 2005 issued to the Venus Processors Pvt Ltd grants additional power supply of 22KV at Plot No. R62, MIDC, Mahape, Navi Mumbai. Permission granted to M/s. East Coast Polytex vide letter dated 22 April 2003 for installation and operation of 75KVA Diesel Generator Approval to East Coast Polytex for energisation of 75KVA DG Set at Dabhel.
9.	Air (Prevention & Control of Pollution) Act, 1981	Environment Officer, Maharashtra State Pollution Control Board	The authority has vide its letter dated July 8, 2005 issued to M/s. Venus Processors Private Limited accorded its consent for the period upto December 31, 2007.
10.	Air (Prevention & Control of Pollution) Act, 1981	Environment Officer, Karnataka State Pollution Control Board	The authority has vide its letter dated February 13, 2006 issued to M/s. Mudra Exports accorded its consent for the period upto December 31, 2006.
11.	Water (Prevention & Control of Pollution) Act, 1974	Environment Officer, Karnataka State Pollution Control Board	The authority has vide its letter dated February 13, 2006 issued to M/s. Mudra Exports accorded its consent for the period upto December 31, 2006.

(iii) **Other Licenses/ Approvals/ Certifications/ Registrations Obtained by the Company or erstwhile group entities**

Sl. No.	Issuing Authority	Details of the license / approval/ Certification or Registration
1.	Germanischer Lloyd	Certification: ISO 9001:2000 Certificate no. QS-4108HH Date of issue: September 29, 2006 issued to Mudra Lifestyle Ltd for its unit at Sonale Village – 195/6, Raja-rajeshwari Compound at Bhiwandi, Thane. Validity: September 29, 2009
2.	Synthetic & Rayon Textiles Export Promotion Council	Mudra Lifestyle Limited Registration cum Membership Registration No. SR/MFG/0628/2006-07 Date of Issue June 2, 2006 Validity 31 st Mar, 2011 East Coast Polytex Date of Issue May 17, 2004 Validity 31 st Mar, 2009 Mudra Exports (India) Date of Issue April 1, 2002 Validity 31 st Mar, 2007.
3.	Federation of Indian Export Organisations	Registration cum Membership Registration No. 8150/2004-2005 Date of Issue March 10, 2006 (endorsement) Validity 31 st Mar, 2007

Sl. No.	Issuing Authority	Details of the license / approval/ Certification or Registration
4.	Synthetic & Rayon Textiles Export Promotion Council	Registration cum Membership Registration No. SR/MFG/0628/2006-07 Date of Issue June 2, 2006 Validity 31 st Mar, 2011
5.	Apparel Export Promotion Council	East Coast Polytex Registration cum Membership Registration No. AEPC/MUM/TC/MEM Date of Issue October 29, 2003 Validity 31 st Mar, 2008
6.	Cotton Textiles Export Promotion Council	Mudra Exports (India) Registration cum Membership Registration No. XP/26662 (2003) – M Date of Issue August 4, 2003 Validity 31 st Mar, 2008

(iv) Licenses to be obtained for commencement of operations at Bangalore and Tarapur.

The Company requires, inter alia, the following statutory licenses and approvals for the commencement of operations of its Expansion Project at Bangalore and Tarapur. Apart from the below stated the Company shall apply for and obtain any and all statutory licenses and approvals from the relevant authorities as and when required.

Sl.	Issuing Authority	Nature of registration / License	Status
1.	Applicable Pollution Control Boards	Consent issued by the Pollution Control Board, required to establish and operate	Application made to the Maharashtra State Pollution Control Board on October 10, 2006. Application to be made before the Karnataka State Pollution Control Board
2.	Inspector of Factories of the applicable state	Factory registration license	Application shall be made as and when required
3.	Applicable Electricity departments	Consent to install and establish electrical connections/ transformers/captive power plants at the premises	Application has already been filed with the Maharashtra State electricity Board on January 11, 2007 and the Company has already been allotted a temporary connection
4.	Applicable Municipal Authorities	Consent for supply of water to the premises	Application has already been filed with the Maharashtra Industrial development Corporation on January 11, 2007
5.	Applicable Municipal Authorities	Fire control related licenses/approvals	Application shall be made as and when required
6.	Regional Provident Fund Commissioner	Provident Fund registration	Application shall be made as and when required
7.	Employees State Insurance Corporation	Employees State Insurance Corporation registration	Application shall be made as and when required
8.	Jurisdictional commercial tax officer	State and Central taxation registrations	Application shall be made as and when required
9.	Jurisdictional professional tax officer	Professional tax registrations	Application shall be made as and when required

Central Government and RBI are not responsible for financial soundness or correctness of statements made in this RHP.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors have, pursuant to a resolution passed at its meeting held on November 7, 2005, authorised the Issue, subject to the approval of the shareholders of our Company under Section 81 (1A) of the Companies Act. Our shareholders have authorised the Issue vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Extra-ordinary General Meeting held on March 31, 2006 and subsequently at Extra-ordinary General Meeting held on January 15, 2007.

Prohibition by SEBI

Neither we, nor our Directors, or companies with which our Directors are associated with as directors, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI. Neither we nor our directors, subsidiaries, directors of subsidiaries or associates, have been detained as wilful defaulters by the RBI or government authorities. There are no violations of securities laws committed by any of them in the past or pending against them.

Eligibility for the Issue

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

The Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;

The Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;

The Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;

The Company has changed its name from Mudra Textile Limited to Mudra Lifestyle limited. The new name does not indicate any new activity of business.

The proposed Issue size does not exceed five times the pre-Issue net worth of the Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines.

The Company's unconsolidated net profit, dividend, net worth, net tangible assets and monetary assets as certified by V.K. Beswal & Associates, Chartered Accountants, vide their certificate dated October 16, 2006 and included in the Section titled "Financial Statements" on page 104 of this Red Herring Prospectus for the last five years ended March 31, 2006 are set forth below:

Rs. In Millions

Year	FY 02	FY 03	FY 04	FY 05	FY 06
Net Tangible Assets	7.78	36.07	62.78	291.37	649.24
Monetary Assets	0.02	0.001	0.002	2.17	8.37
Distributable Profit	-	1.37	2.12	26.47	90.87
Networth	4.50	8.31	10.47	118.67	373.85

- Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).
- Monetary assets include cash on hand and bank. Detailed figures are given in the section titled "Financial Statements" on page 104 of this Red Herring Prospectus.

Disclaimer Clause

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE 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 MANAGERS, SBI CAPITAL MARKETS LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED OCTOBER 19, 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, and DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.
3. WE CONFIRM THAT:

THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."
4. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GoI AND ANY OTHER COMPETENT AUTHORITY.

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES IN THE NATURE OF LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

Caution-Disclaimer from the Issuer and BRLM

Our Company, our Directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in any advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.mudralifestyle.com, 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 entered into between the BRLM and us dated and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and 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 including at road show presentations, in research or sales reports or at Bidding centres.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

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), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including FIIs, NRIs and other eligible foreign investors. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in 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 the Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer Clause of the BSE

As required, a copy of this Red Herring Prospectus has been submitted to the BSE. [The BSE has by its letter dated November 27, 2006 given permission to the Company to use the BSE'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 BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding whether to grant such permission to the Company. The BSE does not in any manner:

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or
- (ii) warrant that the Company's securities will be listed or will continue to be listed on the BSE; or
- (iii) take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company, and it should not for any reason be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for, or otherwise acquires, any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to, or in connection with, such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Red Herring Prospectus has been submitted to the NSE. [The NSE has by its letter dated December 6, 2006 given permission to the Company to use the NSE'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 NSE has scrutinised the Draft 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 the NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the NSE nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company.

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 NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Red Herring Prospectus has been filed with SEBI at Plot No.C4-A,'G' Block,Bandra Kurla Complex,Bandra(East), Mumbai 400051 A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC: Department of Company Affairs, Office of the Registrar of Companies, Mumbai 'Everest' Building, 100 Marine Drive, Mumbai 400 002.

Listing

Applications have been made to the NSE and the BSE for permission to deal in and for an official quotation of our Equity Shares. The Bombay Stock Exchange Limited, Mumbai is the Designated Stock Exchange.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by NSE and BSE, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

Consents

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisors, the Bankers to the Company, the Bankers to the Issue; and (b) the Book Running Lead Manager, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained

and would be filed along with a copy of this Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

V K Beswal & Associates, Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

- (a) Makes in a fictitious name, an application to a company for acquiring or 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."

Expert Opinion

We have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

Activity	Expense (Rs. in Millions)	As a % of Total Issue Expenses	As a % of Total Issue Size
Lead management, underwriting and selling commission*	[●]	[●]	[●]
Advertisement & Marketing expenses*	[●]	[●]	[●]
Printing, stationery including transportation of the same*	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Legal fees*	[●]	[●]	[●]
Others*	[●]	[●]	[●]
Total estimated Issue expenses	[●]	[●]	[●]

* Will be incorporated after finalisation of Issue Price

Fees Payable to the Book Running Lead Manager and Syndicate Members

The total fees payable to the Book Running Lead Manager and Syndicate Members (including underwriting commission and selling commission) will be as stated in the Engagement Letter with the BRLM, a copy of which is available for inspection at the corporate office of our Company and reimbursement of their out of pocket expenses.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with our Company dated: May 15, 2006, a copy of which is available for inspection at the corporate office of our Company.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, and stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Bidding Period/Issue Period

BID/ISSUE OPENS ON	:	February 8, 2007
BID/ISSUE CLOSES ON	:	February 14, 2007

Bids and any revision in Bids shall be accepted only between 10 a.m. and 5p.m. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted only between 10 a.m. and 1:30 p.m. (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE.

We reserve the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Red Herring Prospectus.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE by issuing a press release, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate.

Designated Date and allotment of Equity Shares

- We will ensure that the allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders' depository accounts within two working days of the date of allotment.
- As per SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Particulars regarding Public or Rights during the Last Five Years

Our Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

Previous issues of shares otherwise than for cash

We have made the following allotments of Equity Shares for consideration other than cash

Date of Allotment	No. of Equity Shares	Face Value (Rs)	Nature of allotment
February 28, 2006	11,816,184	10	As per Scheme of Amalgamation

Except as stated hereinabove, our Company has not made any previous issues of shares otherwise than for cash, except as stated in the section titled "Capital Structure" beginning on page 14 of this Red Herring Prospectus.

Commission and Brokerage on Previous Issues

Except for the Pre-IPO Placement, since this is the IPO of the Company, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since the Company's inception.

Companies Under The Same Management

Please see "Our History and Corporate Structure" on page 78 of this Red Herring Prospectus for details of companies and firms under the same management with the Company.

Promise v/s Performance

Our Company nor any Group or associate companies have made any previous rights and public issues.

Listed Ventures of Promoters

Our promoters do not have any listed venture.

Outstanding Debentures or Bonds

We have issued non-convertible, secured, redeemable, taxable debentures aggregating to Rs. 250 million to LIC Mutual Fund. For more details, please refer to section titled “ Outstanding Litigation and Material Developments “ on page no. 135 of this RHP.

Stock Market Data for Our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism For Redressal Of Investor Grievances

The Memorandum of Understanding between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and 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, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue to address routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Mahesh Poddar, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. Mahesh K. Poddar

Company Secretary

Mudra Lifestyle Limited
5129-41, D-wing, 5th Floor, Oberoi Garden Estates,
Chandivali Farms Road, Chandivali,
Andheri (E), Mumbai – 400 072
Phone: +91 22 28472600/01
Fax: +91 22 28472603
Email: investor@mudralifestyle.com

Change in Statutory Auditors

There have been no changes in the in the auditors of the Company during the last three years.

Capitalization of Reserves Or Profits

Our Company has not capitalized its reserves or profits since inception five years, except as stated in the section titled “Capital Structure” on page 14 of this Red Herring Prospectus.

Revaluation of Assets

We have not revalued our assets since incorporation.

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Red Herring Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice and other documents/certificates that may be executed in respect of 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, the Government, Stock Exchanges, the Reserve Bank of India 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 shall be subject to the provisions of the Companies Act and our Memorandum and the Articles of Association and shall rank *pari passu* in all respects with our existing Equity Shares, including rights in respect of dividends. See the section titled “Main Provisions of the Articles of Association” on page 187 of this Red Herring Prospectus.

Mode of payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Red Herring Prospectus at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares. The face value of the shares is Rs. 10 and the Floor Price is 7.5 times of the face value and the Cap Price is 9 times of the face value.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, 1956 and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission, see the section titled “Main Provisions of the Articles of Association” on page 187 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the existing SEBI Guidelines, trading in Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of 70 Equity Shares.

NOMINATION FACILITY TO THE INVESTOR

In the nature of the rights specified in Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall have the same rights 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 Head Office of our Company or at the Registrar and Transfer Agents of our Company.

In the nature of the rights stated in Section 109B of the Companies Act, any person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, 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 of Directors 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 90 days, the Board of Directors 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.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount payable on application, including devolvment on Underwriters, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Subscription by Non-Residents, NRI, FIIs, Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions

Save and except the reservation for the Eligible Employees, there is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation subject to applicable law and specific shareholding limits.

As per RBI regulations, OCBs cannot participate in the Issue.

Application in Issue

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

Withdrawal of the Issue

We in consultation with the BRLM reserve the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

This Red Herring Prospectus is not an offer of Equity Shares for sale or an invitation to subscribe to Equity Shares to any person in any jurisdiction where it is unlawful to make such offer or invitation.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

This Red Herring Prospectus may not be distributed or made available in the United States or any other jurisdiction outside India where such distribution would be unlawful.

ISSUE STRUCTURE

The present Issue of 95,80,000* Equity Shares of Rs. 10/- each at a price of Rs. [●] for cash, aggregating Rs. [●] million is being made through the Book Building Process. The present Issue of 9,580,000 Equity Shares comprises of Net Issue to the public of a minimum of 9,101,000 Equity Shares aggregating Rs [●] million and a reservation for Eligible Employees of up to 479,000 Equity Shares aggregating Rs. [●] million each. The Company undertakes that the Issue to the public shall not be less than 25% of the total post issue paid up capital of the Company. The Issue is being made through a 100% Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees
Number of Equity Shares**	Up to 4,550,500 Equity Shares.	Minimum of 1,365,150 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 3,185,350 Equity Shares or Net Issue less allocation to QIB Bidders and Non- Institutional Bidders.	Upto 479,000 Equity Shares
Percentage of Net Issue size available for Allocation	Upto 50% of the Net Issue or the Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. However, upto 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Minimum of 15% of the Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 35% of the Net Issue or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Upto 5% of size of the Issue
Basis of Allocation if Respective Category is Oversubscribed (subject to sectoral cap and specified investment limits)	Proportionate as follows: (a) 227,525 Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) 4,322,975 Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate.	Proportionate.	Proportionate.
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 70 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 70 Equity Shares.	70 Equity Shares and in multiples of 70 Equity Shares	70 Equity Shares and in multiples of 70 Equity Share thereafter

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.
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
Who can Apply***	Public Financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, Mutual Funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law	Resident Indian individuals, NRIs, HUF (in the name of Karta), companies, bodies corporate, scientific institutions societies and trusts.	Individuals, including NRIs and HUF (in the name of Karta), such that the Bid Amount does not exceed Rs. 100,000.	Eligible Employees as on September 30, 2006
Terms of Payment	Margin Amount applicable to QIB Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non - Institutional Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	At least 10% of the Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

Note:

*We have allotted 986,665 Equity Shares issued to SIDBI Venture Capital Limited on January 16, 2007 and 933,335 Equity Shares issued to State Bank of India on January 15, 2007 pursuant to Pre-IPO placement. For further details, please see the section entitled "History and Corporate Structure" on page 78 of this Red Herring Prospectus.

*Subject to valid Bids being received at or above the Issue Price. Undersubscription, if any, in any portion, would be allowed to be met with spillover from any other portions at the discretion of the Company, in consultation with BRLM. However, if the aggregate demand by Mutual Funds is less than 227,525 Equity Shares (assuming QIB Portion is 50% of the Net Issue size, i.e. 4,550,500 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM.

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

- After the Bid/Issue Closing Date, depending on the level of subscription, additional margin amount, if any, maybe called for from the QIB Bidders.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein 5% of the Issue will be available for allocation on a proportionate basis to Eligible Employees and up to 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, including up to 5% of the QIB Portion which shall be available for allocation to Mutual Funds only. The Mutual Funds participating in QIB category will also be eligible for allotment in the remaining portion available for other QIBs, available to QIBs Further, not less than 35% of the net issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the net issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. QIB bids can be submitted only through the BRLM. We, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the bidder at the time of rejection of bid. In case of Eligible Employees, Non Institutional Bidders and Retail Bidders, we would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the Bid-cum-Application Form bearing the stamp of a member of the Syndicate for making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, despatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized us 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 the 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
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund applying on repatriation basis	Blue
Eligible Employees	Pink

Who Can Bid?

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
2. HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity Shares;
4. Indian mutual funds registered with SEBI;

5. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI regulations, as applicable);
6. Venture capital funds registered with SEBI;
7. Foreign venture capital investors registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Offer;
8. FIIs registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Offer;
9. State Industrial Development Corporations;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
13. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their constitution to hold and invest in Equity Shares;
14. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable local laws; and
15. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares.
16. Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Offer;
17. Eligible employees

Note: The BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM, and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.

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.

Availability of forms and Prospectus

Bidders can obtain the bid cum application form as per the following:

- Employees** : From the Members of the Syndicate and the company office.
NRI : Members of the Syndicate and the company office.
Other Bidders : Member of Syndicate

Bids by Employees

For the purpose of the Employee Reservation Portion, Employee means all or any of the following:

- (i) A permanent employee of the Company as of September 30, 2006 and based working and present in India as on the date of submission of the Bid cum Application Form.
- (ii) A director of the Company, whether a whole time director except any Promoters or members of the Promoter group, part time director or otherwise as of September 30, 2006 and based and present in India as on the date of submission of the Bid cum Application Form. 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.
- Only Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
- The maximum bid under Employee Reservation Portion by an Employee cannot exceed Rs. [●].
- Bid by Employees can be made also in the “Net Issue” portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 479,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
- If the aggregate demand in this category is greater than 479,000 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, please see section titled “Basis of Allocation” on page 182.

Applications 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 scheme concerned for which the Bid has been made.

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than Equity Shares, allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds portion

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Applications by FIIs

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company (i.e. 10% of 35994069 Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24% of the total paid-up capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Applications by NRIs

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office 5029-41,D Wing, Oberoi Garden estates, Chandivali farms road, Chandivali, Andheri East, Mumbai-400072, , members of the Syndicate or the Registrar to the Issue.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White form).

Bids and revision of the Bids by Eligible NRIs and FIIs must be made:

1. 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.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation. Other Non- Resident Bidders for a minimum of such number of Equity Shares and in multiples of 70 thereafter that the Bid Amount exceeds Rs. 100,000. For further details, see the section titled “Issue Procedure - Maximum and Minimum Bid Size” beginning on page 166.
4. Bids by NRIs and FIIs on a repatriation basis shall be in the names of individuals or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs and they will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the government of India, OCBs cannot participate in this Issue. Further, NRIs, who are not Eligible NRIs, are not permitted to participate in this Issue.

The information above is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of 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.

Applications by Venture Capital Funds

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000

prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of our Company's paid-up capital.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of 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

- a. For Bidders in the Eligible Employees Reservation Portion:** The Bid must be for a minimum of 70 Equity Shares and in multiples of 70 Equity Shares thereafter. Bidders in the Eligible Employees Reservation Portion applying for a maximum Bid may bid at cut-off price. The allotment in the Employee Reservation Portion will be on a proportionate basis.
- b. For Retail Individual Bidders:** The Bid must be for a minimum of 70 Equity Shares and in multiples of 70 Equity Shares thereafter, subject to maximum Bid amount of Rs. 100,000. In case the maximum Bid amount is more than Rs. 100,000 then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- c. For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 70 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Bidding Process

- (a) Our Company will file this 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 this Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain this Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLM / Syndicate Members.
- (d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bid.
- (e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- (f) The Bidding/Issue Period shall be a minimum of three working days and shall not exceed ten working days. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.

Bidding

- a) Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing this Red Herring Prospectus with RoC, and also publish the same in one English national daily, one Hindi national daily and one regional daily newspaper. This advertisement shall contain the disclosures as prescribed under SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period.
- b) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and a regional newspaper also by indicating on the websites of the BRLM and at the terminals of the members of the Syndicate the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.
- c) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- a) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph 'Build up of the Book and Revision of Bids' on page no. 170 of this Red Herring Prospectus.
- e) During the Bidding Period, Bidders may approach the Syndicate Member to submit their Bid. Every Syndicate Member shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- b) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph 'Terms of Payment' on page no. 169 of this Red Herring Prospectus.
- g) The BRLM and Syndicate Member will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the members of the Syndicate.

Bids at Different Price Levels

- (a) The Price Band has been fixed at Rs. 75/- to Rs. 90/- per Equity Share of Rs. 10 each, Rs. 75/- being the Floor Price and Rs. 90/- being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, the Company in consultation with the BRLM can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Company in consultation with BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (b) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Eligible Employees, 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.**

- (c) Eligible Employees and Retail Individual Bidders, who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall 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 (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.
- (d) The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially.
- (e) Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing Press Release and making available this information on the Bidding terminals.
- (f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size will be revised in order to ensure that the bid amount lies in the range of Rs. 5,000 to Rs. 7,000. Change regarding the same shall be advertised in accordance with the SEBI Guidelines.
- (g) In case of an upward revision in the Price Band announced as above, the Eligible Employees and Retail Individual Bidders, who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.100,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.
- (h) In case of a downward revision in the Price Band, announced as above, Eligible Employees and Retail Individual Bidders who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
- (i) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding/Issue Period using the printed revision Form which is a part of the Bid cum Application Form.
- (j) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (k) 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.
- (l) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

ESCROW MECHANISM

Escrow Account

We and the BRLM shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and an Escrow Agreement to be entered into amongst the Company, the BRLM, Escrow Bankers and Registrar to the Issue. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue

Account with the Bankers to the Issue as per the terms of the Escrow Agreement. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, and the Registrar to the Issue and BRLM to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph 'Payment Instructions' on page no. 176 of this Red Herring Prospectus) and submit the same to the member of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through the RTGS mechanism. Each QIB shall provide their QIB Margin Amount only to a BRLM. Bid cum Application Forms accompanied by cash/Stockinvest/money order shall not be accepted. The Margin Amount based on the Bid Amount has to be paid at the time of submission of the Bid cum Application Form.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account. The balance amounts after the transfer to the Public Issue Account, lying credited with the Escrow Collection Banks shall, on the Designated Date be transferred to the Refund Account, held by the Refund Banker for the benefit of the Bidders who are entitled to a refund. No later than 15 days from the Bid/Issue Closing Date, the Refund Banker shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Each category of Bidders (i.e., Eligible Employees, QIBs, Non Institutional Bidders and Retail Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable is mentioned under the section titled 'Issue Structure' on page no. 159 of this Red Herring Prospectus and will be available with the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the Syndicate Members by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Rate for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid Form. The excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder as per the modes of payment of refund as detailed in page 181 within 15 days from the Bid/Issue Closing Date, failing which we 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 Syndicate Member and their authorized agents during the Bidding Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) BSE and NSE will aggregate demand and price for bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be accessed on BSE's website at "www.bseindia.com" or on NSE's website at "www.nseindia.com"

- (d) At the time of registering each Bid, the Syndicate Member shall enter the following details of the investor in the on-line system:
- Name of the investor
 - Investor Category such as Individual, Corporate, NRI, FII or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to request and obtain the TRS from the members of the Syndicate.** The registration of the Bid by the Syndicate Member does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) We, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the bidder at the time of rejection of bid. In case of Non Institutional Bidders, Retail Bidders and Employees we would have a right to reject the Bids only on technical grounds listed on Page 178 in this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and 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 our Company, our Promoters, our management or any scheme or project of our 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 a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or he had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) In case of discrepancy of data between NSE or BSE and the Syndicate Member, the decision of the BRLM based on physical records of Bid cum Application Forms shall be final and binding to all concerned.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our Company and BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders.
- (c) The allocation for QIBs upto 50% of the Issue (including 5% specifically reserved for Mutual Funds) would be on a proportionate basis in consultation with Designated Stock Exchange subject to valid bids being received at or above the Issue Price. The allocation to Eligible Employees, Non-Institutional Bidders, and Retail Individual Bidders of 5% of Issue size, minimum of 15% of net Issue and a minimum of 35% of the net Issue, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any, in any of the categories would be allowed to be met with spill over from any of the other categories at the discretion of the Company and BRLM.
- (e) Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis will be subject to the terms and conditions stipulated by RBI.
- (f) The BRLM, in consultation with us, shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.
- (i) 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 finalization of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.
- (c) We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60, and Section 60B of the Companies Act.

- (d) After filing of the Prospectus with the ROC, a statutory advertisement will be issued by our Company in a widely circulated English, Hindi and regional language newspapers with wide circulation in the place where our Registered Office is situated. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Advertisement Regarding Issue Price and Prospectus

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between this Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

After the determination of Issue Price, the following steps would be taken

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM, or the 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. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Eligible Employees, Retail and Non-Institutional Bidders. However, Bidders should note that the Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date. The BRLM or Registrar to the Issue shall send to the Syndicate Member a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.
- (d) The issuance of a CAN is subject to "Allotment Reconciliation and Revised CANs" as set out under the section entitled "Terms of the Issue" at page 156 of this Red Herring Prospectus.

Notice to QIB: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid applications received. Based on the electronic book, QIBs will be sent a CAN on or prior to [●], 2007, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, nonreceipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, on or prior to [●], 2007, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

- (a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two working days of the finalization and adoption of the basis of allotment.

- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees.** Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid/Issue Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment. In case the company fails to make the allotment within 15 days of the bid closing date, interest would be paid to the investor at the rate of 15% per annum.

GENERAL INSTRUCTIONS

Do's:

- a) Check if you are eligible to apply;
- b) Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- g) Ensure that the bid is within price band;
- h) Investors must ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum- Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum-Application Form;
- i) If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached a copy of your PAN card with the Bid cum application Form. In case the PAN has not been allotted, mention "Not Allotted" in the appropriate place. Attention of Investors is invited to the contents of SEBI circulars MRD / DoP / SE / Cir-8/2006 dated July 13, 2006 and MRD / DoP / Dep/ Cir-09/06 dated July 20, 2006 and MRD / DoP / Dep /SE / Cir-13/2006 dated September 26, 2006 regarding submission of PAN card.

Don'ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the member of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not provide your GIR number instead of your PAN.
- f) Do not send Bid-cum-Application Forms by post; instead submit the same to members of the Syndicate only;
- g) Do not Bid at cut off price (for QIBs and non-institutional bidders);
- h) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
- i) Do not submit Bid accompanied with Stock invest.

INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Member.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund applying on repatriation basis and pink colour for Eligible Employees)
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum- Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of 70 Equity Shares and in multiples of 70 thereafter subject to a maximum Bid amount of Rs. 100,000/-.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs.100,000 and in multiples of 70 Equity Shares thereafter. All Individual Bidders whose maximum bid amount exceeds Rs. 100,000 would be considered under this category. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (e) In single name or in joint names (not more than three).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidders bank account details.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN, WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for making refunds and occupation ("Demographic Details"). Hence, Bidders are advised to immediately update their bank account details including Magnetic Ink Character Recognition (MICR) Code (a nine digit code appearing on a cheque leaf) as appearing on the records of the depository participant, and carefully fill in their Depository Account details in the Bid cum Application Form. 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 nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/

Allocation Advice and making refunds as per the modes disclosed and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Allocation Advice/CANs/ refund orders/ refund advice would be mailed at the address of the Bidders as per the Demographic Details received from the Depositories. Bidders may note that delivery of allocation advice/CANs/ refund orders/ refund advice 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 Bidder's sole risk and neither the Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or pay any interest for such delay.

In the case of refunds through electronic modes as detailed in page 181 of this Red Herring Prospectus, Bidders may note that of refund may get delayed if the bank particulars obtained from the Depositories are incorrect..

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered

Societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FILs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

Bids by NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from our Registered Office, 5129-41, D-wing, 5th Floor, Oberoi Garden Estates, Chandivali Farms Road, Chandivali, Andheri (E), Mumbai – 400 072 or the Registrars to the Issue or Syndicate Member.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Payment Instructions

We, and the BRLM shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account:

- (a) The Bidders for whom the 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 favor of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLM.
- (c) The payment instruments for payment into the Escrow Account should be drawn in favor of:
 - (i) In case of Eligible Employees: **"Escrow Account- Mudra Lifestyle Public Issue – Employees"**
 - (ii) In case of QIBs: **"Escrow Account- Mudra Lifestyle Public Issue – QIB-R"**
 - (iii) In case of non resident QIB Bidders: **"Escrow Account- Mudra Lifestyle Public Issue – QIB-NR"**
 - (iv) In case of Resident Retails and Non Institutional Bidders: **"Escrow Account – Mudra Lifestyle Public Issue"**
 - (v) In case of Non Resident Retail and Non Institutional Bidders: **"Escrow Account – Mudra Lifestyle Public Issue – NR"**
- (d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- (e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (f) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder by the Refund Banker from the Refund Account.
- (g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue. Further, on the Designated Date, the Escrow Collection Banks shall transfer all amounts liable to be refunded to unsuccessful bidders and the excess amounts paid on Bidding to the Refund Account held by the Refund Banker for the benefit of the Bidders entitled to a refund..
- (i) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Banker shall, from the Refund Account, refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the

Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

Payment by Stock invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.001/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the Syndicate Member at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as probable multiple master.
2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. The Registrar will obtain from the depositories, the details of the applicants address based on the DP-id and beneficiary Account Number provided in the Bid Cum application form and create an address master. Then, the addresses of all these applications from the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters, i.e., commas, full stops, hashes etc. Sometimes, the name, the first line of the address and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be made to check for common names. Applications with the same name and same address will be treated as multiple applications.
4. The applications will be scanned for similar DP ID and client identity numbers. In cases where applications bear the same numbers, these will be treated as multiple applications.
5. Bid by Employees can be made also in the "Net Issue" portion and such Bids shall not be treated as multiple bids.
6. After the aforesaid procedures, a print-out of the multiple master will be taken and the applications physically verified to tally signatures and also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number (PAN)

Where Bid(s) is/are for Rs. 50,000/- or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid Cum Application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/ First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be. Attention of Investors is invited to the contents of SEBI circulars MRD / DoP / SE / Cir-8/2006 dated July 13, 2006 and MRD / DoP / Dep/ Cir-09/06 dated July 20, 2006 and MRD / DoP / Dep /SE / Cir-13/2006 dated September 26, 2006 regarding submission of PAN card.**

Unique Identification Number – MAPIN (UIN)

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/ Cir- 13/2005.

Our Right to Reject Bids

We and the BRLM reserve the right to reject any QIB Bid provided the rejection is at the time of receipt of Bid and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of Bid.. In case of Non-Institutional Bidders and Retail Individual Bidders, we and the 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 among others on the following technical grounds:

- 1) Amount paid doesn't tally with the highest number of Equity Shares bid for;
- 2) Age of First Bidder not given;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- 4) PAN not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN number;
- 5) Bids for lower number of Equity Shares than specified for that category of investors;
- 6) Bids at a price less than lower end of the Price Band;
- 7) Bids at a price more than the higher end of the Price Band;
- 8) Bids at cut-off price by Non-Institutional and QIB Bidders;
- 9) Bids for number of Equity Shares which are not in multiples of 70;

- 10) Category not ticked;
- 11) Multiple bids as defined in this Red Herring Prospectus;
- 12) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 13) Bids accompanied by Stock invest/ money order/postal order/cash;
- 14) Signature of sole and / or joint bidders missing;
- 15) Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Member;
- 16) Bid-cum-Application Form does not have Bidder's depository account details;
- 17) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
- 18) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form;
- 19) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- 20) Bids by OCBs; and
- 21) Bid by U.S. residents or U.S persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.
- 22) Bids by persons who are not eligible to acquire Equity Shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.
- 23) In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;

Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be (spacing)represented by the statement issued through the electronic mode). In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) A tripartite agreement dated January 13, 2006 with NSDL, us and Registrar to the Issue;
- b) A tripartite agreement dated December 23, 2005 with CDSL, us and Registrar to the Issue.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e) Non-transferable allotment advice will be directly sent to the Bidder by the Registrar to this Issue. Refunds will be made directly by the Registrar to the Issue as per the modes disclosed.

- 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 dematerialized form only for all investors.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque or draft, number and issuing bank thereof.

Disposal of Investor Grievances by our Company

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Mahesh K. Poddar, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

5129-41, D-wing, 5th Floor,
Oberoi Garden Estates, Chandivali Farms Road,
Chandivali, Andheri (E),
Mumbai – 400 072
Tel: +91 22 28472600
Fax: + 91 22 28472603
E-mail: ipo@mudralifestyle.com

DISPOSAL OF APPLICATIONS AND APPLICATION MONIES

We shall ensure dispatch of allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) 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 dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk and adequate funds for this purpose shall be made available to the Registrar for this purpose.

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 finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI (DIP) Guidelines we further undertake that:

- allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid /Issue Closing Date;
- dispatch of refund orders within 15 (fifteen) days of the Bid /Issue Closing Date would be ensured; and
- 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 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.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification (DP ID) 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 the nine digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

Mode of Making Refunds

The payment of refund, if any, would be done through following modes:

1. ECS—Payment of refund would be done through ECS for applicants having an account at any of the following 15 centres: Ahmedabad, Bangalore, Bhubneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the nine-digit MICR code as appearing on a cheque leaf from the Depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centres named hereinabove, except where the applicant is otherwise disclosed as eligible to receive refunds through direct credit or RTGS.
2. Direct Credit—Applicants having their bank account with the Refund Banker shall be eligible to receive refunds, if any, through direct credit. Charges, if any, levied by the Refund Bank(s) for the same will be borne by the Company.
3. RTGS—Applicants having a bank account at any of the 15 centres detailed above, and whose Bid Amount exceeds Rs. 1 million, shall have the option to receive refunds, if any, through RTGS. Such eligible applicants who indicate their preference to receive refunds through RTGS are required to provide the IFSC code in the Bid cum Application Form. In the event of failure to provide the IFSC code in the Bid cum Application Form, the refund shall be made through the ECS or direct credit, if eligibility is disclosed. Charges, if any, levied by the Refund Bank(s) for the same will be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit will be borne by the applicant.
4. 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 the 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.
5. Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine-digit MICR Code, the refund orders will be dispatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above. Some refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest in case of delay in dispatch of allotment letters/making refunds

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refunds orders have not been dispatched to the applicants within 15 days of the Bid/ Issue Closing Date or if in a case where refund or portion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid/Issue Closing Date, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- (a) Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) Otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”

Basis of Allotment or Allocation

For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue Size less allotment to Eligible Employees, Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 3,185,350 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 3,185,350 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis. For the method of proportionate basis of allotment, refer below.

For Eligible Employees

- Bids received from the Eligible Employees at or above the cut off price shall be grouped together to determine the total demand under this category. The allotment to all the successful Eligible Employees will be made at the Issue Price.
- The Issue Size less allotment to Retail Individual Bidders, Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 479,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 479,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis. For the method of proportionate basis of allotment, refer below.
- Only Eligible Employees eligible to apply under Employee Reservation Portion.

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 Eligible Employees, QIBs and Retail Portion 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 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis. For the method of proportionate basis of allotment refer below.

For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;
 - (b) In the second instance allotment to all QIBs shall be determined as follows:
 - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate allotment to QIB Bidders shall be upto 4,550,500 Equity Shares.

Method of proportionate basis of allotment in the QIB, Retail and Non-Institutional portions

In the event of the Issue being over-subscribed, we shall finalise the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- Bidders will be categorised according to the number of Equity Shares applied for.
- The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate

basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

- Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- In all Bids where the proportionate allotment is less than 70 Equity Shares per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be allotted a minimum of 70 Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- If the proportionate allotment to a Bidder is a number that is more than 70 but is not a multiple of one (which is the marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of one. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Letters of allotment or refund orders

The Company shall give credit to the beneficiary account with Depository Participants within two working days from the date of the allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS) or NEFT. In case of other applicants, the Company shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through "Under Certificate of Posting" intimating them about the mode of credit of refund within 15 days of closure of Issue.

The Company shall ensure despatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, the Company undertakes that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders/ refund advice shall be done within 15 days from the Issue Closing Date; and
- The Company shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders/ credit intimation are not despatched and in case where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

The Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e. ECS, direct credit or RTGS, refunds will be made by

cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Undertaking by the Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;
- that the funds required for making refunds to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are effected through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the Issue giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of the refund.
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- Refunds shall be made as per the modes disclosed and allotment advice shall be dispatched to NRIs or FIIs or foreign venture capital investors registered with SEBI within the specified time.
- 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.
- that the promoters' contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in *pro rata* basis before the calls are made on public

Utilization of Issue proceeds

The Board of Directors of our Company certifies that:

- (a) all monies received out of the Issue shall be transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such utilized monies have been invested; and
- (c) Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.
- (d) We shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. No person shall make a Bid in pursuance of this Issue unless such person is eligible to acquire Equity Shares of our Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors making a bid in response to the Issue will be required to confirm and will be deemed to have represented to our Company, the BRLM, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to subscribe to the Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the BRLM, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor whether such investor is eligible to subscribe to Equity Shares of our Company.

Investment by FIIs/NRI/VCF

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.

The allotment/ transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

Under the FEMA, FIIs and NRIs are permitted to subscribe for shares of an Indian company making a public offer without prior RBI approval.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of the Company (i.e., 10% of 35990469 Equity Shares. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company where such sub-account is a foreign corporate or an individual.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with the SEBI. Accordingly, the holding by any venture capital fund should not exceed 25% of the corpus of such venture capital fund.

The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their own independent investigations and ensure that the number of Equity Shares bid for does not exceed the applicable limits under relevant laws or regulations. However, we shall update this Red Herring Prospectus and keep the public informed of any material changes in matters concerning the business and operations until the listing and commencement of trading of the Equity Shares.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures 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.

The regulations contained in Table A of Schedule I of the Companies Act, 1956, shall apply to our Company in so far as they are not inconsistent with or repugnant to any of the regulations contained in the Article of Association of our Company.

Share Capital, Increase And Reduction In Capital

4. The Authorised Share Capital of the Company shall be as per paragraph V of the Memorandum of the Company with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase the Authorised Capital which may consist of Equity and/or Preference Shares as the Company in General Meeting may determine in accordance with the law for the time being in force relating to Companies with power to increase or reduce such capital from time to time in accordance with the regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively and preferential, qualified or special rights, privileges or conditions and to vary, modify and abrogate the same in such manner as may be determined by or in accordance with these presents.
5. The Company in General Meeting may, from time to time, increase the capital by the creation of new shares. Such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions, and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof shall direct, and if direction be given, the directors shall determine accordingly and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the company, and with a right of voting at General Meetings of the Company in conformity with provisions of the Act. Whenever the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the relevant provisions of the Act.
6. Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.
7. The Company may (subject to the applicable provisions of the Act) from time to time by Special Resolution, reduce its capital and any Capital Redemption Reserve Account or Securities / Share Premium Account in any manner for the time being authorised by law; and in particular, capital may be paid off on the basis that it may be called up again or otherwise. This Article is not to derogate the company from any power which it would have, if it was omitted.
8. Subject to section 94 of the Act and other applicable provisions of the Act, the Company in General Meeting may from time to time alter the conditions of its Memorandum as follows:
 - (i) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
 - (ii) sub-divide its shares, or any of them into shares of smaller amounts than originally fixed by the Memorandum, subject nevertheless to the provisions of the Act and of these Articles and/or;
 - (iii) cancel shares which at the date of such General Meeting have not taken or agreed to be taken by any person and diminish the amounts of its share capital by the amount of the shares so cancelled.
9. The Company may, subject to the provisions of Section 100 to 105 of the Act, from time to time by Special Resolution reduce its shares capital or any Capital Redemption Reserve Account or Security Premium Account in any way authorised by law and in particular may pay off any paid up share capital upon the footing that it may be

called up again or otherwise may, if and so far as is necessary alter its Memorandum by reducing the amount of its share capital and of its shares accordingly.

10. Redeemable Preference Shares

- (i) Subject to the provisions of this section 80, and subject to the provisions on which any shares may be issued, the Company may issue preference shares which at the option of the company are to be liable to be redeemed.

Provided that:

- (a) no such shares shall be redeemed except out of profits of the company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of the redemption;
 - (b) no such shares shall be redeemed unless they are fully paid;
 - (c) the premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's security premium account, before the shares are redeemed;
 - (d) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called the capital redemption reserve account, a sum equal to the nominal amount of the shares redeemed; and the provisions of the Act relating to the reduction 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.
- (ii) The redemption of preference shares by the Company shall not be taken as reducing the amount of its authorised share capital.
- (iii) Where in pursuance of this Article, the Company has redeemed or is about to redeem any preference shares, it shall have power to issue shares up to 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 clause.
- Provided that, where new shares are issued before the redemption of the old shares, the new shares shall not, so far as relates to stamp duty, be deemed to have been issued in pursuance of this clause unless the old shares are redeemed within one month after the issue of the new shares.
- (iv) The capital redemption reserve account may, notwithstanding anything in this Article, be applied by the Company, in paying up un-issued shares of the company to be issued to members of the Company as fully paid bonus shares.
 - (v) Preference share which is irredeemable or is redeemable after the expiry of a period of twenty years from the date of its issue.

11. Whenever the capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the applicable provisions of the Act, be modified, commuted, affected or abrogated, or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided such agreement is ratified in writing by holders of at least three-fourths in nominal value of the issued shares of the class or is confirmed by a special resolution passed at separate General Meeting of the holders of shares of that class.

POWER TO ISSUE SWEAT EQUITY SHARES

12. Notwithstanding anything contained in Section 79 or other applicable provisions of the Act, a Company may make issue of sweat equity shares or of a class of shares/other securities already issued if the applicable provisions of the Companies Act, 1956 or any other statutory modification(s) for the time being in force in this regard be fulfilled.

FURTHER ISSUE OF SHARES

13. 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 the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit to the 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, if not accepted, will be deemed to have been declined. The amount to be paid-up on application and allotment on the shares so offered shall be equal in all respect for all the share-holders. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given 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.

ISSUE OF CERTIFICATES OF SHARES

22. Every Member or allottee of shares shall be entitled without payment, to receive one or more certificates in the prescribed standard/marketable lot 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 or a Committee thereof and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, or such other document issued by Company; save in case of issues against letters of acceptance or of renunciation or in case of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of two Directors or person acting on behalf of the Director under a duly registered power of attorney and the Secretary or some other person appointed by the Board for the purpose, and two Directors or their attorneys and the secretary or other authorised person shall sign the share certificate. Particulars of every share certificate issued shall be entered in the register of members against the name of the person(s) to whom it has been issued, indicating the date of issue.
23. Any two or more joint allottees of the share shall, for the purpose of this Article, be treated as the single Member, and the certificate of any share, which may be the subject to joint ownership, may be delivered to any one of such joint ownership on behalf of all of them. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupees Two. The Company shall comply with section 113 and/or other applicable provisions of the Act.
24. 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.
34. Dematerialisation of Securities.
- A) Notwithstanding anything contained in these Articles the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.
- B) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with the depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, 1996 and the company shall in the manner and within the time prescribed, issue to the beneficial owner the required Certificate of Securities.
- If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security and on receipt of the information, the depository shall enter in its records the name of the allottee as the beneficial owner of the security.
- C) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained inter-alia in Sections 153, 153A, 153B, 187C of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

- D) a) Notwithstanding anything to the contrary contained in the Act or the Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of the security on behalf of the beneficial owner.
- b) Save or otherwise provided in (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.
- c) Every person holding securities of the Company and whose name has entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all rights and benefits and subject to all the liabilities in respect of his securities which are held by depository.
- E) Notwithstanding anything in the Act or these Articles to the contrary where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
- F) Nothing contained in Section 108 of the Act or these Articles shall apply to transfer of securities effected by a transferor and transferee both of who are entered as beneficial owners in the records of the depository.
- G) 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
- H) Nothing contained in the Act or these Articles regarding the necessity as having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.
- I) The Register and index of beneficial owners maintained by a depository under the Depositories Act 1996, shall be deemed to be the Register and index of Members and Security holders for the purpose of those Articles.

POWER OF COMPANY TO PURCHASE ITS OWN SECURITIES

35. Subject to the provisions of sections 77A, 77AA, 77B and other applicable provisions of the Act and rules made there under and any other provisions of law applicable in this regard, the Company shall have power to buy-back any of its own shares or other specified securities.

CALLS

DIRECTORS MAY MAKE CALLS

37. The Board may, from time to time, subject to section 91 of the Act, the terms on which any shares may have been issued and the conditions of allotment, by a resolution passed at a meeting of the Board (and not by a circular resolution) make such calls as it thinks fit upon the Members 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 instalments.

PARTIAL PAYMENT NOT TO PRECLUDE FORFEITURE

46. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

LIEN

COMPANY'S LIEN ON SHARES/DEBENTURES

49. The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created except any contrary provisions in these Articles. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed, the registration of shares shall operate as a waiver of the Company's lien, if any, on such shares.

FORFEITURE OF SHARES

IF CALL OR INSTALMENT NOT PAID NOTICE MUST BE GIVEN

52. If any Member fails to pay any call or instalment 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 instalment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

FORM OF NOTICE

53. 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 instalment and such interest thereon at such rate as the Directors shall determine from the day on which such call or instalment ought to have been paid and express as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment on or before the time and at the place appointed, the shares in respect of which the call was made or instalment is payable, will be liable to be forfeited.

IN DEFAULT OF PAYMENT SHARES OR DEBENTURES TO BE FORFEITED

54. If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, at any time thereafter, but before payment of all calls or instalments, 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 paid before the forfeiture.

TRANSFER AND TRANSMISSION OF SHARES

REGISTER OF TRANSFERS

63. The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.

INSTRUMENT OF TRANSFER

64. The instrument of transfer shall be in writing and all the provisions of section 108 of the Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and registration thereof.
65. 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.

DIRECTORS MAY REFUSE TO REGISTER TRANSFER

66. Subject to section 111 of the Act and other applicable provisions of the Act, the Board of Directors may refuse to register the transfer of, or the transmission by operation of law or the right to any shares or interest of a member in, or any security of the Company, the Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal.
67. Provided that registration of a transfer shall not be refused on the ground that the transferor being either alone or jointly with any person or persons is indebted to the Company on any account whatsoever, except the outstanding allotment/call money/any interest on the same.
68. Where, in the case of partly paid shares, an 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 the Act.

JOINT HOLDERS

69. 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 share, the survivor or survivors shall be the only persons recognised by the Company having any title to or interest in such shares, 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.

BORROWING POWERS

81. Subject to the provisions of Section 58A, 292, 293 and other applicable provisions of the Act, the Board may, from time to time at its discretion, by a resolution passed at a meeting of the Board, accept deposits from Members, either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company.
82. Subject to the provisions of these presents, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit, by resolution passed at the meeting of the Board (but not by circulation) and in particular, by the issue of bonds, debentures, debenture stock or other security of the Company either unsecured or secured by a mortgage or charge over all or any part of the property of the Company (both present or future) including its uncalled capital for the time being, and debentures, debenture-stock, bonds and other securities may be made assignable, free from any equities between the Company and the person to whom the same may be issued.
83. Any debentures, debenture-stock, loan stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meeting, appointment of Director and otherwise. Debenture with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting accorded by a Special Resolution.
84. The Board shall cause a proper Register to be kept in accordance with the provisions of the Act, of all mortgages, debentures and charges specifically affecting the property of the Company; and shall cause the statutory requirements of the Act in that behalf to be duly complied with, so far as they are required to be complied with by the Board.
85. The Company shall, if at any time it issues debentures, keep a Register and Index of Debenture-holder in accordance with Section 152 of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of debenture-holders resident in that state or country.
86. Debenture, debenture stock and other securities of the Company shall be transferable, transmitted and consolidated in the same manner and to the same extent and be subject to the same restrictions and limitations as in the case of shares in the Company and the provision contained in these Articles of Association relating to transfer and transmission, split and consolidation of shares, shall apply mutatis mutandis, to the transfer and transmission, split and consolidation of debentures and debenture-stock.

CONVERSION OF SHARES INTO STOCK AND RE-CONVERSION

87. The Company in general meeting may convert any fully paid shares into stock and when any shares have been converted into stock, the several holders of such stock may hence forth transfer their respective interest therein, or any part of such interest in the same manner and subject to the same regulations subject to which shares from which the stock arose might have been transferred, if no such conversion had taken place or as near thereto as circumstances will admit. The Company may at any time reconvert any stock into paid-up shares of any denomination.
88. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters, as if they held the shares from which the stock arose; but no such privileges or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares have conferred that privilege or advantage.

MEETINGS OF THE MEMBERS

89. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other General Meeting in that year. All General Meetings other than Annual General Meeting shall be called Extra-

Ordinary General Meetings. An Annual General Meeting shall be held within six months after the expiry of each Financial Year provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of the Act 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 such place as is permissible by the Act and as the Board may determine. The notice calling the meeting shall specify it as the Annual General Meeting. Every member 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, Auditors' Report (if not already incorporated in the Audited statement of Accounts) and the Register of Directors' Shareholdings which register shall remain open and accessible during the continuance of the Meeting.

VOTES OF MEMBERS

RESTRICTIONS ON EXERCISE OF VOTING RIGHTS OF MEMBERS WHO HAVE NOT PAID CALLS

110. No Member shall be entitled to vote either personally or by proxy at any General Meeting or Meetings of a class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.
111. Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the Capital of the Company, every Member, who is not otherwise disqualified, 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, voting right of every Member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. Provided, however, a preference Shareholder of the Company, save as provided in clause (b) of sub-section (2) of Section 87 or other applicable provisions of the Act, shall have a right to vote only on resolutions placed before the meeting which directly affect the rights attached to his preference shares.
112. On a poll taken at a meeting of the Company, a Member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.
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 poll vote by proxy. If any member be a minor, the vote in respect of his share or shares shall be by his guardian, or any one of his guardians, if more than one, to be selected in case of dispute, by the Chairman of the meeting.
114. 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 or not) 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, that one of the said persons so present whose name stands higher on the Register of Members shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint-holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased Member, in whose name shares stand shall for the purpose of these Articles be, deemed joint-holders thereof.

DIRECTORS

130. Until otherwise determined by the General Meeting and subject to Section 252 of the Act, the number of Directors (excluding Alternate Directors) shall not be less than three and not more than twelve.

The first Directors of the Company are:

Mr. Murarilal Bisheshwarlal Agarwal
 Mr. Ravindra Bisheshwarlal Agarwal
 Mr. Narendra Mahavirprasad Agarwal
 Mrs. Asha Ravindra Agarwal

ROTATION OF DIRECTORS

131. Not less than two-thirds of the total number of Directors shall be persons whose period of office is liable to determination by retirement by rotation.
132. 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 their number is not three or a multiple of three, then the number nearest to one-third shall retire from office. The Directors appointed under any specific provisions of these presents as non retiring Directors shall not be subject to retirement under this Article and shall not be taken into account in determining rotation, retirement or the number of Directors to retire.

ASCERTAINMENT OF DIRECTORS RETIRING BY ROTATION AND FILLING UP VACANCIES

133. The Directors to retire by rotation under the foregoing Article shall be those who have been longest in office since their last appointment, but as between persons 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. A retiring Director shall be eligible for re-election.
134. The Company at the Annual General Meeting at which a Director retires in manner aforesaid, may fill up the vacated office by electing the retiring Director or some other person thereto.
135. 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.
136. If at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill up the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless:
 - (i) at the meeting or at the previous meeting a resolution for the re-appointment of such Director has been put to the meeting and lost;
 - (ii) the retiring Director has by a notice in writing addressed to the Company or its Board, expressed his unwillingness to be re-appointed;
 - (iii) he is not qualified or is disqualified for appointment;
 - (iv) a Resolution, whether Special or Ordinary, is required for the appointment or re-appointment by virtue of any provisions of the Act;
 - (v) The provision to sub-section (2) of Section 263 of the Act is applicable to the case.

NOMINEE DIRECTOR

137. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to any Finance Corporation or Credit Corporation or to any other Financing Company or Body out of any loans granted by them to the Company or so long as any other Financing Company or Body (hereinafter in this Article referred to as "the Corporation") continue to hold debentures in the Company as a result of underwriting or by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remain 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/are 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.
138. The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. Such Nominee Director/s shall not be required to hold Share qualification in the Company nor shall he/they be liable to retire by rotation. The Nominee Director/s shall be entitled to the same obligation as any other Director of the Company.

139. The Nominee Director/s so appointed shall hold the said office only so long as the Corporation holds the said Debentures or shares or so long as the Company owes any moneys to the Corporation under the said Debentures and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately on the Corporation ceasing to hold the said debenture/s or shares in the Company or on the moneys owing by the Company to the corporation under the said Debentures shall be paid off.
140. The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings and Board Meetings and Meetings of the Committee of which the Nominee Director/s is/are member/s as also the minutes of such meeting. The Corporation shall also be entitled to receive all such notices and minutes.
141. The Company shall pay to the Nominee Director/s sitting fees and expenses which the other Directors of the Company are entitled, but if any other fees, commission, moneys and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be 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 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.
142. In the event of the Company committing any default in terms of the Heads of Agreement/ Letters of Sanction / Memorandum of Terms and Conditions entered into/to be entered into by the Company with the Corporation in respect of the said Debentures, the corporation shall have the right to appoint Nominee Director/s as Whole Time Director/s and the Company shall if required take all necessary steps to effect such appointment/s.
143. It is hereby expressly declared that notwithstanding anything contained in this Article, such Nominee Director/s appointed as Whole-time 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 Company. Such Nominee Director/s shall be entitled to receive such remuneration, fees, commission and moneys as may be sanctioned by the Central Government and approved by the Corporation.

SPECIAL DIRECTOR

145. Whenever the Directors enter into a contract with any Government (Central, State or Local) or any person or persons for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or for underwriting or enter into any other arrangement whatsoever, the Directors shall have, subject to the provisions of Section 255 of the Act, the power to agree that such Government, person or persons shall have the right to appoint or nominate by a notice in writing addressed to the Company one or more Directors on the Board for such period and upon such conditions as may be mentioned in the Agreement and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Directors may also agree that any such Director or Directors may be removed from time to time by the Government, person or persons entitled to appoint or nominate them and such person or persons may appoint another or others in his or their place and also fill in any vacancy which may occur as a result of any such Director or Directors ceasing to hold that office for any reason whatsoever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the Directors of the Company including the payment of remuneration and travelling expenses to such Director or Directors as may be agreed by the Company with such person or persons aforesaid.

ALTERNATE DIRECTOR

146. Subject to the provisions of section 313 of the Act, the Board may appoint an Alternate Director to act for a Director (hereinafter called "the Original Director") 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 be a person recommended for such appointment by the original Director. An Alternate Director 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 automatic re-appointment of retiring Directors in default of another appointment shall apply to the Original Director and not to the Alternate Director.

APPOINTMENT OF ADDITIONAL DIRECTOR

147. Subject to the provisions of section 260 of the Act, the Board shall have power at any time and from time to time to appoint any person to be an Additional Director, but so that the total number of Directors shall not at any time exceed the maximum fixed under these Articles. Any such Additional Director shall hold office only up to the date of the next Annual General Meeting but shall be eligible for election at such meeting.

APPOINTMENT OF DIRECTOR TO FILL THE CASUAL VACANCY

148. Subject to the provisions of section 262 and other applicable provisions 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 SHARES

152. A Director shall not be required to hold any shares in the Company to qualify for the office of a Director of the Company.

DIRECTORS VACATING OFFICE

153. Subject to Section 283 of the Act, the office of a Director shall become vacant if:-
- (i) he fails to obtain within the time specified in sub-section (1) of section 270, or at any time thereafter ceases to hold, the share qualification, if any, required of him by the Articles;
 - (ii) he is found to be of unsound mind by a court of competent jurisdiction; or
 - (iii) he applies to be adjudicated an insolvent; or
 - (iv) he is adjudged an insolvent; or
 - (v) 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 payment of such call unless the Central Government has, by notification in the official Gazette removed the disqualification incurred by such failure; or
 - (vi) he absents himself for three consecutive meeting of the Directors or from all meetings of the Directors for a continuous period of three months, whichever is longer, without leave of absence from the Board; or
 - (vii) he becomes disqualified by an order of the Court under Section 203 of the Act; or
 - (viii) he is removed in pursuance of Section 284 of the Act; or
 - (ix) he (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner, or any private Company of which he is a Director, accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or
 - (x) he acts in contravention of Section 299 of the Act; or
 - (xi) he is convicted by a Court for any offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months; and
 - (xii) 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

BOARD RESOLUTION AT A MEETING NECESSARY FOR CERTAIN CONTRACT

154. Except with the consent of the Board of Directors of the Company, and, so long as the paid-up share capital of the Company continues to be not less than Rupees One Crore or such other sum as may be prescribed in this regard from time to time, except with the previous approval of the Central Government, a Director of the Company or his relative, a firm in which such a Director or relative is a partner, any other partner in such a firm, or a private Company of which the Director is a member or Director, shall not enter into any contract with the Company : -
- (xiii) for the sale, purchase or supply of any goods, materials or services; or
 - (xiv) for underwriting the subscription of any shares in or debentures of the Company.

155. Nothing contained in sub-clause (a) above shall effect:

- (xv) the purchase of goods and materials from the Company, or the sale of goods and materials to the Company by any Director, relative, firm, partner or private Company as aforesaid for cash at prevailing market prices ; or
- (xvi) any contract or contracts between the Company on one side and such Director, relative, firm, partner or a private Company on the other for sale, purchase or supply of any goods, materials and services in which either the Company or the Director, relative, firm, partner or private Company, as the case may be, regularly trades or does business.

PROVIDED THAT such contract or contracts do not relate to goods and materials the value of which exceed five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts.

156. Notwithstanding anything contained in the foregoing para, a Director, relative, firm, partner or private Company as aforesaid may, in circumstances of urgent necessity, enter, without obtaining the consent of the Board, into any contract with the Company for the sale, purchase or supply of any goods or materials or services, even if the value of such goods or cost of such services exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract; but in such a case the consent of the Board shall be obtained at a meeting within three months of the date on which the Contract was entered into.

(xvii) Every consent of the Board required under this Article shall be accorded by a resolution passed at a meeting of the Board and not otherwise; and the consent of the Board required under sub-clause (1) of this Article shall not be deemed to have been given within the meaning of that sub-clause unless the consent is accorded before the contract is entered into or within three months of the date on which it was entered into.

(xviii) If the consent is not accorded to any contract under this Article, anything done in pursuance of the contract shall be avoidable at the option of the Board.

DIRECTORS MAY BE DIRECTORS OF COMPANIES PROMOTED BY THE COMPANY

163. A Director may be or become a Director of any Company promoted by the Company, or in which he may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any benefits received as a Director or shareholder of such Company except to the extent provided in the Act.

164. Subject to the provisions of the Act, the Company may by Ordinary Resolution from time to time, increase or reduce the number of Directors.

RIGHT OF PERSONS OTHER THAN RETIRING DIRECTORS TO STAND FOR DIRECTORSHIP

165. Subject to the provisions of the Act and these Articles, any person who is not a retiring Directors shall be eligible for appointment to the office of Director at any General Meeting if he or some Member intending to propose him has left at the Registered Office of the Company a prescribed notice in writing under his hand signifying his candidature for the office of Director or the intention of such Member to propose him as a candidate for that office as the case may be, along with the prescribed amount as a deposit, which shall be refunded to such person or, as the case may be, to such Member, if the person succeeds in getting elected as a Director.

MANAGING DIRECTOR(S) AND WHOLE-TIME DIRECTOR(S)

172. Subject to provisions of sections 197A, 198, 267, 268, 269, 309, 310, 311, 316 and 317 and any other applicable provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its numbers 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 thinks fit, and subject to the provisions of these presents, the Board may by a 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 period or periods upon such conditions and subject to such restrictions as it may determine. The remuneration of a Managing Director or Managing Directors may be by way of monthly payment, participation in profits or by any other mode not expressly prohibited by the Act. Subject to the provisions of the Act, a Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for any purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire, but

(subject to the provisions of any contract between him and the Company) he shall be subject to the same provisions as to resignation and removal as the other Directors and he shall, ipso facto and immediately cease to be a Managing Director if he ceases to hold the office of Director from any cause.

173. Subject to the applicable provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its number as whole-time Director or whole-time Directors of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and subject to the provisions of these presents the Board may by resolution, vest in such Whole-time Director or Whole-time Directors such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of Whole-time Director or Whole-time Directors may be by way of monthly payment, fee for each meeting or participation in profits, or by any or all of these modes, or any other mode not prohibited by the Act.
174. Subject to the provisions of section 274 and any other applicable provisions of the Act, the Company shall not appoint or employ, or continue the appointment or employment of, a person as its Managing Director or Whole-time Director who -
- (xix) is an undischarged insolvent or has at any time been adjudged an insolvent;
 - (xx) suspends, or has at any time suspended payment to its creditors or makes, or has at any time made a composition with them; or
 - (xxi) is, or has at any time been, convicted by a Court of any offence involving moral turpitude.
175. A Managing Director or Whole-time Director shall ipso facto and immediately cease to be a Managing Director or Whole-time Director if he ceases to hold the office of a Director.

POWERS OF DIRECTORS

CERTAIN POWERS TO BE EXERCISED BY THE BOARD ONLY AT MEETING

191. (a) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at meetings of the Board.
- a. The power to make calls on shareholders in respect of money unpaid on their shares
 - b. The power to issue debenture
 - c. The power to borrow moneys otherwise than on debentures
 - d. The power to invest the funds of the Company and
 - e. The power to make loans
- Provided that the Board may by resolution passed at the meeting, delegate to any committee of Directors, the Managing Director, the Manager or any other principal officer of the Company or in the case of a branch office of the Company, a principal officer of the branch office, the powers specified in sub-clauses (iii), (iv) and (v) to the extent specified in clauses (b), (c) and (d) respectively on such conditions as the Board may prescribe.
- (b) Every resolution delegating the power referred to in sub-clause (iii) of clause (a) shall specify the total amount outstanding at any one time upto which moneys may be borrowed by the delegate.
 - (c) Every resolution delegating the power referred to in sub-clause (iv) of clause (a) shall specify the total amount upto which the funds of the Company may be invested and the nature of the investments which may be made by the delegate.
 - (d) Every resolution delegating the power referred to in sub-clause (v) of the clause (a) shall specify the total amount upto which loans may be made by the delegates, the purpose for which the loans may be made and the maximum amount upto which loans may be made for each such purpose in individual cases.
 - (e) Nothing in this Article shall be deemed to affect the right of the Company in general Meeting to impose restrictions and conditions on the exercise by the Board of any of the powers referred to in sub-clauses (i), (ii), (iii), (iv) and (v) of clause (a) above.

RESTRICTIONS ON POWERS OF BOARD

192. The Board shall not, except with the consent of the Company in General Meeting:-
- (i) sell, lease or otherwise dispose off 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;
 - (ii) remit, or give time for the repayment of, any debt due by a Director;
 - (iii) invest otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a), or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
 - (iv) borrow moneys, where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose. Provided further that the powers specified in Section 292 of the Act shall, subject to these Articles, be exercised only at meetings of the Board, unless the same be delegated to the extent therein stated; or
 - (v) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of the Act during the three financial years immediately preceding, whichever is greater.

GENERAL POWERS OF THE COMPANY VESTED IN DIRECTORS

193. 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, the provisions of the Act, or any other Act or to any regulations being not inconsistent therewith, 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 regulation had not been made.

THE SEAL

197. The Board shall provide a Seal for the purposes of the Company, and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof, and the Board shall provide for the safe custody of the Seal for the time being, and the Seal shall never be used except by the authority of the Board or a Committee of the Board previously given.
198. The Company shall also be at liberty to have an official seal in accordance with Section 50 or other provisions of the Act, for use in any territory, district, district or place outside India.

DIVIDENDS

DIVISION OF PROFITS

200. 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 the Act and 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.
201. The Company in General Meeting may declare dividends to be paid to Members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

DIVIDENDS ONLY TO BE PAID OUT OF PROFITS

202. No dividend shall be declared or paid otherwise than out of profits of the Financial Year arrived at after providing for the depreciation in accordance with the provisions of the Act except after the transfer to the reserves of the

Company of such percentage of its profits for the year as may be prescribed or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both.

Provided that:

- a. If the Company has not provided for depreciation for any previous financial year or years it shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year, or out of the profits of any other previous year or years.
- b. If the Company has incurred any loss in any previous financial year or years, the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years, whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the 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.
- c. Notwithstanding anything contained herein, no dividend shall be declared or paid by the Company for any financial year out of 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 ten percent, as may be prescribed. Provided that nothing in this sub-clause 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 prescribed rules in this behalf.
- d. Where, owing to inadequacy or absence of profits in any year, the Company proposes to declare dividend out of the accumulated profits earned by the Company in previous years and transferred by it to the reserves, such declaration of dividend shall not be made except in accordance with prescribed rules in this behalf, and, where any such declaration is not in accordance with the prescribed rules, such declaration shall not be made except with the previous approval of the appropriate authority.

INTERIM DIVIDENDS

203. Subject to the provisions of the Act, 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 WILL NOT CARRY DIVIDEND

204. 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

205. All dividends 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.
206. Subject to the provisions of the Act, the Board may retain the dividends payable upon shares in respect of which any person is under any provisions of these presents is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.
207. Any one of several persons who are registered as the joint holders of any share may give effectual receipt for all dividends or bonus and payments on account of dividends or bonus or other moneys in respect of such shares.
208. No Member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, while any money may be due owing from him to the Company in respect of such share or otherwise, howsoever, either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any Member all sums of moneys so due from him to the Company.
209. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.
210. Where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the Company, it shall:

- a. transfer the dividend in relation to such shares to the Special Account referred to in Section 205A of the Act unless the Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer and
 - b. keep in abeyance in relation to such shares any offer of rights shares under clause (a) of sub-section (1) of Section 81 and any issue of fully paid-up bonus shares in pursuance of sub-section (3) of Section 205 of the Act.
211. If the Company has declared a dividend but which has not been paid or a dividend warrant in respect thereof has not been paid within 30 days from the date of declaration to any shareholders entitled to the payment of the dividend the Company shall within 7 days from the date of the expiry of the said period of 30 days open a special account in that behalf in any Scheduled bank called "the unpaid dividend account of "Mudra Lifestyle Limited".

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.

Any dividend which has not been claimed or the warrant in respect whereof has not been encashed within the period prescribed under Section 205 A, shall be deposited in a special account as provided for in the said Section 205 A of Act.

DIVIDEND HOW REMITTED

212. Unless otherwise directed, any dividend may be paid by cheque or warrant or by a payslip or receipt having the force of the 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 first named in the Register of members in respect of joint-holding. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant 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.
213. Subject to the provisions of the Act, no unpaid dividend shall bear interest as against the Company.
214. Where a dividend has been declared by the Company but has not been paid or claimed within such time as may be prescribed from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall deal with the same in the manner as directed by the Act.
215. In the above para, the expression "dividend which remains unpaid" shall mean any dividend the warrant in respect whereof has not been encashed or which has otherwise not been paid or claimed.
216. 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, to set off against the calls.

ACCOUNTS

220. The provisions of Sections 209 to 222 of the Act shall be complied with in so far as the same is applicable to the Company.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

- (F) The Directors shall from time to time, in accordance with the provisions of the Act, cause to be prepared and to be laid before the Company in General Meeting, such balance sheets, profit and loss accounts and reports as are required by these sections which shall not precede the day of the meeting by more than six months or such extended period as shall have been granted by the Registrar of Companies under the provisions of the Act..
- (G) Subject to the provisions of Section 211 of the Act, every Balance Sheet and Profit and Loss Account of the Company shall be in the forms set out in parts I and II respectively of Schedule VI of the Act, or as near thereto as circumstances admit. There shall be annexed to every Balance Sheet a statement showing the bodies corporate

(indicting separately the bodies corporate in the same group) in the shares of which investments have been made by it (including all investments, whether existing or not, made subsequent to the date as at which the previous Balance Sheet was made out) and the nature and extent of the investments so made in each body corporate.

- (H) So long as the Company is a holding Company having a subsidiary the Company shall conform to Section 212 and other applicable provisions of the Act.
- (I) If in the opinion of the Board, any of the current assets of the Company have not a value on realisation in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion shall be stated.

WINDING UP

237. The liquidator on any winding-up (whether voluntary, under supervision or compulsory) may, with the sanction of a Special Resolution, but subject to the rights attached to any preference share capital, divide among the contributories in specie any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories, as the liquidator, with like sanction shall think fit.

INDEMNITY AND RESPONSIBILITY

238. (a) Subject to the provisions of Section 201 of the Act, every Director, Managing Director, Wholetime Director, Manager, Secretary and other officer or employee of the Company shall be indemnified by the Company against and it shall be the duty of the Directors, out of the Funds of the Company to pay all costs, losses and expenses (including travelling expenses) which such Director, Manager, Secretary and Officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Director, Manager, Secretary, Officer or Servant or in any way in the discharge of his duties including expenses and the amount for which such indemnity is provided, shall immediately attach as a lien on the property of the Company and have priority between the members over all other claims.
- (b) Every Director, Managing Director, Wholetime Director, Manager, Secretary and other officer or employee of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under section 633 or other applicable provisions of the Act in which relief is granted to him by the Court or other Appropriate Authority.

SECRECY CLAUSE

240. (i) Every Director, Manager, 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 his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customer 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 persons to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions as these presents contained.
- (ii) No Member shall be entitled to visit or inspect any works of the Company without the permission of the Directors or to require discovery of or any information respecting any details of the Company's trading, or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.

MATERIAL CONTRACTS AND MATERIAL DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company.

Material Contracts

1. Letter of appointment dated April 5, 2006 to SBI Capital Markets Limited from our Company appointing them as BRLM to the Issue.
2. Memorandum of Understanding amongst our company and the BRLM dated October 13, 2006
3. Memorandum of Understanding executed by our company and the Registrar to the Issue dated May 15, 2006.
4. Escrow Agreement dated [●] executed between the Company, the BRLM, Syndicate Members, the Registrar and the Escrow Bankers.
5. Syndicate Agreement dated [●] executed between the Company, BRLM, Syndicate Members and Registrar.
6. Underwriting Agreement dated [●] executed between the Company, BRLM and Syndicate Members,

Material Documents

- Certified true copies of the Memorandum and Articles of Association of the Company, as amended from time to time.
- Copy of the Certificate of Incorporation of the Company dated March 31, 1997.
- Certified Copy of order dated January 27, 2006 issued by the Bombay High Court approving the Scheme of Amalgamation.
- Shareholders' resolution dated January 15, 2007 in relation to this Issue and other related matters.
- Resolution of the Board of Directors dated December 20, 2006 in relation to this Issue and other related matters.
- Resolution of the Board of Directors dated October 1, 2004 in respect of the takeover of partnership firms.
- General Power of Attorney executed by the Directors of our Company in favour of Person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
- Consents of BRLM, Registrar to the Issue, Syndicate members, Banker to the Issue, Banker to the expansion project, Legal Advisor to the Issue, Auditors to the Company, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
- Report of Auditors dated October 16, 2006 prepared as per Indian GAAP and disclosed in this Red Herring Prospectus.
- Certified true copy of the Resolutions of the Members of the Company passed at the last Annual General Meeting
- In-principle listing approvals dated December 6, 2006 and November 27, 2006 from NSE and BSE respectively.
- Due diligence certificate dated October 19, 2006 to SEBI from the BRLM.
- SEBI observation letter no CFD/DIL/ISSUES/NB/DM/84234/2007 dated January 12, 2007.
- Tripartite agreement dated January 13, 2006 with NSDL, the Company and Registrar to the Issue.
- Tripartite agreement dated December 23, 2005 with CDSL, the Company and Registrar to the Issue.
- Annual Reports and for the last 5 years.
- Audited Financial Results for the Half Year FY 07

- Statement of tax Benefits issued by the Auditors.
- All sanction letters and loan agreements executed by banks and financial institutions granting credit facilities and loans to the Company.
- Report issued by M/s D Kothary on fair basis of amalgamation of the transferee companies
- Valuation report of M/s Gandhi and Associates
- Techno Economic feasibility report of the expansion project by Gherzi Eastern Limited

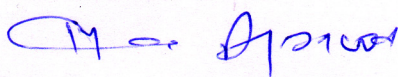
Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

The above document shall be available for inspection at the registered office between 11:00 am and 6:00 pm.


DECLARATION

We, the Directors of the Company, hereby declare that all relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and fair.


Mr. Murarilal Agarwal
Chairman and Managing Director



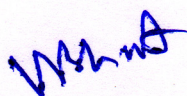
Mr. Ganeshmal Surana
Chief Financial Officer



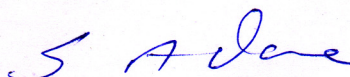
Mr. Ravindra Agarwal
Joint Managing Director



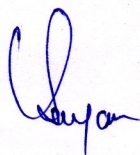
Mr. Vishwambharlal Bhoot
Executive Director



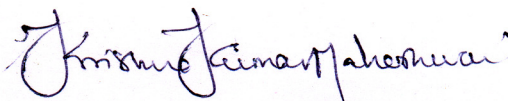
Dr. S. A. Dave
Independent Director



Mr. S. C. Bhargava
Independent Director



Mr. K.K. Maheswari
Independent Director



Date: January 23, 2007

Place: Mumbai