RED HERRING PROSPECTUS
Dated : July 17, 2007
Please read Section 60B of the Companies Act, 1956
100% Book Building Issue

RS SALUJA GROUP

SEL Manufacturing Company Limited

(We were incorporated as Saluja Exim Limited on May 8, 2000 under the Companies Act, 1956 and obtained certificate of commencement of business on June 2, 2000. The name of our Company was changed to SEL Manufacturing Company Limited by a special resolution of the members passed at an extraordinary general meeting held on June 27, 2003. The name of our Company was again changed to Saluja Exim Limited by a special resolution of the members passed at an extraordinary general meeting held on November 10, 2003. The name of our Company was once again changed to SEL Manufacturing Company Limited by a special resolution of the members passed at an extraordinary general meeting held on January 31, 2004. The status of our Company was changed to a private limited company by a special resolution of the members passed at an extraordinary general meeting held on March 15, 2004. The status of our Company was subsequently changed to a public limited company by a special resolution of the members passed at an extraordinary general meeting held on March 14, 2006. Our registered office was shifted from Rahon Road, Opposite Octroi Post, Ludhiana to 706, Industrial Area A, Ludhiana, w.e.f June 20, 2001 and again shifted from 706, Industrial Area A, Ludhiana to 274, G.T.Road, Dhandari Khurd, Ludhiana-141 010, Punjab w.e.f. March 30, 2007)

Registered Office: 274, G.T.Road, Dhandari Khurd, Ludhiana-141 010, Punjab Telephone: +91 161 2510270; Fax: +91 161 2510268.
Corporate Office: Village: Lal Kalan, Tehsil: Samrala, Ludhiana-Chandigarh Road, Near Neelon Canal Bridge, Ludhiana 141 113, Punjab.
Telephone: +91 161 323 8001/02/03; Fax: +91 161 2834 371 Email: ipo@rssalujagroup.co.in, Website: www.salujafabrics.com
Compliance Officer: Mr. Navneet Gupta

PUBLIC ISSUE OF 41,38,410 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS [•] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF RS. [•] PER EQUITY SHARE, AGGREGATING RS. [•] LACS (THE "ISSUE") BY SEL MANUFACTURING COMPANY LIMITED (THE "COMPANY OR "THE ISSUER"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 39,31,490 SHARES OF RS. [•] EACH (THE "NET ISSUE") AND A RESERVATION OF UP TO 2,06,920 SHARES OF RS. [•] EACH FOR THE PERMANENT EMPLOYEES OF THE COMPANY (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE WOULD CONSTITUTE 27.20% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY. THE NET ISSUE WILL CONSTITUTE 25.84% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY

Price Band: Rs. 80 to Rs. 90 per Equity Share of face value of Rs. 10 each. The Issue Price would be 8 times of the face value at the lower end of the Price Band and 9 times of the face value at the upper end of the Price Band

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to Bombay Stock Exchange Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager, the Co-Book Running Lead Manager and at the terminals of the Syndicate.
The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, minimum 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and minimum 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.

RISKS IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10/- and the Issue Price is [•] times of the face value. The Floor Price is 8 times and Cap Price is 9 times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager ("BRLM") and the Co-Book Running Lead Manager ("Co-BRLM") on the basis of assessment of market demand for the equity shares by way of book building should not be taken to be indicative of the market price of the Equity Shares after they are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the equity shares will be traded after listing. **We have not opted for the grading of this issue.**

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares being offered through the Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). We have received in-principle approvals from BSE and NSE for the listing of our Equity Shares pursuant to their letters dated December 13, 2006 and January 22, 2007 respectively. The Designated Stock Exchange is the Bombay Stock Exchange Limited.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
UTI BANK Solutions for a lifetime **UTI Bank Limited** Central Office: 111, Maker Towers 'F', Cuffe Parade, Colaba, Mumbai 400 005 Tel: + 91 22 6707 1425, Fax: + 91 22 2216 2467 Email: utibmbd@utibank.co.in Website : www.utibank.com Contact Person: Mr. Dipen Kapadia / Mr. Sandeep Walawalkar	INTIME SPECTRUM REGISTRY LIMITED **Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078 Telephone: + 91 22 2596 0320 (9 lines), Fax: + 91 22 2596 0329 Email: selipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Vishwas Attawar

ISSUE PROGRAMME	
BID / ISSUE OPENS ON: THURSDAY, JULY 26, 2007	**BID / ISSUE CLOSES ON: TUESDAY, JULY 31, 2007**

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SECTION: I - GENERAL

DEFINITIONS AND ABBREVIATIONS

TERM	DESCRIPTION
"SEL", "our Company, "the Company" and " Issuer"	Unless the context otherwise requires, refers to SEL MANUFACTURING COMPANY LIMITED, a public limited company incorporated under the Companies Act, 1956.
"we" or "us" or "our"	Unless the context otherwise requires, refers to SEL MANUFACTURING COMPANY LIMITED, as described in the Red Herring Prospectus.
Promoters	Unless the context otherwise requires, refers to Mr. Ram Saran Saluja, Mr. Neeraj Saluja, Mr. Dhiraj Saluja, Mrs. Sneh Lata Saluja, Mrs. Ritu Saluja and Mrs. Reema Saluja.
Promoter Group Companies	Unless the context otherwise requires, refers to M/s S.E. Exports, Saluja Cotex Private Limited, M/s Saluja International, M/s Saluja Fabrics, M/s R S Saluja Hosiery and M/s Saluja Foundry & Allied Industry

General/Conventional Terms:

TERM	DESCRIPTION
Articles / Articles of Association / AoA	The Articles of Association of our Company
Auditors	The statutory auditors of our Company, being M/s Dass Khanna & Co., Chartered Accountants
Board of Directors/Board	The Board of Directors of our Company or a Committee thereof.
Companies Act	The Companies Act, 1956, as amended from time to time.
Corporate Office/Head Office	Village: Lal Kalan, Tehsil: Samrala, Ludhiana-Chandigarh Road, Near Neelon Canal Bridge, Ludhiana 141 113, Punjab, India
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act
Directors(s)	Director(s) of our Company unless otherwise specified
FEMA	Foreign Exchange Management Act, 1999 and the amendments from time to time and the regulations framed thereunder for the time being in force
Financial Year/ FY / Fiscal	The period of twelve months ended March 31 of that particular year
Memorandum / Memorandum of Association	The Memorandum of Association of our Company
NRI / Non-Resident	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations 2000, as amended
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 Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended. OCBs are not permitted to invest in this Issue.
Registered Office of our Company / Registered and City Office of our Company	274, G.T.Road, Dhandari Khurd, Ludhiana-141 010, Punjab, India.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Insider Trading Regulations	The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time
SEBI MAPIN Regulations	The SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time.
TRS or Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid

Issue related Terms and Abbreviations

TERM	DESCRIPTION
Allotment/Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue
Allottee	The successful Bidder to whom the Equity Shares are being / or have been issued or transferred
Banker(s) to this Issue	UTI Bank Limited, ICICI Bank Limited and The Hong Kong and Shanghai Banking Corporation Limited the Bankers with whom the escrow account for the issue shall be opened
Bid	An indication to make an offer, made during the Bidding period by a prospective investor to subscribe to the Equity Shares 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 for this Issue.
Bid/Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper in Punjabi.
Bid cum Application 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.
Bid / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper in Punjabi.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Book Building Process	Book building mechanism as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made.
BRLM / UTI Bank	Book Running Lead Manager to this Issue, in this case being UTI Bank Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of Issue Price in the Book Building Process.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalized and above which no bids will be accepted.
Co-BRLM / Almondz	Co- Book Running Lead Manager to the Issue, in this case being Almondz Global Securities Limited.
Cut-off	The Issue Price finalized by the Company in consultation with the BRLM and the Co- BRLM and it shall be any price within the Price Band. A bid submitted at the Cut-off Price by an Eligible Employee and Retail Individual Bidder is valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, 1956, which does not have complete particulars on the price at which the Equity shares are offered and size of this Issue. It will become a Red Herring Prospectus after filing with the RoC at least three days before the opening of the Issue. It will become Prospectus after filing with the RoC after the Pricing Date.

Eligible Employees	Permanent Employees and Directors of our Company, other than Promoter-Directors, who are Indian Nationals based in India as on June 30, 2007 and are present in India on the date of submission of the Bid cum Application Form.
Eligible NRI	NRI is from such jurisdiction outside India where it is not unlawful to make an issue or invitation under the issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares allotted herein.
Employee Reservation Portion	The portion of the issue of 2,06,920 Equity Shares aggregating to Rs. [•] Lacs available for allocation to Eligible Employees. If the Pre-IPO Placement is completed the Employee Reservation Portion would be accordingly reduced being upto 5% of the Issue size.
Equity Shares	Equity shares of face value of Rs.10 each of the Company unless otherwise specified in the context thereof.
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheque or in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into among the Company, the Registrar to this Issue, the Escrow Collection Bank(s), the BRLM and the Co- BRLM for collection of the Bid Amounts and dispatch of refunds (if any) of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The Banks, which are registered with SEBI as Banker(s) to the Issue at which the Escrow Account for the Issue will be opened, in this case being UTI Bank Ltd., ICICI Bank Ltd. and The Hong Kong & Shanghai Banking Corporation Ltd.
First Bidder	The Bidder whose name appears first in the Bid-cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted.
Indian GAAP	Generally Accepted Accounting Practices in India.
Issue/Fresh Issue	The Issue of 41,38,410 Equity Shares of Rs.10 each fully paid up at the Issue Price of [•] aggregating to Rs. [•] Lacs.
Indian National	As used in the context of the Employee Reservation Portion, a Citizen of India as defined under the Indian Citizenship Act as amended, who is not an NRI.
Bidding/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 Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLM and the Co- BRLM on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount.
Mutual Funds	Means mutual fund registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Mutual Fund Portion	5% of the QIB Portion or 98,287 Equity Shares aggregating to Rs.[•] Lacs available for allocation to Mutual Funds only out of the QIB Portion.
Net Issue/ Net Issue to the Public	The Issue less the Employee Reservation Portion
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and have bid for Equity Shares for an amount of more than Rs.1 Lac.
Non-Institutional Portion	The portion of this Issue being at least 15% of the Net Issue consisting of 5,89,725 Equity Shares of Rs.10 each aggregating to Rs. [•] Lacs and includes revisions thereof.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation, who pay less than 100% margin money at the time of bidding, as applicable.
Pay-in-Period	Means: i. with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date; and ii. with respect to QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date

Price Band	The price band of a minimum price ("Floor Price") of Rs. 80 and the maximum price ("Cap Price") of Rs. 90 and includes revisions thereof
Pricing Date	The date on which the Company in consultation with the BRLM and the Co-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 this Issue and certain other information.
Public Issue Account	Account opened with the Banker(s) to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount.
QIB Portion	Consists of 19,65,740 Equity Shares of Rs. 10 each aggregating to Rs. [•] Lacs being upto 50% of the Net Issue available for allocation to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only.
Refund Account	Account opened with Escrow Collection Banks from which refunds if any, shall be made.
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, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs.2500 Lacs (subject to applicable law) and pension funds with a minimum corpus of Rs 2500 Lacs(subject to applicable law).
Registrar / Registrar to the Issue	Intime Spectrum Registry Limited
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for an amount less than or equal to Rs. 1.00 Lac in any of the bidding options in the Issue.
Retail Portion	Consists of 13,76,025 Equity Shares of Rs. 10 each aggregating to Rs. [•] Lacs being at least 35% of the Net Issue 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).
Syndicate	The Syndicate members collectively.
Syndicate Members or Members of the Syndicate	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM and the Co- BRLM.
Syndicate Agreement	The agreement to be entered into between the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Underwriters	The BRLM, the Co- BRLM and the Syndicate Members.
Underwriting Agreement	The Agreement among the Underwriter(s) and the Company to be entered into on or after the Pricing Date.

Notwithstanding the foregoing, in the chapters titled " Financial Statements" and "Main Provisions of the Articles of Association of the Company" on page 90 & 174 respectively of the Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Company / Industry Related Terms and Abbreviations

TERM/ABBREVIATION	DESCRIPTION/FULL FORM
BTA	Business Transfer Agreement dated May 31, 2006 between our Company and Saluja Cotex Private Limited
EOU	Export Oriented Unit
GoI	Government of India
R S Saluja Group / Saluja Group of Companies / Group	SEL Manufacturing Co. Limited, S.E. Exports, Saluja Cotex Private Limited, Saluja International, Saluja Fabrics, Saluja Foundry & Allied Industry and R S Saluja Hosiery

R S Saluja Hosiery	R S Saluja Hosiery a proprietorship concern of Mr. R S Saluja, one of our promoters
Saluja Cotex	Saluja Cotex Private Limited, a company incorporated under the Companies Act and having its registered office at 706, Industrial Area 'A', Ludhiana, Punjab, India
Saluja International	Partnership firm, having its office at 706, Industrial Area 'A', Ludhiana, Punjab, India
Saluja Fabrics	Partnership firm, having its office at 706, Industrial Area 'A', Ludhiana, Punjab, India
Saluja Fabrics Limited / SFL	A company incorporated under the Companies Act and formerly a part of the Saluja Group of Companies which was merged with our Company w.e.f April 1, 2004 vide order dated February 23, 2006 by the Hon'ble High Court of Punjab & Haryana
Saluja Foundry	Saluja Foundry & Allied Industry a proprietorship concern of Mr. R S Saluja, one of our promoters
S.E. Exports	Subsidiary partnership firm of our Company, having its office at 90 Industrial Area, Baddi, Himachal Pradesh, India
Saluja Processors Private Limited/SPPL	A company incorporated under the Companies Act and formerly a part of the Saluja Group of Companies which was merged with our Company w.e.f April 1, 2004 vide order dated February 23, 2006 by the Hon'ble High Court of Punjab & Haryana
Shareholders' Agreement	Agreement dated July 4, 2007 between our Company and EXIM Bank
TUFS	Technology Upgradation Fund Scheme

Abbreviations

ABBREVIATION	FULL FORM
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
BIFR	Board for Industrial and Financial Reconstruction
Bn	Billion
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CDSL	Central Depository Services (India) Limited
CY	Calendar Year
DGFT	Directorate General of Foreign Trade.
DP	Depository Participant
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting of the shareholders
EOU	Export Oriented Unit
EPS	Earnings per Equity Share
EXIM Bank	Export-Import Bank of India
FCNR Account	Foreign Currency Non Resident Account
FI	Financial Institution
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
IEC	Importer Exporter Code
Industrial Policy	The Industrial Policy and Guidelines issued thereunder by the Ministry of Industry, Government of India, from time to time
IP	Internet Protocol

IPR	Intellectual Property Rights
I. T. Act	The Income Tax Act, 1961, as amended from time to time
I. T. Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise
MICR	Magnetic Ink Character Recognition
Mn	Million
NAV	Net Asset Value
NBFC	Non-Banking Finance Companies
NEFT	National Electronic Fund Transfer
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
NSEZ	Noida Special Economic Zone
P/E Ratio	Price/Earnings Ratio
p.a./PA	Per Annum
PAN	Permanent Account Number
PAT	Profit after Tax
PBT	Profit before Tax
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
RoC / Registrar of Companies	The Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh at Jalandhar located at 286, Defence Colony, Jalandhar 144 001, Punjab, India
RoNW	Return on Net Worth
Rs./ Rupees/INR	Indian Rupees, the legal currency of the Republic of India
RTGS	Real Time Gross Settlement
SCRA	The Securities Contract (Regulation) Act, 1956, as amended from time to time
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time
Stock Exchanges	BSE and NSE
Sq.Ft.	Square Feet
TAN	Tax Deduction Account Number
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time
UK	United Kingdom
USA	United States of America
USD/ $/ US$	The United States Dollar, the legal currency of the United States of America.
VAT	Value Added Tax
YoY	Year on Year

CERTAIN CONVENTIONS; USE OF MARKET DATA

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

Unless stated otherwise, the financial data in the Red Herring Prospectus is derived from our consolidated financial statements prepared in accordance with Indian GAAP and included in the Red Herring Prospectus. Our current fiscal year commenced on April 1, 2006 and ends on March 31, 2007. In the Red Herring Prospectus, any discrepancies in any table between the total and the sums 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 the 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 the Red Herring Prospectus should accordingly be limited. The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, and the Company urge you to consult your own advisors regarding such differences and their impact on our financial data.

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

For definitions, please see the section titled "Definitions and Abbreviations" on page i of the Red Herring Prospectus. In the section titled "Main Provisions of the Articles of Association" beginning on page 174 of the Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

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

CURRENCY OF PRESENTATION

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

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

FORWARD-LOOKING STATEMENTS

We have included statements in the 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:

a. changes in consumption patterns and fashion trends that affect consumer demand for the products we produce;

b. changes in competitors’ pricing and other competitive strategies;

c. general economic and political changes in laws and regulations that apply to the Indian textile

d. industry, import duties, excise duties or environmental regulations;

e. our ability to successfully implement our strategy, our growth and expansion plans and

f. technological changes;

g. the market prices for our products;

h. the loss or shut down of operations at any of our plants; including as a result of expansion of

i. projects or interruptions in the supply of power; the loss of any significant customers;

j. an adverse outcome in the legal proceedings in which we are involved;

k. actions by our distributors that adversely affect our business;

l. labour unrest or other difficulties;

m. governmental and business conditions globally and in India;

n. changes in interest rates, and in exchange rates;

o. changes in cotton supply and demand and cotton prices; and

p. changes in other raw material and energy prices, our ability to obtain financing needed to repay maturing obligations and to fund expansion in a timely manner and on satisfactory terms and

q. conditions and various other factors.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” on page x of the Red Herring Prospectus. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The Company, the BRLM, the Co- BRLM, 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, the BRLM and the Co-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.

SECTION II: RISK FACTORS

An investment in equity shares involves a high degree of risk. Prospective investors should carefully consider the risks described below, in addition to the other information contained in the Red Herring Prospectus before making any investment decision relating to our Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of our Equity Shares to fall significantly and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in the Red Herring Prospectus, including the restated financial statements included on page 90 and management's discussion and analysis of financial condition and results of operations included on page 124 of the Red Herring Prospectus. Unless stated otherwise, the financial data in this section is as per our restated financial statements prepared in accordance with Indian GAAP. In this section, any reference to "we", "us", "our" or "the Company" refers to SEL Manufacturing Company Limited on a consolidated basis and any reference to "Our Group" refers to the R. S. Saluja Group.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Internal Risk Factors

1. ***We are deriving a substantial portion of our profits from share of profits in a subsidiary partnership firm, any downside in the business or operating results of M/s. S E Exports may adversely affect the profitability of our Company***

   Our Company is a 99% partner in M/s. S E Exports, a subsidiary partnership firm, since April 1, 2005. For FY 2007, out of total PAT of Rs. 2,369.30 lacs for our Company, share of profits of M/s. S E Exports was Rs. 1,438.99 lacs, contributing 60.73% to the PAT of our Company.

2. ***As a partner in M/s. S E Exports, a subsidiary partnership firm, we are exposed to unlimited liability***

   As a partner in a partnership firm, we are exposed to unlimited liabilities that partners of any partnership firm are normally exposed to. Further, the partnership deed executed for inducting our Company, as a partner in M/s. S E Exports has not been registered. Pending registration M/s. S E Exports will not have the remedy of suing others for enforcing its legal or contractual rights.

3. ***During FY 2005, we had incurred an extraordinary loss of Rs. 1,610 lacs due to sale of Investments to a group company***

   For FY 2005, our PAT (before extraordinary items) was Rs. 314.51 lacs. However, due to sale of investments to Saluja Cotex, a Group Company, during the year, we had incurred a loss of Rs. 1,610 lacs, resulting in a net loss of Rs. 1,295.49 lacs. These investments were mostly in private companies and were acquired by us during FY 2003 and FY 2004 and were sold at their face value. These investments were purchased for Rs. 1,775 lacs and sold for Rs. 165 lacs.

4. ***Our Profitability is showing a fluctuating trend if we are not able to address fluctuations in profits, it may adversely affect our business***

   Our PAT had declined from Rs 4,906.13 lacs in FY02 to Rs 3,957.77 lacs in FY03 and further to Rs 314.51 lacs in FY05. Our PAT for FY06 and for FY07 were Rs 1,487.77 lacs and Rs 2,369.30 lacs respectively.

   Our profitability had witnessed high degree of fluctuations over past few years, on account of changes in export commission structure in FY2005 & FY2007 further; the decline in profitability from FY2002 to FY 2005 was greatly attributable to decrease in per piece garment realization from Russian market. Though the declining trend has been reversed during the last two fiscals, however no assurance can be given for its continuity in the future, thus adversely affecting our business.

5. ***Our Operating cash flows for FY 2007 are negative and in past have shown decreasing trend***

   Our cash flows from operations have shown a declining trend over last few years. Net cash flow from operations have declined from Rs. 1,996.15 lacs during FY 2004 to Rs. 456.89 lacs during FY 2005 and further declined to Rs. 18.78 lacs during FY 2006. For FY 2007 we had a negative operating cash flow of Rs.302.90 lacs and had consolidated negative operating cash flows of Rs 5.96 lacs.

   Our net cash flow from operations as a % of net turnover have declined from approximately 35% in FY 2004 to approximately 8% in FY 2005 and further declined to 0.16% in FY 2006.. Consolidated net cash flow from operations, as a % of total revenues for FY 2006 were approximately 9%.

   The cash flows from operations of a company is a key indicator to showing the extent of cash generated from operations of the Company to meet capex, pay dividends, repay loans and make new investments without raising finance from external sources. If we are not able to arrest the declining growth in cash flows from operations, it may adversely affect our business.

6. *We are at present exporting garments only in Russian and U.A.E markets*

For FY 2007, revenues from export of garments constituted 25.40% and 38.95% of our revenues on stand-alone and consolidated basis respectively.. For FY 2007 100% of our garments exports (excluding deemed exports) on stand-alone as well as consolidated basis were to Russia and UAE.

Share of Russian market in our garment exports, which has per unit realization better than the U.A.E. market, had fallen from 85.19% in FY 2005 to 29.92% in FY 2007, but on consolidated basis had increased from 20.71% in FY 2006 to 38.77% in FY 2007. If our share of garment exports to Russian market continues to fluctuate, our margins and overall profitability could be adversely impacted.

Going forward we plan to continue to concentrate on Russian and U.A.E. markets alone. Our dependence on these two markets may pose a potential threat of our ability to tap the new markets in future.

7. *Our revenue from garmenting business is highly dependent on limited number of buyers*

Our exports of garments in Russia and U.A.E. are mainly to five buyers in both these markets taken together, which are mostly hypermarkets. These five buyers together contributed approximately 95 % of our total revenues from garment exports and approximately 82 % of our consolidated revenues from garments for the year FY 2007

Our inability to continue to procure orders from these buyers on regular basis or inability to identify new buyers for absorbing our enhanced capacities in garmenting may put pricing pressure on us and consequently effect our operations.

8. *We do not have any long-term contracts with our buyers*

We are expanding our capacity in spinning, knitting and garmenting, which will not only require repetitive orders from the existing customers, but also require us to identify new customers in the existing geographies and new geographies. Our inability to do so or do so in a time longer than we anticipate may result in lower capacity utilization, which may adversely effect our operations and financial results.

Although we have been dealing with our buyers for the past many years, we do not have any long-term contracts with them. Our failure to anticipate in time, any change in the buying pattern of our buyers may adversely impact our business. Further, in the absence of long-term contracts there can be no assurance that our buyers will continue to source garments or our other products from us in future also.

9. *We are deriving considerable portion of our revenues from trading activities*

Trading in Fabrics and Garments had contributed approximately 48% of our net revenues and 37% of our net consolidated revenues for FY 2007.

Trading in fabric and garment etc. is a low margin business wherein we procure goods from local unorganized market and sell it locally. Factors, such as, our inability to timely source goods at competitive rates, find prospective customers, etc. may effect margins in this segment of the business and may effect our future operations and profitability.

10. *Increase in cotton prices or decrease in supply of cotton may materially adversely effect our business*

Raw material cost constitutes significant percentage of our total expenses. Raw materials costs accounted for 67.19% of our operating expenses and 68.64 % of consolidated operating expenses for FY 2007. Further Raw material cost as a % of Total Income was 53.52% and as a % of consolidated Total Income was 55.05% For FY 2007.

Our primary raw material is cotton, which we source from the domestic market. Cotton is an agricultural product and its supply and quality are subject to forces of nature. Any material shortage or interruption in the domestic supply or deterioration in the quality of cotton due to natural causes or other factors could result in increased production costs, which we may not successfully be able to pass on to customers, which in turn would have an material adverse effect on our business.

Although domestic cotton prices have been lower than imported, price levels for cotton in the recent past but there can be no assurance that the price levels of cotton will remain favorable. Any increase in cotton prices would have a material adverse effect on our business.

11. *Delay or our inability to acquire/ integrate the assets and properties of Mangla Cotex Limited (Mangla Cotex) may affect our business operations*

We are in the process of acquiring the assets and properties of Mangla Cotex, which is being auctioned by the official liquidator of Punjab, Haryana and Himachal Pradesh High Courts pursuant to the liquidation proceedings of that company. The assets and properties of Mangla Cotex, comprising of land, building, plant and machinery for dyeing, knitting and garmenting etc. are situated adjacent to our Corporate office and our existing spinning capacities facilities in Ludhiana. We were the highest bidders for the assets and properties of Mangla Cotex, which were auctioned by official liquidator of Punjab, pursuant to liquidation proceedings of Mangla Cotex. The process for sale is under way and out of total consideration of Rs 670 lacs, we have already paid Rs 167.50 lacs.

If the acquisition of assets and properties of Mangla Cotex does not materialize or is delayed beyond expected time or our inability to successfully integrate the assets and properties of Mangla Cotex with that of our existing manufacturing facilities, it may affect our business operations.

12. Our Company is operating in highly competitive environment

In the recent past many companies in the textile industry have ramped up their capacities to encash opportunities arising from abolition of the quota system with effect from January 1, 2005. Huge additional capacities coming up are expected to increase competiton amongst players in the textile industry and we may face pressures on pricing, product quality, turnaround time, order size etc., which may put strain on our profit margins.

Further, many of our buyers of yarn are integrating backwards by setting up spinning facilities or are increasing their existing spinning capacities. Such integration expansion by our buyers may stress our margins in yarn selling

13. Our operations are not completely integrated which may have the effect of increased turnaround time in execution of orders

Although we are present in each of the value added segment in textiles, from spinning to manufacture of garments, the chain of integration is not complete. The final products of our Company are yarn, knitted fabric and garments. We sell majority of yarns that we manufacture to external customers where as the yarn required for knitting is procured from market. The knitted fabric manufactured is used for both garments manufacturing as well as sale as fabric. Part of the fabric required for garmenting is also sourced from the market. Further, presently we do not have yarn-dyeing facilities. The lags in different activities starting with spinning till manufacture of garments, such as explained above require us to depend on outsourcing of raw materials and other related job works.

14. As per the financial appraisal report by SBI Project Uptech, following are the weakness and threats:

a. Weaknesses

- The production of raw cotton is subject to vagaries of weather leading to changes in supply and violent price fluctuations.
- The company has to evolve marketing network for proposed knitted garments.

b. Threats

- Textile trade has been opened fro all countries and Indian exporters will face stiff competition from china, Pakistan, Bangladesh, Taiwan and other low cost countries.
- Fabrics/garments are liable to changes in fashion, thus causing fluctuations in demand.
- There is a perceived threat of non-tariff barriers like environmental and labour issues which may be imposed by US and EU countries.

15. We may face difficulties in executing the expansion plan if we are unable to raise required funds either by issue proceeds and/ or internal accruals. We are proposing to fund our expansion project through a debt: equity mix of 1.28:1

Out of our total project cost of Rs 18,457 lacs, we are planning to finance the project with debt of Rs 10,379 lacs and balance of Rs 8,078 lacs will be funded through mixture of issue proceeds and internal accruals. If we are not able to generate desired amount from issue proceeds or our inability to generate adequate internal accruals may hamper our expansion and affect our profitability.

16. We are proposing to setup additional capacities and there can be no assurances that we will be operating at optimum capacity level

During FY 2006, our consolidated capacity utilization during that period in cotton yarn, knitted fabrics, fabric dyeing and knitted garments were at 46%, 30%, 89% and 76% respectively.

For FY 2007 our consolidated capacity utilization during that period in knitted garments were at 82.80%

There can be no assurances that in future we will be able to operate at optimum capacity levels.

17. Failure to comply with the conditions of TUFS shall make us ineligible for interest subsidy

As on March 31, 2007 we had Rs. 8,494.36lacs, being outstanding term loans availed from banks and financial institutions availed under Technology Upgradation Fund Scheme (TUFS/the Scheme). Further, we are also raising Rs. 10,379 lacs under TUFS, representing 56.23% of the Project Cost of the Expansion Plan. Under TUFS all these loans are eligible for a 5% interest subsidy subject to compliance of conditions stipulated under the Scheme. If we fail to comply with the conditions stipulated under TUFS, the interest subsidy may be denied to us thereby increasing our cost of borrowings and making our operations less cost effective than that of our competitors due to increased cost of borrowing.

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

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

19. We are exposed to foreign currency risk

For the FY 2007, our income in foreign currency was Rs. 6,246.50lacs and our consolidated income in foreign currency was Rs. 9,333.55 lacs, representing 33.71% of our total income and 45.93 % of our consolidated total income respectively.

Further, out of the Project Cost of Rs. 18,349 lacs approximately Rs. 2,127.48 lacs, i.e. 22% of the project cost is expected to be incurred in foreign currencies to fund import of plant and machineries etc.

Currently we have adequately hedged ourself against any fluctuation in rates of foreign currencies. However no assurance can be given that in future we may continue to adequately hedge ourself against any volatility in rates of foreign currencies. Our inability to adequately hedge the foreign currency risk may adversely effect our operations.

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

We are embarking upon a major expansion to meet the growing demand of domestic and international buyers in the textiles sector. We are incurring capital expenditure of Rs. 18,349 lacs, as detailed in the section titled 'Objects of the Issue' starting on page 22 of the Red Herring Prospectus, for increasing our capacities of spinning, knitting, processing and garmenting. In past, we have not undertaken capex of such size and our inability to manage capital expenditure may adversely effect our operations.

We cannot assure that we will be able to get the benefits of the generally growing demand in the textile sector and accordingly the benefits accruing to us from the planned capacity expansion may be less than what is anticipated.

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

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. While we have successfully executed our business strategy in the past, there can be no assurance that we will be able to execute our strategy in future also and within the estimated budget, or that we will meet the expectations of targeted customers. Our inability to manage our business and growth strategy may have an material adverse effect on our business, financials and operations.

22. Delay in completing our Expansion Project may have an adverse impact on our business

Our capital expenditure plans are subject to a number of variables, including possible cost and time overruns, non-availability of financing on acceptable terms, amongst others. In view of the same, we cannot assure you that we will be able to execute our capital expenditure plans as contemplated. Delays, if any, in completing the Expansion Project due to any reason including those mentioned above may make our project less competitive and thereby may adversely effect our expectations of future earnings.

23. We have limited experience of managing corporate affairs in the regulated environment

Till recently we were running our business mainly through closely held companies and partnership firms. Therefore we have very limited or no regulatory experience in managing corporate disclosures and compliance requirements applicable to listed companies in India and would have to acclimatize ourselves to the new regulatory environment and build-up in-house expertise and resources for the same.

24. Our success may depend upon our ability to attract and retain talented professionals

Attracting and retaining talented professionals are key to our business growth and is substantially dependent on the expertise and services of our senior management team. Post quotas regime, many companies are expanding their capacities to meet the global demand for textile related goods. Such huge capacity additions are expected to lead to shortage of skilled labour in the industry. Such shortage may further lead to substantial rise in the wage bills of companies thus seriously affecting their cost structure.

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

Any inability on our part to attract and retain talented professionals or key management personnel may adversely affect our business and results of operations.

25. We may be exposed to changes in interest rate

Our consolidated interest cost for FY 2007 was Rs 785.24 lacs and stand-alone interest cost was Rs 732.56 lacs constituting 3.81% and 3.63 % of our total consolidated income and our stand-alone total income respectively. Further, Out of the Project Cost of Rs. 18,349 lacs, 56.13% of the Proposed Cost, i.e., Rs. 10,300 lacs is proposed to be funded by term loans. Any increase in interest rate may increase our interest cost and affect our profits and operations negatively.

26. Auditors have qualified their Audit Report for FY 2006 for non - provision of gratuity benefits

Our Company had not complied with AS-15 providing for 'Accounting for Retirement benefits' issued by ICAI till FY 2006 and had not obtained Actuarial valuation report for making a contribution to approved gratuity trust in relation to its gratuity liability till that period. Gratuity liability for following years have not been provided in the books of account:

(Rs in lacs)

	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Gratuity Liability	4.05	5.99	3.49	3.36	1.06

Gratuity liability for our Consolidated operations in FY2006 not provided in the books of account was Rs 6.29 lacs. The report of the Auditors for FY 2006 contains qualification to this affect. For FY 2007, we have obtained actuarial valuation report and accordingly a necessary provision has been made.

In future there can be no assurances that all accounting standards as issued by the Institute of Chartered Accountants of India may be complied with.

Further, non-provision/not making actuarial contribution of gratuity till FY 2006 may invite penal liability under the Payment of Gratuity Act, 1972 and/or any other prevalent labour laws.

27. We have acquired/consolidated businesses of our promoter group companies, for which no independent valuations were conducted

For consolidation of business within the R. S. Saluja Group, two of our promoter group companies, Saluja Processors Private Limited and Saluja Fabrics Limited were amalgamated with our Company with effect April 1, 2004 pursuant to a scheme of amalgamation approved by the Hon'ble High Court of Punjab and Haryana on February 23, 2006. No independent valuations of these companies were conducted and share exchange ratio was based on the net assets values of these companies.

Further, on May 31, 2006 vide a Business Transfer Agreement ('BTA') we have acquired textiles business, comprising of a 100% export oriented spinning unit of Saluja Cotex Private Limited (Saluja Cotex), one of our group company on slump sale basis for total consideration of Rs. 190.91 lacs. Saluja Cotex is mainly engaged in the business of manufacturing combed yarn. Our ability to successfully integrate the business of Saluja Cotex will determine the actual synergies of acquisition. No valuation of textile business of Saluja Cotex was carried out and consideration payable was determined on net assets value of the Company. The consideration paid by our Company for acquiring/consolidating these companies may not necessarily reflect their fair values.

For details on amalgamation of entities with our Company and take over of 100% EOU spinning unit of Saluja Cotex by our Company please refer to the section titled 'Our History and Corporate Structure' on page 56 of the Red Herring Prospectus.

28. Some of the promoter group entities have incurred losses in recent fiscal periods

Some of the promoter group entities have incurred losses in recent fiscal periods as per details set out below:

(Rs in lacs)

Promoter Group Entities	Profit/(Losses) After Tax		
	FY 2006	FY 2005	FY 2004
M/s. Saluja International	(15.97)	(34.72)	(20.31)
M/s. Saluja Fabrics	(30.27)	(37.38)	(27.67)

29. Some of the promoter group entities have negative net-worth

Some of the promoter group entities have incurred losses in recent fiscal periods as per details set out below:

(Rs in lacs)

Promoter Group Entities	Net-worth		
	FY 2006	FY 2005	FY 2004
M/s. Saluja Fabrics	(13.46)	-	-

30. In past, we have issued and allotted shares to promoter or promoters at a price, which may be lower than the Issue price

During FY2006, we have allotted 1,40,954 Equity Shares to our Promoters at a price of Rs. 100, which may be lower than the Issue Price. Also, the price at which these allotments were made may not necessarily reflect true intrinsic value of the Company.

31. Our Promoters will continue to retain majority control in the Company after the Issue. We may enter into transactions with related parties

Upon completion of the Issue, the Promoters will beneficially own majority stake of our post issue paid up capital. As a result, the Promoters will have the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election and termination of appointment of our officers and directors.

The Promoters may have interests that are adverse to the interest of our other shareholders and may take decisions, which, our other shareholders or we may not agree.

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

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

33. Conflict of interest in promoter group entities

We have two group partnership trading firms having business interests, which may be similar to that of our Company, which may be in conflict with our Company. Further, our Promoters may incorporate more companies or partnership firms in future to undertake similar line of business, which may compete with the Company.

34. Any inability to renew or maintain the statutory and regulatory permits and approvals required to operate our business may have a material adverse impact on our business

Our Company has applied for obtaining registration of the boiler used by our company. Besides, our Company has also applied for change of name of the Company in the registration under Employees State Insurance Act, Water (Preventions and Control of Pollution) Act, 1974, Air (Prevention and control of Pollution) Act, 1981 and in Registration cum membership certificate issued by Apparel Export promotion council. Further, our Company has not obtained registration of its Standing orders under the Industrial Employment (Standing orders) Act, 1946 and all necessary registrations for our unit at 274 G.T.Road, Dhandari Khurd, Ludhiana-141 010. For more information please refer to the section titled “Government Approvals/Licensing Arrangements” on page 140 of this Red Herring Prospectus. If we fail to obtain the said renewals /permissions thereof, in a timely manner, or at all, our business may be affected.

35. We could not appoint Company secretary intermittently for some period

We could not find a suitable candidate for the post of Company Secretary as required under section 383A of the Companies Act from the period 30-03-2006 to 24-09-2006. Our Company has appointed the company secretary vide the resolution passed at the meeting of the Board of directors held on 25-09-2006. Non-appointment of Company secretary for the aforesaid period may invite financial liability on the Company as prescribed under the Companies Act.

36. Stamp-duty liability on amalgamation

The Hon’ble High Court of Punjab & Haryana at Chandigarh had vide its order dated February 23, 2006 had approved the amalgamation of Saluja Processors Private Limited and Saluja Fabrics Limited with our Company. However, certain states in India vide Schedule to the Stamp Act and also the Hon’ble Supreme Court of India in its recent judgments had adjudged that the Order of Hon’ble High Court approving amalgamation is an instrument on which stamp duty is payable. There may accordingly be a liability on account of Stamp duty on the company on the consideration paid by it for acquiring the transferor Companies.

37. Outstanding Litigation

Cases filed by our Company

Our Company has filed an appeal no. C501-504/06 dated August 3, 2006 before the Customs Tribunal in relation to the assessment year 2003-04 against an order dated May 1, 2006 passed by the Additional Joint Commissioner of Customs with regard to duty payable on classification of goods exported by our Company under which an amount of Rs. 150.00 lacs is to be paid. Our Company has deposited a sum of Rs. 150.00 lacs under protest. The appeal is pending before the said authority and no date of hearing has been communicated to us.

Cases filed by our Subsidiary

Our subsidiary has filed an appeal no.175 dated January 29, 2007 before CIT-Appeals-I, Ludhiana in relation to the assessment year 2004-05 against an order of ACIT dated December 29, 2006 passed by the Assessing Officer, Income Tax with regard to disallowing the deduction claimed by our subsidiary under section 80HHC and 80IB of the Income Tax Act, 1961, and thereby raising a demand of Rs. 99.93 lacs. Our subsidiary has deposited a sum of Rs.5 lacs under protest. The appeal is pending before the said authority.

38. Negative covenant in Loan Agreements

We have entered into agreement with Banks and institutions for term loans and working capital facilities. For details of borrowings, please refer to section titled Financial Information- beginning on page no 90 of this Red Herring Prospectus. Loan/credit facilities having agreements with lenders contain certain restrictive covenants relating to disbursement of loan, carrying of certain activities or taking decisions, requiring prior written approval/ consent of the lenders. Non-availability of requisite permission/approvals may delay the disbursement of loan or may revoke the loan and thereby delay the implementation of the project. The restrictive covenants in general relate to:

- Incurring capital expenditure for expansion/diversification/modernization
- Not allowing promoters to disinvest/transfer their shareholding
- Not allowing mergers or acquisitions
- Payment of dividend otherwise then out of the current years earnings after making due provisions
- Non creation of charge on any assets or all assets or properties of the Company

- Not changing the management or control of the Company
- Not altering the memorandum and articles of association of the Company
- Not changing or altering the capital structure of the Company.

39. Compliance with the covenants of the Shareholders' Agreement

In terms of Shareholders' Agreement dated July 4, 2007 Export- Import Bank of India has made an equity investment in our Company. There are certain covenants in the said Shareholders' Agreement, which requires compliance on a regular basis from our side. If we fail to or are unable to comply with these clauses/covenants of the Shareholders' Agreement the consequence of which may result in early termination of the agreement to our detriment. For details of the salient features of the Shareholders' Agreement, please refer to the section titled 'Our History and Corporate Structure-Shareholders' Agreement' on page 59 of the Red Herring Prospectus.

40. Trade Marks related risk

Our Group logo namely **'R S Saluja Group'** and apparel brand **'HIS'** are not registered under the Trade Mark Act, 1999 or any other intellectual property rights. Due to non-registration of our logo we have limited recourse for protecting of our intellectual property rights against any infringement or misuse. Any infringement or misuse of our intellectual property rights may lead to dilution of our brand value or loss of business to our Company. For details on Intellectual Property, please refer to section titled 'Our Business' and 'Government Approvals/Licensing Arrangement' beginning on page 47 & 140 of the Red Herring Prospectus.

41. Delays in payment of statutory dues

Our Company had in past delayed in depositing statutory dues (ESIC & PF) with appropriate authorities. Amount involved in delays are:

Particulars	**Provident Fund (Amount in Rs)**	**Employee State Insurance Corporation (ESIC) (Amount in Rs)**
FY 2007	1,41,532	65,260
FY 2006	11,442	3,284
FY 2005	30,624	9,470
FY 2004	36,024	17,024
FY 2003	27,472	8,912
FY 2002	22,588	7,248

42. Risk pertaining to properties

Our Company had acquired various immovable properties for its business and operations. However, majority of the immovable properties acquired by the Company are through amalgamation of Saluja Processors Private Limited & Saluja Fabrics Limited with our Company vide order dated February 23, 2006 of Hon'ble High Court of Punjab & Haryana and further by acquisition of spinning unit of Saluja Cotex Private Limited on May 31, 2006.

Mutation of the title deeds of the immovable properties acquired through the said amalgamation and acquisition are pending. Our Company has however moved necessary application with the relevant land/revenue authorities for mutation of the said immovable properties/land in the name of the Company.

43. Adequacy of Insurance

Our Company has taken adequate insurance covers for fire & perils, burglary, break down of plant & machinery for its premises, furniture etc., stocks, plants and machinery as the case may be. However, we have yet to obtain insurance cover under the Public Liability Insurance Act, 1991 as we are handling hazardous substance and may cause injury to third parties.

44. We may be exposed to risk pertaining to Labour Unrest

As at June 30, 2007 we have employed 1,295 full-time employees (including 60 full-time employees of M/s. S.E.Exports).

Our business is highly labour-intensive and managing a team engaged in doing largely repetitive work poses serious challenge. Any disruptions in relationship with employees may lead to Labour-Unrest and thereby affect our business.

45. Risk associated with contingent liabilities

Our Contingent Liabilities as on March 31, 2007 are:

Particulars		**Rupees in Lacs**
	Stand-Alone	Consolidated
Bills discounted with Banks	931.82	1,333.57
B-17 Bond with Excise Authorities	200.00	200.00
Income Tax Demand	-	94.93
Total	**1131.82**	**1,628.50**

External Risk Factors

1. Slowdown in economic growth in India may cause our business to suffer

Indian economy has shown sustained growth over the last few years with GDP growing at 9.2% in FY 2007, 9.0% in FY 2006 and 6.9% in FY 2005. Industrial growth was 10.2% in FY 07, 9 % in FY 06, and 8.0% in FY 2005. In the annual policy statement for the year 2007-08 announced on April 24, 2007, the RBI forecasted GDP growth for FY 2008 at approximately 8.5% and contain the inflation rate close to 5.0% subject to the impact of growing uncertainty on account of crude oil prices. Any slowdown in the Indian economy could adversely affect our financial performance.

2. There may be changes in the regulatory framework relating to the textile industry that could adversely effect us

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

3. Emergence of competition from other manufacturing countries

Global competition from countries like China, Pakistan, Bangladesh etc., whose cost of production is lower than our cost of production, may result in stiff competition making their selling prices more attractive than our prices and this may have an adverse impact on our business.

4. Increasing employee compensation in India may reduce some of our competitive advantage

Increase in compensation payable to employees in India may reduce some of the competitive advantage and may negatively affect our profit margins. Employee compensation in India is increasing at a fast rate, which could result in increased costs relating to procurement and retention of manpower. We may need to continue to increase the levels of our employee compensation to remain competitive.

5. If we fail to comply with environmental laws and regulations or face environmental litigation, our profitability may be adversely effected

We may incur substantial costs to comply with requirements of environmental laws and regulations. In addition, we may discover currently unknown environmental problems or conditions. We are subject to significant national and state environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. Environmental laws and regulations in India are becoming increasingly stringent and it is possible that they will become significantly stringent in the future. In addition, failure to comply with environmental laws may result in assessment of penalties and fines against us by regulatory authorities. The commencement of environmental actions against us or the imposition of any penalties or fines on us as a result thereof could have a material adverse effect on our business prospects and results of operations.

6. Any loss of certain tax exemptions will increase our tax liability and decrease any profits we might have in the future.

The statutory corporate income tax rate is currently 30.0%. This tax is presently subject to 10.0% surcharge and an education cess of 3.0%, resulting in an effective tax rate of 33.99%. We cannot assure you that the tax rate or the surcharge will not be increased further in the future. Presently, we benefit from the tax holiday given by the Government of India for the establishment of manufacturing facilities in backward areas (as notified by the Government). As a result of these incentives, (See the section titled “Statement of tax benefits on page 36 of this Red Herring Prospectus.) Profitability of our Company and our Partnership firm are subject to relatively low tax liabilities.

There can be no assurances that similar or greater reductions in tax benefits would not be introduced in future, when our tax benefits expire or terminates, our tax expenses could materially increase, reducing our profitability.

7. We are subject to international market and regulatory risks

Developments in the international textile markets could have an impact on our sales. From time to time, tariffs, quotas and other tariff and non-tariff trade barriers may be imposed on our products in jurisdictions in which we operate or seek to sell our products. There can be no assurance that jurisdictions will not impose trade restrictions in the future. Any such imposition of trade barriers could have a material adverse effect on our financial condition and results of operations.

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

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

9. ***Economic and political instability and significant changes in the Government of India's policy on liberalization of the Indian economy and nationalization could impact economic conditions in India, our financial results and prospects***

Our business, and the market price and liquidity of our Equity Shares may be effected by foreign exchange rates and controls, interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or effecting India.

Since 1996, the Government of India has changed six times. The current Indian government is a coalition of many parties. The withdrawal of one or more of these parties or any dispute between groups of these political parties could result in political instability. Any political instability could delay or otherwise adversely effect the reform of the Indian economy and could have a material adverse effect on the economic conditions in India, on the market for our Equity Shares and on our results of operations.

10. ***Upon listing of our equity, the price of our Equity Shares will depend upon various factors such as general economic conditions, volatility in stock market, liquidity in our equity shares etc.***

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Stock Exchanges may not develop or be sustained after the Issue. The Issue Price may not be reflective of the intrinsic value of our Company. Post listing, the price of our Equity Shares may show large swings on account of several factors as follows:

- General economic conditions in India
- Financial performance of our Company vis a vis our competitors
- Investors perception regarding the textiles industry
- Changes in government policies pertaining to textiles industries having a positive or negative impact on industry
- Volatility in the Indian and global securities markets
- Selling pressure due to bad market conditions

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

There have been instances of terrorist attacks in many parts of the world and also in India in the recent past. Any recurrence of such events or other acts of violence/war may negatively affect the Indian capital market and may also adversely effect performance of our scrip in the stock exchanges. These acts may also result in a loss of business confidence.

Any recurrence of events of terrorist attacks or other acts of violence may adversely impact the desire of corporate executives to travel to India for business purposes and thereby adversely impacting business prospects. These uncertainties make it difficult for us and our customers to accurately plan future business activities.

12. ***Any acts of war or conflicts involving India or other countries could adversely effect business sentiment and the financial markets and adversely effect our business***

India has from time to time experienced hostilities with neighboring countries. Such events could create a perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have adverse effect on the market for securities of Indian companies, including our Equity Shares. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

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

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

Notes to Risk Factors

1. This is a public issue of 41,38,410 Equity Shares of Rs. 10 each, of Rs 10 each for cash at a price of Rs. [•] per Equity Share aggregating Rs. [•] lacs. The Issue will constitute 27.20 % of the fully diluted post-issue Equity Share capital of our Company. The issue comprises of net issue to public of 39,31,490 Equity Shares of Rs 10 each for cash at a price of Rs [•] per Equity Share aggregating Rs. [•] lacs and a reservation of upto 2,06,920 Equity Shares of Rs 10 each for cash at a price of Rs [•] per Equity Share aggregating Rs. [•] lacs to the employees of the Company.
2. The net worth of our Company as of March 31, 2007 was Rs. 13,205.31 lacs based on the restated financial statements of our Company. The average cost of acquisition of one Equity Share by our Promoters is as follows:

Name of the Promoter	Average Cost of Acquisition
Mr. Ram Saran Saluja	Rs 0.75/-
Mr. Neeraj Saluja	Rs 0.35/-
Mr. Dhiraj Saluja	Rs 0.34/-
Mrs. Sneh Lata Saluja	Rs 3.42/-
Mrs. Ritu Saluja	Rs 1.72/-
Mrs. Reema Saluja	Rs 0.34/-

The book value per Equity Share as of March 31, 2007 was Rs. 134.52 and Consolidated Book-value as of March 31, 2007 was Rs 132.64. For details, please see the section titled 'Capital Structure' beginning on page 15 of the Red Herring Prospectus.

3. Investors are advised to see the section titled 'Basis for Issue Price' beginning on page 34 of the Red Herring Prospectus.
4. In case of under-subscription in the Issue in any category, the deficiency will be met with spillover from other categories at our sole discretion, in consultation with the BRLM, the Co- BRLM and the Designated Stock Exchange. However, in case of over subscription in the Issue, Allotment will be made on a proportionate basis to all class of Bidders. For details please see the section titled 'Basis of Allocation' beginning on page 165 of the Red Herring Prospectus.
5. Except, as disclosed in the section titled 'Capital Structure' beginning on page 15 of the Red Herring Prospectus, none of the persons listed in our Promoter or Promoter group, or our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which the Red Herring Prospectus is filed with SEBI.
6. We had entered into certain related party transactions. Aggregate related party transactions for FY2007 on a stand alone basis was Rs 10, 236.43 lacs and related party transactions for FY 2007 on a consolidated basis was Rs 11,465.96 lacs. For details, see the section titled 'Financial Statements - Related Party Transactions' beginning on page 103 & 120 of the Red Herring Prospectus.
7. Except as disclosed in the sections titled 'Our Management' and 'Our Promoters' beginning on pages 66 and 75 of the Red Herring Prospectus, none of our Promoters, Directors or key managerial personnel have any interest, other than reimbursement of expenses incurred or normal remuneration or benefits.
8. Except, as disclosed in the section titled 'Financial Statements' beginning on page 90 of the Red Herring Prospectus, there are no subsisting loans or advances that have been extended by our Company to any persons, firms or companies in which our Directors are interested.

Investors may contact the BRLM, the Co- BRLM or the Compliance Officer for any complaints, information or clarifications pertaining to the Issue. For contact details of the BRLM, the Co- BRLM and the compliance officer, please refer to the section titled 'General Information' on page 8 of the Red Herring Prospectus.

SECTION III: INTRODUCTION

SUMMARY

INDUSTRY OVERVIEW

Textile Industry:

The share of Indian Textile Industry occupies a significant position in Global Textile Trade. It is the 3rd largest producer of cotton and cellulose fibre/yarn, 2nd largest producer of cotton yarn, largest producer of jute, 2nd largest producer of silk and 5th largest producer of synthetic fibre/yarn. With total exports of textile and clothing of about US$13 billion, India accounts for 3.3% of the World Trade in Textile and clothing and is ranked 6th largest supplier. India is one of the few countries that has a presence across the entire value chain of the textiles and clothing business starting from fibre production, spinning, weaving/knitting, processing to garments and made ups.

The Textile industry is very crucial to the Indian economy in terms of contribution to GDP and employment as shown below:

- Contributes about 4% to the GDP, accounts for over 14% of total industrial production and contributes around 21% to total exports.
- 2nd largest employment provider after the agriculture sector, employing about 35 million people directly and another 50 million people indirectly.

Therefore the growth and development of this industry has a significant bearing on the overall development of Indian economy.

Industry Profile

The Indian textile industry is quite complex and varied with hand –spun and hand-woven sector at one end of the spectrum and capital-intensive sophisticated mill sector at the other with the decentralized power loom and knitting sectors coming in between. Industry uses all kinds of fibers both natural and manmade. The natural fibre includes cotton, jute, silk and wool, while Synthetic/man made fibre includes polyester, viscose, nylon, acrylic and their multiple blends. This complex and varied structure, latest technological inputs, strong designing capabilities and legacy in textiles provides the industry the unique capacity to produce wide variety of products to suit the verying consumer taste and preferences.

Business Overview

We are vertically integrated textile multi-product company, manufacturing and exporting cotton yarn, knitted fabrics and knitted garments with our production facilities located in Ludhiana in Punjab and Baddi in Himachal Pradesh. To cater to our target exports markets, we have opened representative offices in Russia and Dubai. Presently, majority of our production of garments is exported to Russia and U.A.E. We are operating with a consolidated capacity to manufacture 6 million garment pieces per annum. Our capacities in cotton yarn, fabric knitting and fabric processing & dyeing are at approximately 40,056 spindles (11,088 tons yarns per annum), 4,050 tons per annum of fabric knitting per annum and 3,000 tons per annum of fabric processing & dyeing respectively.

We manufacture and export all types of knitted garments and our main products include t-shirts, polo shirts, sweat shirts, boxer shorts, thermals, girls top etc. A part of yarn produced from our spinning units are captively consumed for our knitting operations and balance is sold in both domestic as well as overseas market. Similarly, the fabric that we knit is also used for both knitted garment manufacturing and is sold in local market as fabric.

Over the last few years we have integrated our operations from being a garment manufacturer to a fully integrated textile company.

In the last two years since we started our spinning plant as a backward integration, we are now operating with a capacity of 49,056 spindles and will have capacities of 74,256 spindles post implementation of expansion plan through this IPO.

Our total income increased from Rs. 6,434.44 lacs in FY2005 to Rs. 20,188.11 lacs in FY2007 i.e., at a CAGR of 77.13%. This has being due to change in our product mix from single product i.e. knitted garments in FY2004 to multi-product from FY2006. Our Consolidated total income has increased at a rate of 40.99% from Rs. 14,632.56 lacs in FY2006 to Rs. 20,631.06 lacs in FY2007.

Our Profitability has increased from Rs. 314.51 lacs in FY2005 to Rs. 2,369.60 lacs in FY2007 i.e., at a CAGR of 174.47%. Our Consolidated Restated Profits after tax had shown growth of 67.71% from Rs. 1,360.57 lacs in FY2006 to Rs. 2,281.83 lacs in FY2007.

Starting FY 2005, we have consolidated the business of the R. S. Saluja Group into our Company. Two of our erstwhile group companies engaged in textiles business were amalgamated with our Company. During FY 2006, we acquired 99% stake in our group partnership firm, engaged in business of manufacture of value added knitted garments having production facilities located in the tax free zone in Baddi in Himachal Pradesh. Taking forward the consolidation process, in FY 2007 we have taken over the spinning division of one more group company, which is 100% export oriented unit engaged in manufacture of combed yarn.

During the same fiscal we acquired the land & building and some 150 garmenting machines of a garmenting unit situated in Ludhiana for Rs. 315 lacs. The said garmenting unit has a capacity to manufacture 1.5 million pieces per annum.

Further, we are also in process of acquiring the assets of Mangla Cotex Private Limited (Mangla Cotex), a textile company under liquidation. Facilities of Mangla Cotex are strategically located adjoining our existing spinning and knitting facilities in Ludhiana. We were the highest bidder in the auction of the properties (comprising of land and textile related machineries) being undertaken by the official liquidator of Mangla Cotex. Post acquisition our capacities in knitting, fabric processing and garmenting will further go up.

During FY 2007 we have discontinued our loss making polyester business, having capacity to manufacture 4,950 tons per annum. In view of our management, business environment for polyester business was not conducive given relatively lower capacities of the Company. As the segment was not even marking contribution to recover fixed costs, the closure was intended to improve overall profitability of the Company.

Our Competitive Strengths

Experience of our Promoters

Our Promoters have adequate experience in the textile industry and we have in past successfully implemented expansion projects. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project.

Punctuality

Meeting customer deadlines on a consistent basis is paramount for our business. To ensure timely deliveries, we meticulously plan our entire range of activities well in advance, right from sourcing of fabric and components to manufacturing to shipping. Thus allowing us deliver the products as per their requirements.

Capability to Manage Multiple and Large Sized Orders

In the textile-garmenting segment the key to success lays in the capability to execute large and multiple orders on time, these orders requires immense operational expertise to manage large work force, complex sourcing capabilities, production planning and facilities. Being in this field for a number of years our Company has developed sufficient operational expertise to manage such kind of orders effectively.

Quality Standards and Quality Assurances

We adhere to all the quality standards as prescribed by customers for products and processes. Buyers are keen to work with vendors who are capable of meeting quality standards to enable them to maintain their brand equity with their customers and enhance their sales. We follow all the stringent guidelines and procedures prescribed by the customers.

Each of the Company's products passes through stringent quality checks. The quality assurance measures taken by the Company include thorough checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyse areas of improvement, experienced manpower for quality assurance activities, creation of data base for future reference and analysis etc. Each of the divisions is well equipped with most modern quality checking and testing equipment in place for quality assurance and functions on our philosophy of providing quality products to customer. We at present produce yarn at <25% uster level.

Economies of scale

With the increase in our capacities post proposed expansion plans, acquisition of spinning unit of group Company and proposed acquisition of the assets of Mangla Cotex Limited we may have a greater bargaining capacity with our raw material suppliers and can avail the bulk discounts hence with the increase in the size of the Company, we will be benefiting from economies of scale.

Strategic Location

We have our manufacturing facilities strategically located in Ludhiana, Punjab and Baddi, Himachal Pradesh. We believe location of our units gives us significant savings in production, labour and transportation costs. Both Ludhiana and Baddi are well connected to Delhi NCR and other major cities in northern India, thereby enabling us to be in close proximity to our domestic suppliers and clients.

Low interest cost

The debt portion of the spinning unit of Saluja Cotex, which was acquired by our Company during FY 2007, was sanctioned under the TUFS. The weighted average interest rate of our existing term loans after considering the benefits available to us on loans covered under TUFS is around 5.25%. This has helped us in lowering the overall average cost of funds and has increased our competitiveness.

Marketing Strength

We have an experienced marketing team both for international as well as domestic markets. We are marketing our garments to Russia for the past five years and have further started garments exports to U.A.E. Also during FY 2007 we have opened our representative offices in Russia and Dubai, enabling us to be closer to our customer and serving them in a much better manner.

Integrated Facility

Over the last few years we have integrated our operations from being a garment manufacturer to a fully integrated multi-product textile company. Though at present we are catering to the domestic yarn market for marketing our yarn, post expansion most of our requirements will be met in house thus allowing us reduce costs, maintain quality and reduce our turnaround time.

Capacity expansions

In last two years since we started our spinning plant as a backward integration, we are currently operating with a capacity of 49,056 spindles and will have capacities of 74,256 spindles post implementation of expansion planned through the proposed IPO and 1,49,856 spindles post implementation of concurrent expansion plan. Also we are presently operating at a capacity of 4,050 tons per annum of fabric knitting, which we have achieved in a span of four years and propose to increase the said capacities to 7,050 tons per annum post implementation of the proposed IPO.

Further we have also added 1.5 million pcs p.a. of garmenting capacities to our existing capacities of 4.5 million pcs p.a. and plan to have capacities of 7.5 million pcs p.a. post implementation of proposed IPO.

Low labour cost

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

High productivity

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

Use of Information Technology

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

Research and Development and Design Development

We undertake continuous research and development activities with an objective to reduce operational costs and improve the efficiency of our plants. We have an in-house team of experienced designers in fabric knitting and garmenting. We have also installed software packages / CAD / CAM systems for generating designs on computers. New design development and sampling is an important feature of our business and we accord importance since these are highly effective tools to convert business enquiries into orders.

Environment

Good environmental practice has always been a prime consideration in our development, leading us to seek practical solutions to avoid the production of waste. Our business activity inevitably has an impact on the environment. We seek to minimize this impact as far as possible by operating a policy of sustainable development and constantly researching new ways to reduce pollution, wastage and the amount of resources used, while recycling as much as we can.

Our Business Strategy

Our principal operating strategies are to:

- become an integrated player in the textile market catering to all segments from manufacture of cotton yarn to knitting to fabrics processing/dyeing, to manufacture of knitted garments.
- increase our product range and de-risk our business from depending on few products/countries.
- expand our garment capacity to cater to more diverse export markets.
- increase our capacity in yarn manufacturing and knitting in order to cater in-house requirements, domestic and international markets requirements.
- make strategic acquisitions and investments where we believe we can achieve competitive advantage
- reduction of operational costs
- invest in design and product development
- develop and maintain strong relationship with our existing and prospective clients.

SUMMARY OF STANDALONE FINANCIAL DATA

The following summary operating and financial data have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and other applicable provisions of the Companies Act and Indian Securities regulations, in conjunction with our restated audited financial statements for each of financial year 2003, 2004, 2005 and 2006 and for 2007 including the notes thereto and the reports thereon, which appear in section title "Management's Discussion And Analysis of Financial Condition and Results of Operations" on page 124 of the Red Herring Prospectus.

SUMMARY STATEMENT OF RESTATED PROFIT & LOSS

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Income:					
Operational Income (Gross)	18,775.19	12,160.55	6,660.37	6,012.03	6,880.97
Less: Excise Duty	28.13	4.55	228.96	9.22	-
Operational Income (Net)	18,747.06	12,156.00	6,431.41	6,002.81	6,880.97
Other Income	1,441.05	1,115.16	3.02	18.08	0.12
Increase / (Decrease) in Stocks	(1,924.35)	(6,494.21)	(2,515.09)	841.45	327.70
Total (A)	**18,263.76**	**6,776.95**	**3,919.34**	**6,862.33**	**7,208.78**
Expenditure:					
Raw Material Consumed	10,804.61	2,826.14	2,039.58	4,214.58	2,322.30
Manufacturing Expenses	1,663.06	799.34	445.51	855.54	609.90
Employees' Remuneration & Benefits	856.76	210.69	223.91	128.19	46.52
Administrative and Other Expenses	303.27	76.61	108.87	57.93	82.47
Interest and Financial Charges	732.56	326.13	156.98	85.19	103.32
Selling & Distribution Expenses	529.46	457.93	514.40	434.38	68.26
Loss / (Profit) on Sale of Assets	20.39	0.36	(0.18)	-	-
Miscellaneous Expenditure not written off	-	0.13	0.13	0.13	0.13
Total (B)	**14,910.10**	**4,697.33**	**3,489.20**	**5,775.94**	**3,232.90**
Profit before Depreciation, Tax and Extraordinary Items	**3,353.66**	**2,079.62**	**430.14**	**1,086.40**	**3,975.88**
Depreciation	503.70	277.87	105.41	18.14	19.90
Profit before Taxation	**2,849.96**	**1,801.75**	**324.73**	**1,068.26**	**3,955.98**
Provision for Taxation:					
- Current Tax	168.64	56.52	-	0.05	0.95
- Deferred Tax	315.87	277.79	(8.66)	(2.91)	0.91
Fringe Benefit Tax	4.03	2.98	-	-	-
Wealth Tax	0.28	-	-	-	-
Previous Year Adjustments (Taxation & Other)	1.10	-	-	-	-
Profit After Tax as per Audited Financial statements	**2,360.03**	**1,464.46**	**333.39**	**1,071.12**	**3,954.12**
Adjustments:					
- Less/ (Add): Changes in Accounting Policy	-	-	(1.97)	(9.40)	(10.68)
- Less/ (Add): Previous Year Adjustments	(1.10)	7.36	3.30	-	(0.02)
Provision for Gratuity	(17.95)	4.05	5.99	3.49	3.36
Total Adjustments	(19.05)	11.41	7.32	(5.91)	(7.34)
Tax Impacts on Adjustments:					
- Current Tax	-	-	-	0.93	1.12
- Deferred Tax	9.78	(34.72)	11.56	4.93	2.58
Total Adjustments net of Tax Effects	(9.27)	(23.31)	18.88	(0.05)	(3.64)
Restated Profits before Extraordinary Items	**2,369.30**	**1,487.77**	**314.51**	**1,071.17**	**3,957.77**
- Less : Extraordinary Items	-	-	1,610.00	-	-
Restated Profits after Extraordinary Items	**2,369.30**	**1,487.77**	**(1,295.49)**	**1,071.17**	**3,957.77**
Profit available for appropriations	2,369.30	1,487.77	(1,295.49)	1,071.17	3,957.77
Add: Balance brought from previous year	9,893.51	8,696.30	9,931.08	8,859.91	4,906.13
Add: Balance in the profit & loss account of Transferor Companies	-	-	60.71	-	-
Less: Capitalization for Issue of Bonus Shares	-	290.56	-	-	-
Less: Deferred Tax Liability as on April 2002	-	-	-	-	3.98
Balance Carried over to Balance Sheet	**12,262.81**	**9,893.51**	**8,696.30**	**9,931.08**	**8,859.91**

Notes:

1. The Fixed Assets have not been revalued during any of the period under reporting
2. With effect from 1st April 2004 Saluja Fabrics Limited and Saluja Processors Private Limited amalgamated with the Company. Accordingly the figures for the FY 2005 are inclusive of assets and liabilities of these companies and are not comparable with those of previous figures to that extent.

3. Extraordinary Items includes loss on Sale of Investments.
4. Employee's Remuneration and Benefits relating to current period includes Rs. 17.95 Lacs, provision made for gratuity relating to earlier years.
5. Deferred Tax Adjustment includes restatement / reversal on account of consideration of Section 80IB of the Income Tax Act in computing the provision for deferred tax.

Statement of Operational Income

Annexure – 1a

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Export Sales – Manufacturing	6,303.77	2,715.00	4,139.60	5,598.06	6,041.56
Export Sales – Trading	83.90	1,847.18	-	-	-
Domestic Sales – Manufacturing	9951.82	2,171.58	583.35	93.79	90.78
Domestic Sales – Trading	2,218.95	5,120.68	1,480.43	-	-
Export Incentives	345.71	174.17	453.06	485.48	754.19
Foreign Exchange Fluctuation	(141.17)	73.61	(60.12)	(167.34)	(8.75)
Job Work Income	8.13	47.30	61.69	-	-
Commission Received	-	-	1.25	-	-
Rebate Discount	4.08	11.03	1.11	2.04	3.19
Sundry Balances written back	-	-	-	-	-
Operational Income	**18,775.19**	**12,160.55**	**6,660.37**	**6,012.03**	**6,880.97**

Statement of Other Income

Annexure – 1b

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	Remarks	Activity
Interest Received	2.06	12.20	2.16	0.07	0.12	Recurring	Non Business
Dividend Received	-	0.24	0.38	-	-	Recurring	Non Business
Miscellaneous Income	-	-	0.48	18.01	-	Non Recurring	Non Business
Share of Profits from Partnership Firm	1,438.99	1,102.72	-	-	-	Recurring	Business
Other Income	**1,441.05**	**1,115.16**	**3.02**	**18.08**	**0.12**		

SUMMARY STATEMENT OF RESTATED ASSETS & LIABILITIES

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Fixed Assets (A) :					
Gross Block	9,794.13	3,823.19	2,903.11	147.57	150.50
Less: Accumulated Depreciation	1,029.55	576.88	300.69	18.55	12.24
Net Block	8,764.58	3,246.31	2,602.42	129.02	138.26
Capital Work in Progress	3,056.51	107.90	247.12	5.40	-
Total (A)	**11,821.09**	**3,354.21**	**2,849.54**	**134.42**	**138.26**
Investments (B)	**3,204.98**	**2,781.51**	**1,837.90**	**2,696.97**	**850.00**
Current Assets, Loans & Advances (C):					
Inventories	5,839.98	2,874.82	1,963.28	2,206.16	2,359.58
Sundry Debtors	6,387.42	5,824.56	2,952.31	1,168.56	2,583.52
Cash and Bank Balances	461.40	120.81	123.48	136.85	56.56
Loans and Advances	1,888.25	1,044.44	3,388.41	4,676.38	3,652.89
Total (C)	**14,577.05**	**9,864.64**	**8,427.49**	**8,187.95**	**8,652.55**
Liabilities and Provisions (D):					
Secured Loans	13,542.79	4,233.94	3,351.58	500.21	343.66
Unsecured Loans	151.32	65.35	31.68	3.79	11.79
Deferred Tax Liability (Net)	566.48	240.83	(2.24)	9.48	7.46
Current Liabilities & Provisions	2,137.23	578.86	340.43	414.92	113.44
Total (D)	**16,397.82**	**5,118.98**	**3,721.45**	**928.40**	**476.36**
Net Worth (A+B+C-D) = E	**13,205.30**	**10,881.39**	**9,393.48**	**10,090.94**	**9,164.45**
Represented by:					
1 Share Capital	981.68	981.68	19.76	19.16	19.16
2 Share Application Money	-	-	140.95	140.95	285.75
3 Reserves & Surplus	12,273.63	9,899.70	9,232.90	9,931.08	8,859.91
Total	**13,255.31**	**10,881.39**	**9,393.61**	**10,091.19**	**9,164.82**
Less: Miscellaneous Expenditure not written off	50.01	-	0.13	0.25	0.38
Net Worth	**13,205.31**	**10,881.39**	**9,393.48**	**10,090.94**	**9,164.45**

Notes:

1. The Fixed Assets have not been revalued during any of the period under reporting
2. With effect from 1st April 2004 Saluja Fabrics Limited and Saluja Processors Private Limited amalgamated with the Company. Accordingly the figures for the FY 2005 are inclusive of assets and liabilities of these companies and are not comparable with those of previous figures to that extent.

SUMMARY OF CASH FLOWS

The following table summarizes our cash flow for years ended March 31, 2003, 2004, 2005, 2006 and 2007.

(Rs in Lacs)

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Net Cash Flow from Operating activities	**(302.90)**	**18.77**	**456.89**	**1,996.15**	**709.51**
Net Cash Flow from Investing activities	(7,987.93)	(611.35)	(3,193.13)	(1,834.41)	(854.91)
Net Cash Flow from Financing activities	8,631.41	589.90	2,722.88	(81.45)	(52.33)
Net Cash Flows	**340.60**	**(2.68)**	**(13.37)**	**80.29**	**(197.73)**
Cash and cash equivalents at the year-end.	**461.40**	**120.81**	**123.48**	**136.85**	**56.56**

THE ISSUE

Particulars	Number of Equity Shares
Issue by the Company*	41,38,410 Equity Shares, being 27.20 % of the post-Issue capital of the Company
Of which:	
A) Employee Reservation Portion*	Upto 2,06,920 Equity Shares, being 4.99% of the Issue by the Company
Therefore, Net Issue to the Public*	39,31,490 Equity Shares, being 25.84% of the post-Issue capital of the Company
Of which:	
A) Qualified Institutional Buyers (QIB) Portion	Up to 19,65,740 Equity Shares, being 50% of the Net Issue ***(Allocation on a proportionate basis)***
of which:	
a. Reservation for Mutual Funds	98,287 Equity Shares, being 5% of the Qualified Institutional Buyers Portion ***(Allocation on a proportionate basis)***
b. Balance for all QIBs, including Mutual Funds	18,67,453 Equity Shares ***(Allocation on a proportionate basis)***
B) Non-Institutional Investors Portion	Atleast 5,89,725 Equity Shares, being 15% of the Net Issue ***(Allocation on a proportionate basis)***
C) Retail Investors Portion	Atleast 13,76,025 Equity Shares, being 35% of the Net Issue ***(Allocation on a proportionate basis)***
Equity Shares outstanding prior to the Issue	1,10,77,590 Equity Shares
Equity Shares outstanding post the Issue	1,52,16,000 Equity Shares
Objects of the Issue	See the section titled 'Objects of the Issue' beginning on page 22 of the Red Herring Prospectus

Under-subscription, if any, in any portion of the Issue, would be allowed to be met with spillover from any other category or combination of categories at the discretion of the Company in consultation with the BRLM, the Co- BRLM and the Designated Stock Exchange.

RS SALUJA GROUP

SEL Manufacturing Company Limited

Registered with Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh, 286, Defence Colony, Jalandhar 144 001, Punjab, India, Telephone: + 91 181 223 843, Fax: +91 181 223 843,
Email: rocjal.sb@sb.nic.in
Company Identification Number (CIN): U51909PB2000PLC23679

GENERAL INFORMATION

Our Company was originally incorporated as Saluja Exim Limited on May 8, 2000 under the Companies Act, 1956 and obtained certificate of commencement of business on June 2, 2000. For details of change of name and registered office of our Company, kindly refer to the section titled 'Our History and Corporate Structure' starting on page 56 of the Red Herring Prospectus.

Our Registered Office & Address for Correspondence:

SEL Manufacturing Company Limited
274, G.T.Road, Dhandari Khurd,
Ludhiana-141 010, Punjab
Telephone: +91 161 2510270,
Fax: +91 161 2510268
Email: ipo@rssalujagroup.co.in,
Website: www.salujafabrics.com

Corporate Office:

SEL Manufacturing Company Limited
Ludhiana-Chandigarh Road,
Near Neelon, Canal Bridge, Village: Lal Kalan,
Tehsil: Samrala,Ludhiana 141 113, Punjab
Telephone: +91 161 3238 001/02/03; Fax: +91 161 2834 371
Email: ipo@rssalujagroup.co.in,
Website: www.salujafabrics.com

Our Board of Directors

Our Company is managed by a Board of Directors comprising of six directors. Mr. Ram Saran Dass Saluja is the Chairman of our Company. The day-to-day affairs of the Company are being managed by Mr. Neeraj Saluja, Managing Director and Mr. Dhiraj Saluja, Whole-time Director. Our Board of Directors currently comprises of the following:

Name and Occupation	Designation	Age	Address
Mr. Ram Saran Saluja *Business*	Chairman (Non-Executive)	63 years	9 C, Sarabha Nagar, Ludhiana-141 001
Mr. Neeraj Saluja *Business*	Managing Director	39 years	9 C, Sarabha Nagar, Ludhiana-141 001
Mr. Dhiraj Saluja *Business*	Whole-time Director	34 years	9 C, Sarabha Nagar, Ludhiana-141 001
Mr. Ashwani Kumar *Practising Chartered Accountant*	Director (Independent)	51 years	H. No. 19-A, Udham Singh Nagar, Ludhiana – 141 001
Mr. Sanjay Jain *Corporate Consultant*	Additional Director (Independent)	40 years	33/1, First Floor, East Patel Nagar, New Delhi-110 008
Mr. Sanjiv Garg *Business*	Additional Director (Independent)	47 years	61-A, Sant Nagar, Civil Lines, Ludhiana 141 001

Brief details of our Chairman, Managing Director and Whole-time Director:

Mr. Ram Saran Saluja aged 63 years is our Non-Executive Chairman. He holds a bachelors degree in arts from Punjab University. He is the main person behind the establishment and growth of the R S Saluja Group (Group) and has been involved in the business of our Company since its inception. He has over 40 years of experience in the textile industry. As Chairman he provides strategic direction to our Company. He is the founder promoter of our Company and has been the guiding force behind its consistent growth & development. He laid the foundation of the R S Saluja Group in 1969 with the establishment of M/s R. S. Saluja Hosiery, a sole proprietorship concern engaged in the business of trading of textile products. In the year 1980 and 1985, Mr. Saluja alongwith his son Neeraj formed two partnership firms namely M/s Saluja International and M/s Saluja Fabrics respectively. For further details on the said sole proprietary concern and partnership firms please refer to the section titled 'Our Promoter Group Companies' on page 79 of this Red Herring Prospectus. In the year 1995, Mr. Saluja had incorporated M/s Saluja Fabrics Limited the first corporate entity of the Group. M/s Saluja Fabrics Limited was engaged in the business of manufacturing polyester texturised yarn till it was merged with our Company w.e.f. April 1, 2004. Under the able leadership of Mr. Saluja the Group today boast of full range manufacturing facilities right from spinning of yarn, knitting & dyeing of fabric to manufacture and exports of readymade garments. Mr. Saluja is ably assisted by his sons Neeraj and Dhiraj. Presently he is not actively involved in the activities of our Company or the Group.

Mr. Neeraj Saluja aged 39 years is Managing Director of our Company. He is the eldest son of Mr. Ram Saran Saluja and has over 15 years of experience in the textile industry. He holds a diploma in Business Administration, from Punjab University. Besides, being responsible for the overall management of our Company he is in charge of designing & production of garments and commercial & financial functions of our Company. He also looks after procurement of cotton and other raw materials. He provides strategic direction in selection of technology and machineries, in setting up new manufacturing facilities, production planning of yarn and fabrics, improvement of production processes, exploring, and diversifying into new ventures.

Mr. Dhiraj Saluja aged 34 years is the Whole-time Director of our Company. He is the youngest son of Mr. Ram Saran Saluja. He holds a degree in Mechanical Engineering from Moscow University, Russia. He has over 12 years experience in the textile industry. Besides, being responsible for the overall management of the Company along with Mr. Neeraj Saluja, he is also in charge of overseeing marketing of yarn and garments and looks after the complete function of marketing and delivery of our Company's products to the end customer.

For brief profile of our other Directors, kindly refer to the section titled 'Our Management' on page 66 of the Red Herring Prospectus.

Company Secretary

Mr. Rahul Kapoor
SEL Manufacturing Company Limited
274, G.T.Road, Dhandari Khurd,
Ludhiana-141 010, Punjab
Telephone: +91 161 2510270;
Fax: +91 161 2510268
Email: ipo@rssalujagroup.co.in,
Website: www.salujafabrics.com

Compliance Officer

Mr. Navneet Gupta
SEL Manufacturing Company Limited
274, G.T.Road, Dhandari Khurd,
Ludhiana-141 010, Punjab
Telephone: +91 161 2510270;
Fax: +91 161 2510268
Email: navneet@rssalujagroup.co.in,
Website: www.salujafabrics.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 and credit of allotted shares in the respective beneficiary account or refund orders.

Book Running Lead Manager

UTI Bank Limited
Central Office: 111, Maker Towers 'F',
Cuffe Parade, Colaba,
Mumbai 400 005
Telephone: + 91 22 6707 1425
Fax: + 91 22 2216 2467
Email: utibmbd@utibank.co.in
Website: www.utibank.com
Contact Person: Mr. Dipen Kapadia / Mr. Sandeep Walawalkar

Co-Book Running Lead Manager

Almondz Global Securities Limited
2nd Floor, 3, Scindia House,
Janpath, New Delhi 110 001
Tel: +91 11 41514666-69
Fax: +91 11 41514665
Email: sel.ipo@almondz.com
Website: www.almondzglobal.com
Contact Person: Mr. Sunit Shangle

Registrar to the Issue

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West), Mumbai 400 078
Telephone: +91 22 2596 0320,
Fax: +91 22 2596 0329
Email: selipo@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Mr. Vishwas Attawar

Syndicate Members

Batlivala & Karani Securities India Private Limited
12/14, Brady House,2nd Floor,
Veer Nariman Road,
Fort, Mumbai-400 001
Tel: +91 22 40076000
Fax: +91 22 22872766/1136
Email: c.sridhar@bksec.com
Contact person: Mr. C Sridhar

Almondz Global Securities Limited
2nd Floor, 3, Scindia House,
Janpath, New Delhi 110 001
Tel: +91 11 41514666-69
Fax: +91 11 41514665
Email: sel.ipo@aslfinancial.com
Website: www.aslfinancial.com
Contact Person: Mr. Sunit Shangle

Bankers to the Issue and Escrow Collection Bankers

UTI Bank Limited
Surya Towers,
108, The Mall,
Ludhiana 141 001
Tel: + 91 161 4684680
Fax: + 91 161 4684644
Email: ludhiana.branchhead@utibank.co.in
Website : www.utibank.com
Contact Person: Mr. Raj Kumar Jain

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

The Hong Kong and Shanghai Banking Corporation Limited
52/60, M G Road, Fort,
Mumbai 400 001
Tel: + 91 22 2268 5352
Fax: + 91 22 66536002
Email: suyogmhatre@hsbc.co.in
Website : www.hsbc.co.in
Contact Person: Mr. Suyog Mhatre

Statutory Auditor of the Company

M/s Dass Khanna & Company
Chartered Accountants,
B-XX-2815, Gurdev Nagar,
Pakhowal Road,
Ludhiana 141 001
Telephone: +91 161 240 2492, 240 3029
Fax: + 91 161 2409 672
Email: dasskhannaco@yahoo.com
Contact Person: Mr. Rakesh Soni

Legal Advisor to the Issue

Vaish Associates Advocates
5, 6 & 7, 10, Hailey Road,
New Delhi 110 001
Telephone: +91 11 4249 2525
Fax: +91 11 2332 0484
Email: hitender@vaishlaw.com
Contact person: Mr. Hitender Mehta

Financial Appraisal of the Expansion Project

State Bank of India- Project Uptech (SBI-Project Uptech)
1st Floor, SHB, Sunder Nagar,
Ludhiana-141 007
Telephone: +91 161 500 3357
Fax.: +91 161 265 1522
Email: prouphosiery@sify.com
Website : www.statebankofindia.com
Contact Person : Mr. A.K. Agnihotri

Monitoring Agency

State Bank of Bikaner & Jaipur
G.T. Road, Ludhiana 141 001
Telephone: +91 161 2533 277
Fax: +91 161 254 4427
Email: sbbj1083a@sbbj.com
Website: www.statebankofbikanerandjaipur.com
Contact Person: Mr. Subhash Kukkar - Chief Manager

Bankers to the Company

State Bank of Bikaner and Jaipur
G.T. Road, Ludhiana 141 001
Telephone: +91 161 253 3277,
Fax: +91 161 254 4427
Email: sbbj10839@sbbj.com
Website: www.statebankofbikanerandjaipur.com
Contact Person: Mr. Subhash Kukkar - Chief Manager

State Bank of Patiala
G.T. Road, Millar Ganj,
Ludhiana 141 001
Telephone: +91 161 254 7854 / 56 / 57 / 58
Fax: +91 161 254 7858
Email: sbop50463@gmail.com
Website: www.statebankofpatiala.com
Contact Person: Mr. R. K. Baijal - Dy. General Manager

State Bank of India
Deol Complex, Civil Lines,
Ludhiana 141 001
Telephone: +91 161 242 1553 / 54 / 56
Fax: +91 161 242 1550
Email: sbiscbc@guipe.net.in
Website: www.statebankofindia.com
Contact Person: Ms. Inderjeet Bakshi - Asst. General Manager

Statement of Inter-Se Allocation of Responsibility

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

Activities	Responsibility	Coordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	UTI Bank	UTI Bank
Due diligence of the Company's operations / management / business plans / legal etc.;	UTI Bank	UTI Bank
Drafting and design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. Ensure compliance with stipulated requirements and completion of prescribed formalities with SEBI, Stock Exchanges, and RoC.	UTI Bank	UTI Bank
Primary co-ordination with SEBI, Stock Exchanges and RoC upto bidding and co-ordination interface with lawyers for agreement	UTI Bank	UTI Bank
Appointment of Registrar, Printers and Advertising Agency	UTI Bank	UTI Bank
Appointment of Escrow Collection Bankers / Bankers to the Issue.	UTI Bank, Almondz	Almondz
Company Positioning and pre-marketing exercise, finalise media and Public Relation strategy	UTI Bank, Almondz	UTI Bank
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisements, brochure, etc.	UTI Bank, Almondz	UTI Bank
Qualified Institutional Buyers ('QIBs'): Finalising the list and division of investors for one to one meetings and co-ordinating institutional investors meetings.	UTI Bank, Almondz	UTI Bank
Non-Institutional and Retail Marketing of the Issue, which will cover inter-alia, • Formulating marketing strategies • Preparation of publicity budgets • Finalizing centers for holding conferences for brokers, etc. • Finalizing collection centers • Follow-up on distribution of publicity and Issue material including forms, prospectus and deciding on the quantum of the Issue material	UTI Bank, Almondz	Almondz
Managing the Book, interaction / co-ordination with Stock Exchanges for book building software, bidding terminals and mock trading-	UTI Bank, Almondz	UTI Bank
-Appointment of Syndicate Members / Brokers to the Issue - Finalise Underwriters and the Underwriting Arrangements	UTI Bank, Almondz	UTI Bank
Finalising pricing, QIB Allocation and Intimation by BRLM's in consultation with the Company	UTI Bank, Almondz	UTI Bank
Finalisation of Prospectus and RoC filings etc.;	UTI Bank, Almondz	UTI Bank
Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, invoking the Underwriting obligations and ensuring the underwriters pay the amount of devolvement etc.	UTI Bank, Almondz	Almondz
The post Issue activities of the Issue will involve essential follow up steps, which include finalisation of basis of allotment / weeding out the multiple applications, listing of instruments and dispatch of non-institutional allotment advice and related orders, with the various agencies connected with the work such as Registrar to the Issue, Bankers to the Issue and the bank handling refund business.	UTI Bank, Almondz	Almondz

Grading

We have not opted for the grading of the Issue.

Credit Rating

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

Trustees

As the Issue is of equity shares, the appointment of trustees is not required.

Book Building Process

Book Building Process, with reference to the Issue, refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

1. The Company;
2. The Book Running Lead Manager the Co-Book Running Lead Manager;
3. The Syndicate Members, who are intermediaries registered with SEBI or registered as a broker with BSE/NSE and eligible to act as underwriters. The Syndicate Members are appointed by the BRLM and the Co- BRLM; and
4. The Registrar to the Issue.

SEBI, through its guidelines, has permitted issue of securities to the public through 100% Book Building Process, wherein: (i) up to 50% of the Net Issue shall be allocated on a proportionate basis to QIBs, including up to 5% of the QIB Portion that shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for Allocation on a proportionate basis to all QIB Bidders, including Mutual Funds; (ii) atleast 15% of the Net Issue shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) atleast 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. Further, up to 2,06,920 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs shall be on a proportionate basis. For further details, please refer to the chapter titled "Terms of the Issue" beginning of page 149 of the Red Herring Prospectus.

Our Company shall comply with guidelines issued by SEBI for the Issue. In this regard, our Company has appointed UTI Bank Limited as the BRLM and Almondz Global Securities Limited as the Co- BRLM to manage the Issue and to procure subscription to the Issue.

The process of Book Building under the SEBI Guidelines is subject to change from time to time and Investors are advised to make their own judgement about investment through this process prior to making a Bid or Application in the Issue.

Steps to be taken by the Bidders for bidding:

- Check eligibility for making a Bid (see chapter titled "Issue Procedure" beginning on page 151 of the Red Herring Prospectus);
- Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- Ensure that the Bid-cum-Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form; and
- Ensure that the Bid-cum-Application Form is accompanied by the Permanent Account Number. For details please refer to the chapter titled "Issue Procedure" beginning on page 151 of the Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of the Permanent Account Number as the Bid is liable to be rejected.

Illustration of Book Building and Price Discovery Process

Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue.

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

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.0%
1,500	22	3,000	100.0%
2,000	21	5,000	166.67%
2,500	20	7,500	250%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off i.e., Rs. 22 in the above example. The Issuer, in consultation with the BRLM and the Co- 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 the Issue Price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Withdrawal of the Issue

Our Company, in consultation with the BRLM and the Co- BRLM, reserves the right not to proceed with the Issue at anytime after the Bid /Issue Opening Date but before Allotment, without assigning any reason therefore.

Bidding /Issue Period

Bid/Issue Opens On	**THURSDAY, JULY 26, 2007**
Bid/Issue Closes On	**TUESDAY, JULY 31, 2007**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period (being a working day of the Stock Exchange) as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding /Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM, the Co- BRLM and at terminals of the Syndicate.

Underwriting Agreement

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

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
UTI Bank Limited 111, Maker Towers 'F', Cuffe Parade, Colaba, Mumbai 400 005	[•]	[•]
Almondz Global Securities Limited 2nd Floor, 3, Scindia House, Janpath, New Delhi 110 001	[•]	[•]
Batlivala & Karani Securities India Private Limited 12/14, Brady House, 2nd Floor, Veer Nariman Road, Fort, Mumbai-400 001	[•]	[•]
TOTAL	**41,38,410**	**[•]**

The above-mentioned amount is indicative and this would be finalized after determination of Issue Price and actual allocation of the Equity Shares. The above Underwriting Agreement is dated [•].

In the opinion of the Board of Directors (based on certificates given to them by the BRLM, the Co-BRLM and the Syndicate Members), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been accepted by the Board of Directors and our Company has issued letters of acceptance to the Underwriters.

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

CAPITAL STRUCTURE

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

(Rs. in lacs, except share data)

Share Capital	Aggregate Value at nominal value	Aggregate Value at Issue Price
(A) Authorized Share Capital		
2,00,00,000 Equity Shares of Rs.10 each	2,000.00	
(B) Issued, Subscribed and Paid-Up Capital before the Issue		
1,10,77,590 Equity Shares of Rs.10 each	1,107.76	
(C) Present Issue in terms of the Red Herring Prospectus*		
41,38,410 Equity Shares of Rs.10 each	413.84	[•]
Out of which		
Employee Reservation Portion		
Upto 2,06,920 Equity Shares of Rs. 10 each	20.69	[•]
Net Issue to the Public		
39,31,490 Equity Shares of Rs. 10 each	393.15	[•]
(D) Paid up Equity Capital after the Issue		
1,52,16000 Equity Shares of Rs. 10 each	1521.60	
(E) Securities Premium Account		
Before the Issue	743.44 #	
After the Issue	-	[•]

The present Issue has been authorized by the Board of Directors in their meeting held on May 1, 2006, and by the shareholders of our Company at an EGM held on May 31, 2006.

#

1. In terms of Shareholders' Agreement dated July 4, 2007, EXIM Bank has subscribed to 7,60,800 Equity Shares at a subscription price of Rs.65 per Equity Share including a premium of Rs. 55 per Equity Share, aggregating Rs. 494.52 lacs. On July 6, 2007, in terms of the Shareholders' Agreement, we have allotted the above Equity Shares to EXIM Bank. In terms of the said Shareholders' Agreement, an amount of Rs.494.52 lacs has been paid by EXIM Bank to our Company. For details of the Shareholders' Agreement please refer to the section titled 'Our History and Corporate Structure' on page 56 of the Red Herring Prospectus.
2. As a part of the pre-IPO placement, the Company has allotted 5,00,000 Equity Shares to Mr. Nirmal Kotecha at a price of Rs. 75 per Equity Share including a premium of Rs. 65 per Equity Share, aggregating Rs. 375 lacs. For a brief profile of Mr. Nirmal Kotecha, kindly refer to point no. 1 of 'Notes to Capital Structure' on page 16 of the Red Herring Prospectus.

a. The initial authorized capital of Rs. 22,00,000 comprising of 2,20,000 Equity Shares of Rs. 10 each was increased to Rs. 1,50,50,000 comprising of 15,05,000 Equity Shares of Rs. 10 each pursuant to court order dated February 23, 2006 passed by the Hon'ble High Court of Punjab and Haryana granting its sanction to the Scheme of Amalgamation of Saluja Fabrics Limited (SFL) and Saluja Processors Private Limited (SPPL) (both referred as transferor companies) with our Company (transferee company) w.e.f April 1, 2004. As per the said order the un-issued portion of the authorised share capital of transferor companies of Rs. 1,28,50,000 comprising of 12,85,000 Equity Shares of Rs. 10 each would become the authorised share capital of the transferor company.

b. The authorized capital of Rs. 1,50,50,000 comprising of 15,05,000 Equity Shares of Rs. 10 each was increased to Rs. 10,00,00,000 comprising of 1,00,00,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders passed at an EGM held on March 30, 2006.

c. The authorized capital of Rs. 10,00,00,000 comprising of 1,00,00,000 Equity Shares of Rs. 10 each was increased to Rs. 20,00,00,000 comprising of 2,00,00,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders passed at an EGM held on November 4, 2006.

NOTES TO CAPITAL STRUCTURE

1. **Equity Share Capital History of our Company**

Date of Allotment & Date on which fully paid-up	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Details of allotment	Cumulative No. of Equity Shares	Cumulative Capital (Rs.)	Cumulative Share premium (Rs.)
May 8, 2000	700	10	10	Cash	Subscribers to the Memorandum	700	7000	NIL
January 25, 2001	1,90,870	10	10	Cash	Shares issued to Promoters	1,91,570	19,15,700	NIL
March 11, 2006	5,990	10	-	Other than Cash $	Issued pursuant to merger of SPPL and SFL with our Company vide order dated February 23, 2006 of the Hon'ble High Court of Punjab & Haryana, Chandigarh	1,97,560	19,75,600	NIL
March 16, 2006	1,40,950	10	100	Cash	Preferential allotment to Promoters	3,38,510	33,85,100	1,26,85,500
March 30, 2006	94,78,280	10	10	Bonus	Issue of Bonus shares in the ratio of 28:1 by capitalization of reserves and surplus @	98,16,790	9,81,67,900	NIL
July 6, 2007	7,60,800	10	65	Preferential Allotment	Pre-IPO placement to EXIM Bank^	1,05,77,590	10,57,75,900	4,18,44,000
July 10, 2007	5,00,000	10	75	Preferential Allotment	Pre-IPO placement to Mr. Nirmal Kotecha~	1,10,77,590	11,07,75,900	7,43,44,000

$ Equity Shares issued pursuant to merger of Saluja Processors Private Limited (SPPL) and Saluja Fabrics Limited (SFL), companies under Saluja Group with our Company w.e.f April 1, 2004 vide court order dated February 23, 2006 by the Hon'ble High Court of Punjab & Haryana.

@ Our Company has approved issue of Bonus shares in the EGM held on March 16, 2006 in the ratio of 28 Equity Shares for every 1(one) Equity Share held by the shareholders by capitalizing a sum of Rs. 947.83 lacs out of 'Reserves and Surplus' comprising of Amalgamation Reserve Account, Securities Premium Account, Profit & Loss Account & Other Reserves. Our Company has capitalized the entire amalgamation reserve, securities premium account & part of profit & loss account for issuing of Bonus shares. For further details please refer to section titled 'Financial Information' beginning on page 90 of the Red Herring Prospectus.

^ In terms of Shareholders' Agreement dated July 4, 2007, EXIM Bank has subscribed to 7,60,800 Equity Shares at a subscription price of Rs.65 per Equity Share including a premium of Rs. 55 per Equity Share, aggregating Rs. 494.52 lacs. On July 6, 2007, in terms of the Shareholders' Agreement, we have allotted the above Equity Shares to EXIM Bank. In terms of the said Shareholders' Agreement, an amount of Rs.494.52 lacs has been paid by EXIM Bank to our Company. For details of the Shareholders' Agreement please refer to the section titled 'Our History and Corporate Structure' on page 56 of the Red Herring Prospectus.

~ Mr. Nirmal Kotecha is an investment advisor and active participant in investment and financial fields. He is the founder of Kotecha Capital Services Private Limited, a private equity firm with a portfolio of USD 200 million. Mr. Kotecha has worked as an independent investor in the capital markets and over the years with a focus on fundamental research, he has gained an understanding of various businesses and their correlation with the financial markets. Mr. Kotecha holds a Diploma in Business Finance from Indian School of Business Management, Mumbai.

2. **Details of allotment / transfer to / by promoters, promoters holding and lock-in:**

Details of Capital Built-up of our Promoters

Name of the Promoter	Date of Allotment / Transfer	No of Equity Shares	Face Value & Issue Price (Rs.)	Issue Price / Transfer Price	Details of allotment / transfer
Mr. Ram Saran Saluja	May 8, 2000	100	10	10	Subscriber to memorandum
	January 25, 2001	90,000	10	10	Cash
	March 11, 2006	265	10	10	Allotment pursuant to merger of SPPL and SFL with our Company
	March 16, 2006	13,750	10	100	Cash
	March 30, 2006	29,15,220	10	10	Bonus
	Total	**30,19,335 Equity Shares of Rs. 10 each**			

Name of the Promoter	Date of Allotment / Transfer	No of Equity Shares	Face Value & Issue Price (Rs.)	Issue Price / Transfer Price	Details of allotment / transfer
Mr. Neeraj Saluja	May 8, 2000	100	10	10	Subscriber to memorandum
	January 25, 2001	1,00,870	10	10	Cash
	March 26, 2003	(1,00,000)	10	10	Transfer to Mrs. Ritu Saluja
	March 11, 2006	4,166	10	10	Allotment pursuant to merger of SPPL and SFL with our Company
	March 16, 2006	4	10	100	Transfer from Mr. Jay Kumar LD, a key managerial personnel
	March 30, 2006	1,43,920	10	10	Bonus
	Total	**1,49,060 Equity Shares of Rs. 10 each**			

Name of the Promoter	Date of Allotment / Transfer	No of Equity Shares	Face Value & Issue Price (Rs.)	Issue Price / Transfer Price	Details of allotment / transfer
Mr. Dhiraj Saluja	May 8, 2000	100	10	10	Subscriber to memorandum
	March 11, 2006	866	10	10	Allotment pursuant to merger of SPPL and SFL with our Company
	March 30, 2006	27,048	10	10	Bonus
	Total	**28,014 Equity Shares of Rs. 10 each**			

Name of the Promoter	Date of Allotment / Transfer	No of Equity Shares	Face Value & Issue Price (Rs.)	Issue Price / Transfer Price	Details of allotment / transfer
Mrs. Sneh Lata Saluja	May 8, 2000	100	10	10	Subscriber to memorandum
	March 11, 2006	385	10	10	Allotment pursuant to merger of SPPL and SFL with our Company
	March 16, 2006	48,000	10	100	Cash
	March 30, 2006	13,57,580	10	10	Bonus
	Total	**14,06,065 Equity Shares of Rs. 10 each**			

Name of the Promoter	Date of Allotment / Transfer	No of Equity Shares	Face Value & Issue Price (Rs.)	Issue Price / Transfer Price	Details of allotment / transfer
Mrs. Ritu Saluja	May 8, 2000	100	10	10	Subscriber to memorandum
	March 26, 2003	1,00,000	10	10	Transfer from Mr. Neeraj Saluja
	March 16, 2006	79,200	10	100	Cash
	March 30, 2006	50,20,400	10	10	Bonus
	Total	**51,99,700 Equity Shares of Rs. 10 each**			

Name of the Promoter	Date of Allotment / Transfer	No of Equity Shares	Face Value & Issue Price (Rs.)	Issue Price / Transfer Price	Details of allotment / transfer
Mrs. Reema Saluja	May 8, 2000	100	10	10	Subscriber to memorandum
	March 11, 2006	304	10	10	Allotment pursuant to merger of SPPL and SFL with our Company
	March 30, 2006	11,312	10	10	Bonus
	Total	**11,716 Equity Shares of Rs. 10 each**			

Pre Issue & Post Issue Shareholding of the Promoters

Name of the Promoter	Equity Shares Allotted	Equity Shares Transferred	Total Number of Equity Shares	Pre Issue Shareholding	Post Issue Shareholding
Mr. Ram Saran Saluja	30,19,335	NIL	30,19,335	27.26%	19.84%
Mr. Neeraj Saluja	2,49,056	(1,00,000) ^ 4 $	1,49,060	1.35%	0.98%
Mr. Dhiraj Saluja	28,014	NIL	28,014	0.25%	0.18%
Mrs. Sneh Lata Saluja	14,06,065	NIL	14,06,065	12.69%	9.24%
Mrs. Ritu Saluja	50,99,700	1,00,000 ^	51,99,700	46.93%	34.17%
Mrs. Reema Saluja	11,716	NIL	11,716	0.11%	0.08%
		Total	**98,13,890**	**88.59%**	**64.49%**

Notes:

^ On March 26, 2003, 1,00,000 Equity Shares of Rs. 10 each were transferred by Mr. Neeraj Saluja to Mrs. Ritu Saluja at par.

$ On March 16, 2006, 4 Equity Shares of Rs. 10 each were transferred by Mr. Jay Kumar LD, a key managerial personnel to Mr. Neeraj Saluja at a premium of Rs. 90 per share

Lock in of Minimum Promoters Contribution

All Equity Shares, which are being locked in, are eligible for computation of Promoters' contribution and lock in under clause 4.6 of the SEBI Guidelines.

(a) Details of Promoters Contribution locked in for three years:

<table>
<tr><th>Name of Promoter</th><th>Date of Allotment</th><th>Number of Equity Shares*</th><th>Nature of Allotment</th><th>Face Value (Rs.)</th><th>Issue Price (Rs)</th><th>% of Post-Issue Paid-up capital</th><th>Lock-in Period</th></tr>
<tr><td>Mr. Ram Saran Saluja</td><td>March 30, 2006</td><td>25,30,220</td><td>Bonus**</td><td>10</td><td>10</td><td>19.16%</td><td>3 years</td></tr>
<tr><td colspan="2">Total</td><td colspan="6">25,30,220Equity Shares of Rs. 10 each</td></tr>
<tr><td>Mr. Neeraj Saluja</td><td>March 30, 2006</td><td>1,43,920</td><td>Bonus**</td><td>10</td><td>10</td><td>0.95%</td><td>3 years</td></tr>
<tr><td colspan="2">Total</td><td colspan="6">1,43,920 Equity Shares of Rs. 10 each</td></tr>
<tr><td>Mr. Dhiraj Saluja</td><td>March 30, 2006</td><td>27,048</td><td>Bonus**</td><td>10</td><td>10</td><td>0.18%</td><td>3 years</td></tr>
<tr><td colspan="2">Total</td><td colspan="6">27,048 Equity Shares of Rs. 10 each</td></tr>
<tr><td>Mrs. Sneh Lata Saluja</td><td>March 30, 2006</td><td>13,580</td><td>Bonus**</td><td>10</td><td>10</td><td>0.09%</td><td>3 years</td></tr>
<tr><td colspan="2">Total</td><td colspan="6">13,580 Equity Shares of Rs 10 each</td></tr>
<tr><td>Mrs. Ritu Saluja</td><td>March 30, 2006</td><td>4,25,920</td><td>Bonus**</td><td>10</td><td>10</td><td>2.80%</td><td>3 years</td></tr>
<tr><td colspan="2">Total</td><td colspan="6">4,25,920 Equity Shares of Rs 10 each</td></tr>
<tr><td>Mrs. Reema Saluja</td><td>March 30, 2006</td><td>11,312</td><td>Bonus**</td><td>10</td><td>10</td><td>0.07%</td><td>3 years</td></tr>
<tr><td colspan="2">Total</td><td colspan="6">11,312 Equity Shares of Rs. 10 each</td></tr>
<tr><td colspan="6">Total 31,52,000 Equity Shares of Rs. 10 each</td><td>20.45%</td><td>3 years</td></tr>
</table>

** Commencing from the date of the Allotment of the Equity shares in the Issue.*

***The Bonus Issue of Equity Shares considered for lock-in above were issued out of capitalization of free reserves and after excluding the bonus issued on preferential allotment to 3(three) promoters on March 16, 2006*

(b) Details of pre-Issue Equity Share capital locked in for one year:

In addition to the lock-in of the Promoters' contribution specified above, the entire pre-Issue Equity Share capital comprising of 79,25,590 Equity Shares of the Company shall be locked in for a period of one year from the date of allotment of Equity Shares in this Issue.

In terms of Clause 4.15.1 the locked in Equity Shares held by the Promoters, as specified above, can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the equity shares is one of the terms of the sanction of the loan.

However, in terms of proviso to Clause 4.15.1, the securities locked in, as minimum promoters contribution under clause 4.11.1 may be pledged, only if, in addition to fulfilling the requirements of this clause, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the issue.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoters may be transferred to and amongst the Promoter Group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

3. The list of shareholders of our Company and the number of Equity Shares held by them is as follows:

(a) Our top ten shareholders and the number of Equity Shares of Rs.10 each held by them as of the date of filing the Red Herring Prospectus with RoC is as follows:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding
1.	Mrs. Ritu Saluja	51,99,700	46.94%
2.	Mr. Ram Saran Saluja	30,19,335	27.26%
3.	Mrs. Sneh Lata Saluja	14,06,065	12.69%
4.	EXIM Bank^	7,60,800	6.87%
5.	Mr. Nirmal Kotecha~	5,00,000	4.51%
6.	Mr. Neeraj Saluja	1,49,060	1.35%
7.	Mr. Dhiraj Saluja	28,014	0.25%
8.	Mrs. Reema Saluja	11,716	0.11%
9.	Mr. Surinder Paul Wadhwa	2,900	0.03%
	Total	**1,10,77,590**	**100.00%**

^ Shares issued vide Shareholders' Agreement.
~ Allotment pursuant to the pre-IPO placement.

(b) Our top ten shareholders and the number of Equity Shares of Rs.10 each held by them as of ten days prior to filing with RoC, is as follows:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding
1.	Mr. Ram Saran Saluja	30,19,335	28.54%
2.	Mr. Neeraj Saluja	1,49,060	1.41%
3.	Mr. Dhiraj Saluja	28,014	0.26%
4.	EXIM Bank^	7,60,800	7.19 %
5.	Mrs. Sneh Lata Saluja	14,06,065	13.29%
6.	Mrs. Ritu Saluja	51,99,700	49.16%
7.	Mrs. Reema Saluja	11,716	0.11%
8.	Mr. Surinder Paul Wadhwa	2,900	0.03%
	Total	**1,05,77,590**	**100.00%**

^ Shares issued vide Shareholders' Agreement.

(c) Our top ten shareholders and the number of equity shares held by them two years prior to date of filing of the Red Herring Prospectus with RoC is as follows:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding*
1.	Mr. Ram Saran Saluja	90,100	47.05%
2.	Mr. Neeraj Saluja	970	0.50%
3.	Mr. Dhiraj Saluja	100	0.05%
4.	Mrs. Sneh Lata Saluja	100	0.05%
5.	Mrs. Ritu Saluja	1,00,100	52.25%
6.	Mrs. Reema Saluja	100	0.05%
7.	Mr. Surinder Paul Wadhwa	100	0.05%
	Total	**1,91,570**	**100.00%**

* Issued Capital here represents 1,91,570 Equity Shares.

4. Shareholding Pattern of our Company before and after the Issue is as follows:

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

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue	
	No. of Shares	% age of holding	No. of Shares	% age of holding
Promoters				
Mr. Ram Saran Saluja	30,19,335	27.26	30,19,335	19.84
Mr. Neeraj Saluja	1,49,060	1.35	1,49,060	0.98
Mr. Dhiraj Saluja	28,014	0.25	28,014	0.18
Mrs. Sneh Lata Saluja	14,06,065	12.69	14,06,065	9.24
Mrs. Ritu Saluja	51,99,700	46.94	51,99,700	34.17
Mrs. Reema Saluja	11,716	0.11	11,716	0.08
Sub Total (A)	**98,13,890**	**88.59**	**98,13,890**	**64.48**
Promoter Group				
Relatives and other individuals	NIL	NIL	NIL	NIL
Sub Total (B)	**NIL**	**NIL**	**NIL**	**NIL**
Others (C)	**12,60,800^**	**11.38**	**[•]**	**[•]**
Public (D)	**NIL**	**NIL**	**[•]**	**[•]**
Employees (E)	**2,900 η**	**0.03**	**[•]**	**[•]**
Total Share Capital (A+B+C+D+E)	**1,10,77,590**	**100.00**	**1,52,16,000**	**100.00**

* Shares held by Mr. Surinder Paul Wadhwa.

^ Includes share allotted to EXIM Bank vide Shareholders' Agreement and to Mr. Nirmal Kotecha as a part of pre-IPO placement.

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

Sr. No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding (%)	Post-Issue Percentage Shareholding (%)
1.	Mr. Ram Saran Saluja	30,19,335	27.26	19.84
2.	Mr. Neeraj Saluja	1,49,060	1.35	0.98
3.	Mr. Dhiraj Saluja	28,014	0.25	0.18
4.	Mr. Surinder Paul Wadhwa	2,900	0.03	0.02

6. Our Company, our Directors, the BRLM and the Co-BRLM have not entered into any buy-back and/or standby arrangements for the purchase of equity shares of our company from any person, other than as disclosed in the Red Herring Prospectus.

7. Our Promoters have not been issued Equity Shares for consideration other than cash other than set out in "Capital Structure- Notes to Capital Structure- Equity Share Capital History of our Company".

8. Our Promoters, Directors and our Promoter Group have not purchased or sold any equity shares within the last six months preceding the date of filing of the Red Herring Prospectus with RoC other than as disclosed below:

Transferor	Transferee	No. of Equity Shares	Price per Equity Share (Rs)	Date of Transfer
Mr. Jay Kumar LD	Mr. Neeraj Saluja	4	100	March 16, 2006

9. Upto 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue price. Atleast 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and atleast 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. Further upto 2,06,920 shares shall be available for allocation on a proportionate basis to eligible employees subject to valid bids being received at or above the issue price. Under-subscription, if any, in any portion of the Issue would be met with spill over from any other category or combination of categories at the discretion of the Company in consultation with the BRLM, the Co-BRLM and the Designated Stock Exchange.

10. Upto 2,06,920 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 defined, who are Indian nationals based in India and are physically present in India on the date of submission of the Bid-cum-application form would be eligible to apply in this issue under the Employee Reservation portion. Employees, other than as defined, are not eligible to participate in the Employee Reservation portion. If the aggregate demand in the Employee Reservation portion is greater than 2,06,920 Equity Shares at or above the Issue price, allocation shall be made on a proportionate basis. Eligible Employees may bid in the net issue to the public 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 Issue.

11. There are no outstanding warrants, options or rights to convert debentures, preference shares, loans or other instruments into our Equity Shares.

12. A bidder cannot make a bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of bidder.

13. We have not raised any bridge loan against the proceeds of the Issue.

14. An over subscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of 75 while finalizing the Basis of Allotment.

15. Our Promoters and members of our Promoter Group will not participate in this Issue.

16. 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 to SEBI until the equity shares issued/ to be issued pursuant to the Issue have been listed.

17. We presently do not intend or propose to alter our Capital Structure for a period of six months from the date of filing of the Red Herring Prospectus, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise except that if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

18. The Equity Shares held by the promoters are not subject to any pledge.

19. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for bonus shares out of free reserves.

20. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

21. As of the date of filing of the Red Herring Prospectus, the total number of holders of Equity Shares is nine (9).

OBJECTS OF THE ISSUE

We are a part of the R. S. Saluja Group and are manufacturers and exporters of various types of knitted garments, knitted & dyed fabrics and cotton yarn. The group was promoted by our Chairman Mr. R.S.Saluja in 1969. We started with a modest beginning of small capacities for manufacture of hosiery products and knitted fabrics catering to domestic market. We are now an integrated textile player with presence in all the value added segments, from manufacture of yarn to manufacture of knitted garments. We have in house facilities for garmenting, knitting and fabric dyeing and spinning to meet the demand of highly price and quality conscious export market. Our manufacturing facilities are based in Ludhiana in Punjab and Baddi in Himachal Pradesh. Currently, we are operating with a capacity to manufacture 4 million garments per annum. Our capacities in yarn and fabric knitting are at 49,056 spindles and 4,050 tons of knitted fabrics per annum respectively.

We are now expanding our capacities in garment manufacturing, knitting and spinning at a total cost of Rs. 18,457 lacs. Post implementation of the Expansion Project we will have spinning capacities of 74,256 spindles, 5.5 million pieces per annum of garments and 7,050 tons of knitted fabrics per annum. The financial appraisal of the Expansion Project has been done by SBI Project Uptech.

The proceeds from the Issue after deducting the Issue expenses are estimated at Rs [•] lacs and are intended to be deployed to part fund the Expansion Project including meeting the working capital requirements of the Expansion Project. The other object of the Issue is to get the Equity Shares listed on the Stock Exchanges, as we believe that listing will enhance our visibility, brand image and corporate profile.

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

Requirement of Funds

We estimate the total requirement of funds as under:

(Rs. in lacs)

Particulars	Amount
Cost of the Expansion Project	18,457
Issue Expenses	[•]
Total Funds Requirement	**[•]**

Cost of the Expansion Project

The total requirement of funds for the Expansion Project has been estimated at Rs.18,457 lacs. The following table gives segment wise break up of the Project Cost.

(Rs. in lacs)

Particulars	Spinning			Knitting	Garmenting	Total
	Phase III*	Phase IV	Total			
Cost of the Project	7,323	9,975	17,298	712	447	18,457
Means of Finance						
Rupee Term Loans	5,404	4,975	10,379#	-	-	10,379
IPO proceeds and Internal Accruals	1,919	5,000	6,919	712	447	8,078
Total	**7,323**	**9,975**	**17,298**	**712**	**447**	**18,457**

** Phase III has been implemented with commercial production already commenced from March, 2007.*

 # Of the term loan requirements of Rs.10,379 lacs, we have received sanctions and disbursal from various banks to the tune of Rs.17,300 lacs and Rs.5,497.10 lacs respectively. For further details please refer to section titled 'Objects of the Issue-Approval/Sanction of Debt Component of the Project Cost' beginning from page no. 30 of the Red Herring Prospectus.

Means of Finance

The total estimated requirement of funds of Rs. 18,457 lacs for the Expansion Project is proposed to be financed by a mix of debt funding, internal accruals and proceeds of the Issue. Excess money, if any, will be utilized for general corporate purpose including but not restricted to repayment of loans, procuring equipments related to our project or towards working capital requirement.

(Rs. in lacs)

Particulars	Amount	% of Total Cost
Long Term Debt	10,379	56.23%
IPO Proceeds	[•]	[•]
Internal Accruals	[•]	[•]
Total Funds Requirement	**18,457**	**100.0%**

The Expansion Project

Under the Expansion Project, we are expanding our capacities of spinning, knitting and garment manufacturing with a total cost of approximately Rs. 18,457 lacs. Post implementation of the Expansion Project we will have spinning capacities with approximately 74,256 spindles, 5.5 million pieces per annum of garments and 7,050 tons of knitted fabrics per annum. The financial appraisal of the Expansion Project has been done by SBI Project Uptech.

Location & Capacities of the Expansion Project

The Expansion Project is coming at the sites of our existing manufacturing facilities as per the following details:

Plant	Location	Spindles/Machines	Capacities per annum
Spinning - Phase III*	Ludhiana, Punjab	19,200 Spindles	4,572 tons per annum
Spinning - Phase IV	Ludhiana, Punjab	25,200 Spindles	6,552 tons per annum
Knitting	Ludhiana, Punjab	40 Circular knitting machines	3,000 tons per annum
Garmenting	Baddi, Himachal Pradesh	379 Machines	1.5 million pieces per annum

** Phase III has been implemented with commercial production already commenced from March, 2007.*

Capacities post Expansion Project

Our capacities post implementation of the Expansion Project has been shown in the table below. The capacities have undergone consolidation pursuant to the consolidation of all the textile business of the R. S. Saluja Group.

Activity	Existing Capacity[$]	Capacity Expansion under IPO Project	Other Capacity Expansion [R]	Capacities Post Expansion
Spinning@				
No. of Spindles	49,056 Spindles[@]	25,200 Spindles	75,600 Spindles	1,49,856 Spindles
Manufacturing	11,088 tons per annum**	6,552 tons per annum	20,195 tons per annum	37,835 tons per annum
Knitting	4,050 tons per annum	3,000 tons per annum	NIL	7,050 tons per annum
Processing/Dyeing	3,000 tons per annum	Nil	3,500 tons per annum	6,500 tons per annum
Garment Manufacturing[#]	6.0 million pieces per annum	1.5 millions per annum	NIL	7.5 millions per annum

[$]Capacities per annum on the assumption of 300 working days in a year except in case of cotton yarn where it is on the basis of 360 working days. The capacities may vary depending on quality of the final product desired.

***Average Count ranging between 24 to 30s*

[@] Spinning unit acquired from Saluja Cotex Private Limited w.e.f. May 31, 2006 through slump sale of its textile division having machine capacity of 14,400 spindles.

 # Including 2 million capacity of M/s S. E. Exports, and 1.5 million from acquisition of garmenting unit during FY 2007.

[R] Expansion (including setting up of 10MW capacity of captive power plant) contemplated in two phases namely Phase V and VI to be funded through secured debts of up to Rs.27,350 lacs, under the TUFS Scheme and internal accruals of up to Rs. 13,650 lacs.

Financial Appraisal of the Expansion Project

The Financial Appraisal of the Expansion Project has been done by SBI Project Uptech.

The scope of services for financial appraisal was as under:

1. Firming up of financials projections for the Expansion Project through review of the expected revenue streams, cost components, market conditions etc. of the project;
2. Identifying and evaluating various options for raising term debt. Evaluation criteria would include the cost of funds, the expected time-frame for sourcing of funds, security requirements, ability of the source of funds to blend with other elements of the financing plan and flexibility of the plan;
3. Preparation and submission of an Information Memorandum to prospective lenders. This will outline the salient technical and commercial features of the Company, evaluate the financing plan in terms of the risk profile of the Company, objectives and present detailed financial statements for varying operational and financial parameters;
4. Assisting in firming up of capital expenditure / cost of the project and means of financing;
5. Assisting in firming up of future financials projections through review of critical assumptions viz. traffic projections, revenue streams, cost components etc; and
6. Assisting in undertaking a review of profitability projections, financial indicators viz. IRR, Cost of Capital, DSCR etc. for the purpose of approaching lenders for financing of the Expansion Project.

Break up of the Project Cost

The Project Cost has been estimated at Rs. 18,457 lacs. The capital costs are estimated by the Company and have been worked out in assistance with SBI Project Uptech and on the basis of projects of similar nature completed in recent past. The project cost includes Capital Expenditure consisting of Building and Site Development, acquisition cost of Plant and Machinery etc. The other components of the project cost include preliminary & pre-operative expenses, financing costs, issue management expenditure, interest cost during construction, margin money for working capital and contingency provisions.

A summary of the cost components is presented below:

(Rs. in lacs)

Break up of the Project Cost	**Division**			**Total Project**
	Spinning	**Knitting**	**Garmenting**	
Land and Site Development	187	-	-	187
Building	2,160	168	115	2,443
Plant & Machinery	8,804	513	298	9,615
Miscellaneous Fixed Assets	1,915	4	17	1,936
Preliminary & Pre-operative Expenses	586	0	0	586
Provision for contingencies	193	27	17	237
Margin Money for working capital	3,453	-	-	3,453
Total	**17,298**	**712**	**447**	**18,457**

Spinning Unit

We have already implemented a spinning project in 'Phase I' consisting 15,456 spindles. Further, we have also acquired the spinning unit of Saluja Cotex Private Limited, a group company having a capacity of 14,400 spindles (Phase II). Under the Expansion Project we are expanding our spinning capacities in two phases, 'Phase III' and 'Phase IV' as detailed below:

(Rs. in lacs)

No. of Spindles	**19,200**	**25,200**	**Total**
Cost of the Project	**Phase-III**	**Phase-IV**	
Land and Site Development	82	105	187
Building	1,057	1,103	2,160
Plant & Machinery	3,511	5,293	8,804
Miscellaneous Fixed Assets	845	1,070	1,915
Preliminary & Pre-operative Expenditure	247	339	586
Provision for Contingencies	81	112	193
Margin Money for Working Capital	1,500	1,953	3,453
Total Project Cost	**7,323**	**9,975**	**17,298**

Land & Site Development

The spinning capacities are being added at the existing plant location in Ludhiana. Site development cost for the Project has been estimated at Rs. 187 lacs according to the estimates given by the contractors.

Building

We propose to construct a total built-up area of 4,35,236 sq. ft. at an average estimated rate of Rs. 496.28 per sq. ft., (the prevailing rate as per available estimates) amounting to Rs 2,160 lacs. The details regarding building area and cost are estimated as below:

Particulars	**Area** (In sq.ft.)	**Rate** (Rs. per sq.ft)	**Amount** (Rs. in lacs)
Factory Building	2,29,680	575	1,321
Auxiliary Building	30,000	425	128
Godown	96,376	350	338
Humidification Plant	33,280	425	141
Utilities	13,600	661	90
Residential Colony	32,300	375	121
Architect Fees	N.A.	N.A.	21
Total	**4,35,236**		**2,160**

Plant & Machinery

The total landed cost of the plant & machinery (including transportation & erection charges) has been estimated at Rs. 8,804 lacs. The cost has been worked out on the basis of various quotations and Proforma invoices received from the machinery suppliers.

Indigenous Machinery

Particulars	Quantity	Amount (Rs. in lacs)	Quotation Provider	Date of Quotations
Blow Room Machinery for processing	2	364	Lakshmi Machine Works	May 8, 2006
Lakshmi Carding Machines Model LC300A with Can Changer and Fine Feed LA7/5 – Cotton	42	904	Lakshmi Machine Works	May 8, 2006
Lakshmi Draw-Frames Model LRSB-851 with Automatic Levelling System	15	335	Lakshmi Machine Works	May 8, 2006
Lakshmi Draw-Frames Model LDO/6 with Auto Can Changer	9	89	Lakshmi Machine Works	May 8, 2006
Lakshmi Lap Former LH10 with Lap Spools & Lap Trolley	7	265	Lakshmi Machine Works	May 8, 2006
Lakshmi High Speed Comber LK54 with Auto Can Changer & T.S. Display System	32	1,065	Lakshmi Machine Works	May 8, 2006
Lakshmi Speed Frames LFS-1660 each with 120 Spindles	13	418	Lakshmi Machine Works	May 8, 2006
Lakshmi Ring Frames 1200 Spindles	37	1,766	Lakshmi Machine Works	May 8, 2006
Lakshmi Rocos Compact Spinning System	6	230	Lakshmi Machine Works	May 8, 2006
Overhead Cleaners with Railings				
Ring Frame	37	57	Elgi Equipment’s	May 17, 2006
Speed Frame	13	16	Elgi Equipment’s	May 17, 2006
PPW – Travelling Cleaner & Railings	3	4	Elgi Equipment’s	May 17, 2006
PPW	6	186	Peass Industrial Engineers	May 15, 2006
Total	**238**	**5,699**		

Imported Plant and Machinery

Particulars	Quantity	Amount (Rs. in lacs)	Quotation Provider	Date of Quotations
Automatic Package Winders Autoconer 338 Type RM with 60 winding heads	16	2,153	Schlafhorst, Germany	July 26, 2005
Two For One	20	786	Volkman, Germany	July 6, 2005
Loptex Detection and rejection system of foreign fiber	2	166	Loptex, Italy	May 15, 2006
Total	**38**	**3,105**		

Miscellaneous Fixed Assets and Utilities

The total cost of miscellaneous fixed assets is estimated at Rs. 1,915 lacs. Miscellaneous fixed assets include•two KVA DG Set, humidification plant,•spinning accessories including cans, bobins doffing baskets, containers, cones, carding accessories, trolleys, yarn conditioning machine, lab equipments, water supply equipments including pumps & motors etc.

Particulars	Quantity	Amount (Rs. in lacs)	Quotation Provider	Date of Quotations
1010 KVA DG Set of Cummins Engine Model KTA-38-G5	2	119	Sudhir Gensets Ltd.	April 7, 2005
1500 KVA DG Set of Cummins Engine Model KTA50G8-I	3	288	Sudhir Gensets Ltd.	May 26, 2006
Humidification Plant:				
Air Washer Plant	2	130	Texair Systems	May 18, 2006
Air Duct, SA Duct Insulation & False Ceiling Insulation	2	148	Texair Systems	May 18, 2006
Electrical Control Panels for Humidification Plant	1	10	Texair Systems	May 18, 2006
Automatic Control Systems for Dampers & Actuators	1	18	Texair Systems	May 18, 2006
Cables for Power & Control	1	5	Texair Systems	May 18, 2006
Yarn Conditioning Machine	2	57	Sieger Spintech Eqp.	May 31, 2006
Lab Equipments:				
High Volume Fibre Tester (Semi Auto)	2	55	Premier Polytronics	March 3, 2005
Nep & Short Fibre Tester - aQuraNL	2	67	Premier Polytronics	March 3, 2005
Yarn Evenness Tester - iQ QualiCentre	2	107	Premier Polytronics	March 3, 2005
Single Yarn Strength Tester - Tensomax 7000	2	43	Premier Polytronics	March 3, 2005
Yarn Fault Classification System - Class *i*	2	28	Premier Polytronics	March 3, 2005
Contamination Detector at Blow Room - Xen *i*	2	64	Premier Polytronics	March 3, 2005
Metal Detector	4	34	Veetal Textiles	May 24, 2006
Waste Collection System				
For Blow Room, Combers & Cards	3	69	VXL Systems	May 15, 2006
Waste Collection System				
For Blow Room & Cards	2	58	VXL Systems	May 15, 2006
For Combers	1	19	VXL Systems	May 15, 2006
Spinning Accessories*		188	N.A	N.A
Cooling Towers*	2	10	N.A	N.A
Cables*		84	N.A	N.A
Fire Fighting Equipments*		53	N.A	N.A
Plant Lightning*		31	N.A	N.A
Furniture*		31	N.A	N.A
Air Compressors*	3	55	N.A	N.A
Water Supply Equipment*		34	N.A	N.A
Weighbridge Equipment*	2	15	N.A	N.A
Vehicles*	6	42	N.A	N.A
Work Shop Equipments*		53	N.A	N.A
Total	**49**	**1,915**		

* based on estimates of management

Pre-operative and Preliminary Expenses

Pre-operative and Preliminary expenses mainly consist of travelling expenses, salary, insurance expenses during construction, consultancy fees, upfront fees and issue management expenses etc. The total amount of Pre Operative and Preliminary expenses is estimated at Rs. 586 lacs.

Contingencies

The total amount of contingency is estimated at Rs. 193 lacs, which is provided @ 1.49% on cost of building, plant and machinery and miscellaneous fixed assets. This would help the company to keep a cushion for any unforeseen circumstances that might lead to an increase in the project cost estimates.

Margin Money for Working Capital

Working capital margin of Rs. 3,453 lacs has been provided. The working capital requirement has been worked out on the basis of holding requirement of days as shown in table below. The computation of working capital margin for the current FY 2007-08 has been worked out as under:

(Rs. in lacs)

Particulars	No. of Months Requirements	Margin Req. (%)		2007-08
Raw Materials	9	25		7,045
Consumable Stores	1	25		104
Wages & Salaries	1	100		40
Cost of Manufacturing Expenditure	1	100		210
Stock of Finished Goods	0.5	25		1,068
Stock of Goods in Process	0.25	25		533
Bills Receivables	1	40		2,540
Less: Creditors	0.75	100		1,258
Total				**10,282**
Bank Finance	N.A.	N.A.		6,829
Margin	N.A.	N.A.		3,453
Bank Finance %	N.A.	N.A.		66.42%
Margin %	N.A.	N.A.		33.58%

Knitting Unit

Our capacities in fabric knitting are at 4,050 tons of knitted fabrics per annum. Now, we are expanding our capacities of knitting with a total cost of Rs. 717 lacs. Post implementation of the Expansion Project we will have capacities of making 7,050 tons of knitted fabrics per annum. The details regarding project cost of Knitting Unit is given below:

(Rs. in lacs)

Particulars	Amount
Building	168
Plant & Machinery	513
Miscellaneous Fixed Assets	4
Provision for Contingencies	27
Total Project Cost	**712**

Land & Building

The company has decided to set up its fabric plant at its existing land in Ludhiana. Therefore, no provision for cost of land has been made. However, the company proposes to construct a building consisting of knitting and checking hall at an estimated total cost of Rs. 168 lacs.

Plant & Machinery

The total landed cost of the plant & machinery (including transportation & erection charges) is estimated at Rs. 513 lacs. The cost has been worked out on the basis of various quotations and proforma invoices received from the machinery suppliers.

Particulars	Quantity	Amount (Rs. in lacs)	Quotation Provider	Date of Quotations
Circular Knitting Machine	20	250	Masa Precision, Taiwan	June 12, 2006
Circular Knitting Machine	20	263	Masa Precision, Taiwan	June 12, 2006
Total	**40**	**513**		

Miscellaneous Fixed Assets and Utilities

The total cost of utilities (including cables & other electrical accessories) is estimated at Rs. 4 lacs.

Contingencies

The total amount of contingency is estimated at Rs. 27 lacs, which is provided @ 3.9% on cost of building, miscellaneous fixed assets and plant & machinery.

Garment Unit

Currently, we are operating with a capacity to manufacture 4 million garments per annum. Now, we are expanding our capacities of garment manufacturing with a total cost of Rs. 447 lacs. Post implementation of the Expansion Project we will have capacities of manufacturing 5.5 million garments per annum. The details regarding project cost of Knitting Unit is given below:

(Rs. in lacs)

Particulars	Amount
Building	115
Plant & Machinery	298
Miscellaneous Fixed Assets	17
Provision for Contingencies	17
Total Project Cost	**447**

The item wise details of costs are provided below:

Land & Building

The Company has decided to set up its garment plant at its existing land in Baddi, Himachal Pradesh. Therefore, no provision for cost of land has been made. However, the Company proposes to construct a building consisting of cutting & stitching hall, pressing, checking & packing hall estimated at a total cost of Rs. 115 lacs.

Plant & Machinery

The total landed cost of the plant & machinery (including transportation & erection charges) is estimated at Rs. 298 lacs. The cost has been worked out on the basis of various quotations and proforma invoices received from the machinery suppliers.

Particulars	Quantity	Amount (Rs. in lacs)	Quotation Provider	Date of Quotations
Single Needle Lockstitch Machine with underbed Trimmer complete with standard assets	200	94	Juki, Singapore	June 7, 2006
Single Needle Lockstitch Machine with underbed Trimmer complete with standard assets Model CP160	50	26	Juki, Singapore	June 7, 2006
Single Needle Lockstitch Machine with Edge Trimmer complete with Standard Accessories	30	18	Juki, Singapore	June 7, 2006
Power Operated Overlock with Chain Cutter & Lint Collecter Complete with Standard Accessories	40	26	Juki, Singapore	June 7, 2006
Three Needle Chain Stitch Machine Complete with Standard Accessories	25	40	Juki, Singapore	June 7, 2006
Three Needle Cylinder Bed Chain Stitch Machine Complete with Standard Accessories	10	22	Juki, Singapore	June 7, 2006
Computerised Bar Tacking Mahine Complete with Standard Accessories	5	9	Juki, Singapore	June 7, 2006
Computerised Button Stitch Machine Complete with Standard Accessories	7	18	Juki, Singapore	June 7, 2006
Computerised Button whole stitching machine complete with Standard Accessories	7	27	Juki, Singapore	June 7, 2006
Four Needle Flat Seamer Chain Stitch Machine Complete With Standard Accessories	5	18	Juki, Singapore	June 7, 2006
Total	**379**	**298**		

Miscellaneous Fixed Assets and Utilities

The total cost of miscellaneous fixed assets & utilities (include furniture, cutters & steam irons, cables & other electrical accessories) is estimated at Rs. 17 lacs.

Contingencies

The total amount of contingency is estimated at Rs. 17 lacs, which is provided @ 3.9% on cost of building, plant and machinery and miscellaneous fixed assets.

Issue Related Expenses

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

(Rs. in lacs)

Particulars	Expenses*	As a % of the Issue size*
Management fees, underwriting commission and brokerage	[•]	[•]
Marketing and advertisement expenses	[•]	[•]
Stationary, printing and registrar expenses	[•]	[•]
Legal fees, listing fees, SEBI filing fees book building charges, auditors fees	[•]	[•]
Miscellaneous	[•]	[•]
Total	[•]	[•]

** To be filled in while filing of Prospectus with RoC*

Raw Material for the Expansion Project

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

Segment	Raw Material	Raw Material Requirement	Source	Final Product
Spinning	Cotton	23,763 tons	'J-34' Cotton from Punjab, Haryana and Rajasthan	Yarn
Knitting	Yarn	5,280 tons	From Spinning Unit and local market	Grey Fabric
Garments	Knitted Fabric	1,900 tons	From Knitting Unit (both gray and dyed) and local market	Garments

(Source: Estimates of Company Management)

Procurement of cotton is amongst the most important elements in the spinning. Our main requirement of cotton would be J-34, which is grown in Punjab, Haryana & Rajasthan and is available in abundance. We source cotton from Cotton Corporation of India and also from the local unorganized market through dealers & commission agents. We have a quality testing team equipped with latest testing equipments, which maintains stringent quality standards for the cotton sourced.

Utilities Requirements for the Expansion Project

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

Division	Power (In Units per day)	Water (In cubic meters per day)	Manpower (In numbers)
Spinning – Ludhiana	1,75,545	34	763
Knitting – Ludhiana	3,812	N.A	59
Garmenting - Baddi	3,667	N.A	419

(Source: Source: Estimates of Company Management)

Power

For spinning and knitting activities proposed to be carried out from Ludhiana we expect our power requirement to be at 1,79,357 units per day. We will be making application to Punjab State Electricity Board for supply of power. We also have diesel based generator sets for providing back up power.

For our proposed expansion of garmenting activities at Baddi, we will be making an application to Himachal Pradesh State Electricity Board for our requirement of 3,667 units per day.

Water

For spinning activities proposed to be carried out from Ludhiana we expect our water requirement to be at 34 cubic meters per day.

Manpower

The spinning and knitting units are proposed to be set up at Ludhiana and garmenting unit at Himachal Pradesh where skilled labors and other staff are easily available. The total staff and labour requirement for the Expansion Project has been estimated at 1,241.

Effluent Treatment

We already have an effluent treatment plant at the Ludhiana plant to take care of the effluents generated by our fabric processing and dyeing operations. This plant will also be sufficient for its future operations.

Government Approvals/Licensing Arrangements for the Expansion Project

We need to obtain several licenses/approvals/permissions under various statutes from several authorities prior to setting of the Expansion Project. For further details on licenses/approvals/permissions obtained/applied for kindly refer to the section titled 'Government Approvals/Licensing Arrangements' on page 140 of the Red Herring Prospectus.

Approval/Sanction of Debt Component of the Project Cost

The rupee term loan component of the Project Cost of the Expansion Project has already been tied up and as against the debt component of Rs. 10,379 lacs, we have received final sanction letters from seven banks totaling to Rs. 17,300 lacs details of which are as under:

(Rs. in lacs)

Sr. No.	Name of Bank/Financial Institution	Sanction letter no. and dated	Amount sanctioned	Amount disbursed till date	Important Conditions of Sanction
1.	State Bank of Bikaner and Jaipur	Letter No. NIL dated April 4, 2006	2,400.00	2,400.00	**Tenure:** 10 years **Interest:** 9.25% p.a. payable monthly **Interest Reset:** 1.50% with change in BPLR **Repayment:** 32 quarterly installments starting from September 30, 2007 of Rs 125 lacs each and last installment being due in June 2016. **Primary Security:** First pari passu charge on the fixed assets of the Company **Secondary Security:** Personal guarantee of the directors and promoters.
2.	State Bank of Patiala	Letter No. C&I/PDS/ dated May 13, 2006	800.00	800.00	**Tenure:** 10 years **Interest:** 9.25% p.a. payable monthly **Interest Reset:** 1.75% with change in BPLR **Repayment:** 32 quarterly installments starting from September 30, 2007 of Rs 25 lacs each and last installment being due in June 2015. **Primary Security:** First pari passu charge on the fixed assets of the Company **Secondary Security:** Personal guarantee of the directors and promoters.
	State Bank of Patiala	Letter No. C&I/PDS dated December 21, 2006	6,300.00	1497.10	**Tenure:** 10 years **Interest:** 9.75% p.a. payable monthly **Interest Reset:** 1.50% with change in BPLR **Repayment:** 31 equal quarterly installments of Rs. 1.97 crores each starting from December, 2008 and 32nd of Rs.1.93 crores shall be payable in September 2016 **Primary Security:** First pari passu charge on the fixed assets of the Company **Secondary Security:** Personal guarantee of the promoters. **Conditions for Disbursement:** The Company shall arrange creation of 1st parri-passu charge with SBBJ on current and fixed assets of the Company alongwith recital on Equitable Mortgage of properties in favour of the Bank. With a period of one month.

Sr. No.	Name of Bank/Financial Institution	Sanction letter no. and dated	Amount sanctioned	Amount disbursed till date	Important Conditions of Sanction
3.	State Bank of India	Letter No. MCG/RM/RB 7 dated May 13, 2006	800.00	800.00	**Tenure:** 10 years **Interest:** 9.75% p.a. payable monthly. **Interest Reset:** 1.00% with change in SBAR **Repayment:** 32 quarterly installments of Rs 25 lacs each, starting from September 30, 2007 and last installment being due in June 2015. **Primary Security:** First pari passu charge on the fixed assets of the Company, present and future, including equitable mortgage of Company land and building. **Secondary Security:** Personal guarantee of the directors and promoters.
4.	Canara Bank	Letter No. S-O 61080 dated November 15, 2006	1,500.00	NIL	**Tenure:** 10 years **Interest:** 9.75% p.a. payable monthly **Interest Reset:** 1.75% with change in BPLR **Repayment:** 30 quarterly installments starting from September 30, 2008 of Rs 50 lacs each and last installment being due in June 2016. **Primary Security:** First pari passu charge on the fixed assets of the Company **Secondary Security:** Personal guarantee of the directors and promoters. **Conditions for disbursement:** • Disbursement to commence only after full TL requirements is tied up. • Valuation reports of the properties offered as security is forwarded to the bank. • Certificate from Chartered Accountant to be obtained by the company regarding infusion of capital as projected by it before release of the Term Loan.
5.	Exim Bank	Letter No. CBG: EOU - 634:519 dated December 29, 2006	2,500.00	NIL	**Tenure:** 9.5 Years **Interest:** 10.00% p.a. (floating) **Interest Reset:** Reset at the end of three year from the date of first disbursement & subsequent reset will be advised at the time of first reset. **Repayment:** 33 equal quarterly installments starting 24 months after first disbursement. **Primary Security:** **(a)** First pari passu charge by way of mortgage of all the immovable properties and hypothecation of all the movable fixed assets of the company present and future. **(b)** Personal Guarantees of the directors i.e.; Mr. R. S Saluja, Mr. Neeraj Saluja, Mr. Dhiraj Saluja & Ms. Reema Saluja

Sr. No.	Name of Bank/Financial Institution	Sanction letter no. and dated	Amount sanctioned	Amount disbursed till date	Important Conditions of Sanction
					Conditions for Disbursement: (i) Achieve financial closure. (ii) Obtain necessary regulatory approvals. (iii) Create security upto hypothecation and/or execution of personal guarantees. (iv) Execute undertaking to submit NOCs from all existing charge holders ceding charge in favour of Exim Bank within 6 months of the date of first disbursement. (v) Execute undertaking to create mortgage security in favour of Exim Bank within 6 months of the date of first disbursement.
6.	State Bank of Saurashtra	Letter No. BL/578 dated January 15, 2007	1500.00	NIL	**Tenure:** 9.5 Years **Interest:** 10.25% p.a. (floating) **Interest Reset:**1.75% below BPLR **Repayment:** In quarterly installments of Rs. 0.50 crores each. The last installment shall be payable in March 2016 **Primary Security:** First charge on entire fixed assets of the company **Collateral Security:** Personal Guarantees of the promoters **Conditions for Disbursement:** **(i)** After full tie up as per the progress of the project on a pro-rata basis OR based on a CA's certificate in line with other members of the consortium. **(ii)** Infusion of promoter's contribution upfront. This conditions has been waived off vide letter no. BL/84 dt. 10.05.2007. **(iii)** Disbursement of loan will be subject to obtaining satisfactory 'OPINION REPORT' from the existing bankers.
7.	State Bank of Indore	Letter No. NIL dated. February 5, 2007	1,500.00	NIL	**Tenure:** 9.5 Years **Interest:** 10.25% p.a. (floating) **Interest Reset:** 1.75% with change in BPLR **Repayment:** In quarterly installments of Rs. 0.50 crores each. The last installment shall be payable in March 2016. **Primary Security:** First charge on entire fixed assets of the company **Secondary Security:** Personal Guarantees of the promoters **Conditions for Disbursement:** After full tie up as per the progress of the project on a pro-rata basis directly to the suppliers to the extent possible OR based on a CA's certificate in line with other members of the consortium.
		Total	**17,300.00***	**5,497.10**	

** All these loans are sanctioned under Technology Upgradation Funds Scheme and are eligible for an interest subsidy of 5%*

*** UTI Bank Limited had vide their letter no. UTIB/CO/MMA/2006-2007/1878 dated September 26, 2006 agreed to subscribe to our 'Secured Redeemable Non-Convertible Debentures' (NCD's) on a private placement basis to the extent of Rs.3000.00 lacs. However, considering the fact that our term loans have been oversubscribed, we have decided against issuance of any NCD's and the same has been communicated to UTI Bank Limited vide our letter no. SEL/ UTI/01/07-08 dated January 4, 2007.*

Implementation Schedule of the Expansion Project

We expect the Expansion Project to start commercial production as per the schedule of implementation given below:

Activity	Spinning Phase III	Spinning Phase IV	Knitting	Garmenting
Possession of land	Existing	Existing	Existing	Existing
Tender for civil work	Placed	Placed	Placed	Placed
Civil works	Commenced	Commenced	Commenced	Commenced
Placement of orders for imported machineries	Placed	Placed	Placed	Placed
Placement of orders for indigenous machineries	Placed	Placed	N.A	N.A
Utilities and electrical related works	Completed	July 2007	Commenced	Commenced
Erection of machineries	Erected	July 2007	July 2007	July 2007
Trial run	Commenced	August 2007	July 2007	July 2007
Commercial production	Commenced	September 2007	August 2007	August 2007

(Source: Estimates of Company Management)

Funds already Deployed in the Expansion Project

Until June 18, 2007, we have incurred Rs. 7,787 lacs in the Expansion Project, out of our internal accruals and term loans. Details of the amount incurred and as certified by the Statutory Auditor are as follows:

(Rs. in lacs)

Sr. No.	Purpose	Amount	Term loans	Internal Accruals
1	Building (including advances) for Spinning	2,386	N.A	N.A
2	Plant & Machinery (including advances) for Spinning	4,888	N.A	N.A
3	Pre-operative Expenses	341	N.A	N.A
4	Plant & Machinery (including advances) for Knitting	172	N.A	N.A
	Total	**7,787**	**5,404**	**2,383**

Schedule of Balance Fund Deployment

The proceeds of the Issue are to be deployed during FY 2007-08. The following table sets forth activity-wise details of fund deployment during the two years:

(Rs. in lacs)

Particulars	FY 2007	FY 2008	Total
Spinning	6,341	7,696	14,037
Knitting	677	0	677
Garments	447	0	447
Total	**7,465**	**7,696**	**15,161**

Interim Use of Proceeds

Pending use of funds as described above, we intend to invest the proceeds of the Issue in high quality, interest bearing short term / long term instruments including deposits with banks for the necessary duration. These investments would be authorized by our Board or a duly authorized committee thereof. We may also use the same to fund our existing working capital requirement on a temporary basis.

Monitoring of Utilization of Funds

Though not required to appoint any monitoring agency under the provisions of SEBI (DIP) Guidelines, we have however appointed State Bank of Bikaner and Jaipur as the monitoring agency to monitor the deployment of proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head in our balance sheet for FY 2008 clearly specifying the purpose for which such proceeds have been utilized. We will also, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized in our balance sheet for FY 2008,

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

SECTION IV: BASIS FOR ISSUE PRICE AND STATEMENT OF TAX BENEFITS

BASIS FOR ISSUE PRICE

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

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

QUALITATIVE FACTORS

- We are a vertically integrated multi-product company having presence from yarn manufacturing to manufacturing of knitted garments. This allows us the advantage of reduced costs, high quality adherence and lower our turnaround time.
- Over the last few years we have integrated our operations from being a garment manufacturer to a fully integrated textile company.
- In last two years since we started our spinning plant as a backward integration, we are now operating with a capacity of 49,056 spindles and will have capacities of 74,256 spindles post implementation of expansion plan through this IPO.
- We are also taking inorganic route to expand our operations. We have acquired in FY 2007 a garmenting unit having capacity to manufacture 1.5 million pieces per annum and have also been declared the successful bidder for acquiring the properties and assets of Mangla Cotex Private Limited.
- Our total income increased from Rs. 6,434.44 lacs in FY2005 to Rs. 20,188.11 lacs in FY2007 with a CAGR of 77.13%. This has being due to change in our product mix from single product i.e. knitted garments in FY2004 to multi-product Company from FY2006. Our Consolidated total income has increased at a rate of 40.99% from Rs. 14,632.56 lacs in FY2006 to Rs. 20,631.06 lacs in FY2007.
- Our Profitability has increased from Rs. 314.51 lacs in FY2005 to Rs. 2,369.60 lacs in FY2007 with a CAGR of 174.47%. Our Consolidated Restated Profits after tax had shown growth of 67.71% from Rs. 1,360.57 lacs in FY2006 to Rs. 2,281.83 lacs in FY2007.
- We adhere to and follow all the quality standards, guidelines and procedures as prescribed by customers for products and processes.
- We have been awarded an NSIC-CRISIL rating of CRISIL SE 2A, indicating high performance capability and high financial strength
- We have cost-efficient manufacturing facility and sophisticated supply chain.
- Our promoters and management have extensive experience and expertise in textile sector.
- The weighted average interest rate of our existing term loans after considering the benefits available to us on loans covered under TUFS is around 5.25%. This has helped us in lowering the overall average cost of funds and has increased our competitiveness.
- We are entitled to income tax and indirect tax exemptions that are available to units located in Baddi, Himachal Pradesh, being a backward area. This allows us to price our products competitively and hence service our markets in a better manner.
- We undertake continuous research and development activities with an objective to reduce operational costs and improve the efficiency of our plants. We have an in-house team of experienced designers in fabric, knitting and garmenting.

Quantitative Factors

1. Adjusted Earning per Equity Share (EPS)# excluding extra-ordinary items of face value of Rs.10

Year	EPS (Rs.)	Weight
For FY 2005 *	2.84	1
For FY 2006	13.43	2
For FY 2007	21.39	3
Weighted Average	15.65	

The weighted average EPS for Equity Share considered with face value of Rs.10 is Rs. 15.65

The EPS has been calculated for the last three financial years, considering outstanding Equity Shares immediately prior to the Issue, i.e., after considering the allotments made in pre-IPO placements.

* Before Extraordinary Items

2. Price/Earning Ratio (P/E)* in relation to Issue Price of Rs. [•]
   a. Based on FY 2006-07 EPS of Rs - [•] x
   b. Based on weighted average EPS of Rs. - [•] x

   * would be calculated after discovery of the Issue Price through Book-building
3. Return on Net-worth (RONW)

Year	RONW (%)
FY 2005	3.35
FY 2006	13.67
FY 2007	17.94
Weighted Average	**14.09**

4. The average return on net worth has been computed on the basis of the restated profits and losses of the respective years before extra-ordinary items.
5. Minimum return on total net worth after the Issue required to maintain pre-Issue EPS of is [•] %
6. Net Asset Value (NAV) per share, post-Issue and comparison with the Issue Price
   a. As at March 31, 2007 :Rs. 134.52
   b. Issue Price* : Rs. [•]
   c. NAV after the issue : Rs. [•]

Year	NAV (%)
FY 2005	95.69
FY 2006	110.84
FY 2007	134.52
Weighted Average	**120.16**

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

7. Comparison with Industry Peers

Company	RONW (%)	EPS	P/E
SEL Manufacturing Company Limited (FY 2007)	17.94	24.14	[•]
Gangotri Textiles Limited (FY 2006)	9.4	0.9	24.44
SPL Industries Limited (FY 2007)	12.6	2.8	9.2
Bannari Aman Spinning Mills Limited (FY 2007)	16.00	10.8	7.10
Nahar Spinning Mills Limited (FY 2007)	3.4	17.8	4.8

Source: Capital Market Vol XXII/09, July 02-15, 2007

8. The face value of Equity Shares of SEL Manufacturing Company Limited is Rs. 10 and the Issue Price is [•], i.e., [•] times of the face value.

STATEMENT OF TAX BENEFITS

SEL Manufacturing Company Limited

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to SEL Manufacturing Company Limited ('The Company) and its Shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which are based on the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be substitute for professional tax advice.

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

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits, where applicable have been/would be met.

Dass Khanna & Co
Chartered Accountants

Rakesh Soni
Partner
Membership No: 83142

Place: Ludhiana
Date: 18.06.2007

Annexure to Statement of Possible Tax Benefits Available to SEL Manufacturing Company Limited ('The Company) and its Shareholders

Benefits under the Income Tax Act, 1961

A. TO THE COMPANY

Special Tax Benefits

1. The Company is undertaking substantial expansion, at its unit situated at Baddi, Himachal Pradesh, as referred to in sub-section (2) of section 80IC of the Income Tax Act and therefore, will be enjoying 100% Tax Holiday period of 5 years beginning from financial year 2006-07 to 2011-12 under section 80IC of the Income Tax Act. Similar benefits will also be available to the subsidiary of the company M/s SE Exports

General Tax Benefits

1. Any Income by the way of Dividends (whether interim or final) as referred to in section 115O, in the hands of the Company as distributed by any other Company on or after 1st April 2003 is completely exempt in the hands of the Company under section 10(34) of the Income Tax Act.
2. Long Term Capital Gains would be subject to tax at the rate 20% (plus applicable surcharge and education cess) as per provisions of section 112(1)(b) of the Income Tax Act. However, as per the proviso to section 112(1)(b), the long term capital gains resulting on the transfer of listed securities or units or zero coupon bonds, (not covered by section 10(36) and 10(38), would be subject to tax at the rate 20% with indexation or 10% without indexation (plus applicable surcharge and education cess) as per the option of the assessee.
3. Long Term Capital Gains arising from sale of Equity shares in any company through any recognized stock exchange or from the sale of units of an equity oriented mutual shall be exempt from Income Tax Act if such sale takes place after the date on which Chapter VII of the Finance (No. 2) Act, 2004 comes into force and such transaction is chargeable to securities transaction tax, as per the provisions of section 10(38) of Income Tax Act.
4. The Company is partner in partnership firm which is assessed as such. Share of Profits from the partnership firm is exempt under section 10(2A) of the Income Tax Act and such share of profit is also not considered while computing Book Profits under section 115JB of Income Tax Act.
5. Short Term Capital Gains arising from the transfer of Equity Shares in any company through recognized stock exchange or from the sale of units of equity oriented fund shall be subject to tax at the rate 10% provided such sale takes place after the date on which Chapter VII of the Finance (No. 2) Act, 2004 comes into force and such transaction is chargeable to securities transaction tax, as per the provisions of section 111A of Income Tax Act.
6. In accordance with and subject to the conditions and to the extent specified in section 54EC of the Income Tax Act, the Company would be entitled to exemption from tax on gains arising from transfer of long term capital asset (not covered by section 10(36) and section 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified asset is transferred or converted into money at any time with in a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would be chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.
7. The Company is entitled to additional depreciation in respect of any new machinery or plant which has been acquired and installed after the 31st day of March, 2005, equal to 20% of the actual cost of such machinery or plant as per provisions of clause (iia) of sub-section (1) of section 32 of Income Tax Act.
8. The Company has incurred expenditure on the amalgamation of its group companies. According to Section 35DD of the Income Tax Act, where an assessee, being the Indian Company, incurs any expenditure, on or after the 1st day of April 1999, wholly and exclusively for the purposes of amalgamation of an undertaking, the assessee company shall be allowed a deduction of an amount equal to one fifth of such expenditure for each of the five successive previous years beginning with the previous year in which the amalgamation takes place. Therefore, the Company will be eligible for deduction u/s 35DD, on the expenditure incurred on amalgamation, for the five previous year commencing from previous year 2005-06.

2. TO RESIDENT SHAREHOLDERS

1. Dividend (whether interim or final) declared, distributed or paid by the Company on or after 1st April, 2003 is completely exempt from tax in the hands of the shareholders of the Company as per the provisions of the section 10(34) of the Income Tax Act.
2. Any income of the minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500\- per minor children under section 10(32) of the IT Act.
3. Long Term Capital Gains would be subject to tax at the rate 20% (plus applicable surcharge and education cess) as per provisions of section 112(1)(b) of the Income Tax Act. However, as per the proviso to section

112(1)(b), the long term capital gains resulting on the transfer of listed securities or units or zero coupon bonds, (not covered by section 10(36) and 10(38), would be subject to tax at the rate 20% with indexation or 10% without indexation (plus applicable surcharge and education cess) as per the option of the assessee.

4. Short Term Capital Gains arising from the transfer of Equity Shares in any company through recognized stock exchange or from the sale of units of equity oriented fund shall be subject to tax at the rate 10% provided such sale takes place after the date on which Chapter VII of the Finance (No. 2) Act, 2004 comes into force and such transaction is chargeable to securities transaction tax, as per the provisions of section 111A of Income Tax Act.

5. Long Term Capital Gains arising from sale of Equity shares in any company through any recognized stock exchange or from the sale of units of an equity oriented mutual shall be exempt from Income Tax Act if such sale takes place after the date on which Chapter VII of the Finance (No. 2) Act, 2004 comes into force and such transaction is chargeable to securities transaction tax, as per the provisions of section 10(38) of Income Tax Act.

6. As per provisions of section 88E, where business income of the resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to Securities Transaction Tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.

7. In accordance with and subject to the conditions and to the extent specified in section 54EC of the Income Tax Act, the Company would be entitled to exemption from tax on gains arising from transfer of long term capital asset (not covered by section 10(36) and section 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified asset is transferred or converted into money at any time with in a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would be chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.

8. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54F of the IT Act, the shareholders would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by the section 10(36) and section 10(38)), upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if residential house in which the investment has been made is transferred with in a period of three years from the date of its purchase or construction, the amount of capital gains shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.

3. ADDITIONAL BENEFITS TO NON-RESIDENT INDIAN SHAREHOLDERS

Where shares have been subscribed to in convertible foreign exchange, the taxation thereon is governed by the provisions of Chapter XII A of the Act and is explained as under:

1. In the case of shareholder being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to conditions specified in section 115D read with section 115E of IT Act, long term capital gain arising from transfer of the shares in the Company (not covered by section 10(36) and 10(38)), will be subject to tax at rate of 10% as increased be applicable surcharge and education cess, without indexation benefit.

2. As per the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of long term capital asset being shares in the Company shall not be chargeable to tax if entire net consideration received on such transfer is invested with in period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If only part of such net consideration is invested in specified assets mentioned above, then gains would not be chargeable to tax on proportionate basis. Further, if the specified asset or saving certificates is transferred or converted into money with in period of three years from date of investment, the amount of gains exempted earlier would be chargeable to tax as long term capital gains in the year in which such specified assets or saving certificates are transferred.

3. In accordance with the provisions of section 115G, it shall not be necessary for a non-resident Indian to furnish under sub-section (1) of section 139, a return of income, if his total income in respect of which he is assessable under this Act constituted only of investment income or income from long term capital gains or both, provided the tax deductible at source under the provisions of Chapter XVIIB has been deducted from such income.

4. The benefits conferred on a non-resident Indian assessee will be available even after the assessee becomes a resident, if declaration in writing is filed along with the return of income under section 139(1) of the Act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from foreign exchange assets vide section 115H of the Act, until the transfer or conversion (otherwise than by transfer) into money of such assets.

5. A non- resident Indian shareholder may elect not to be governed by the provisions of Chapter XII A of the IT Act for any of the assessment year by furnishing, along with the return of his income under section 139(1), that the provisions of this 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 for that assessment year and his total income shall be computed in accordance with the other provisions of this Act.

6. As per the provisions contained in section 90(2) of the Act, Shareholders who are residents of the countries with which India has entered into Double Taxation Avoidance Agreement (DTAA) may choose to pay tax in accordance with such applicable DTAA, instead of the tax provisions mentioned above, if same is considered beneficial by them.

4. ADDITIONAL BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS (FII)

1. In case of a shareholder being a Foreign Institutional Investors (FIIs), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the Act, tax on long term capital gains(not covered by section 10(36) and 10(38)) will be 10% and on short term capital gains will be 30% as increased by a surcharge and education cess at an appropriate rate on the tax computed in either case. However, Short Term Capital Gains arising from the transfer of Equity Shares in any company through recognized stock exchange or from the sale of units of equity oriented fund shall be subject to tax at the rate 10% provided such sale takes place after the date on which Chapter VII of the Finance (No. 2) Act, 2004 comes into force and such transaction is chargeable to securities transaction tax, as per the provisions of section 111A of Income Tax Act. It may be noted that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to FIIs.

2. As per the provisions of the Section 90(2) of the Act, the provisions of the Double Taxation Avoidance Agreement (DTAA) would prevail over the provisions of the IT Act to the extent they are more beneficial to the assessee and vice versa.

5. TO MUTUAL FUNDS

In case of a shareholder being a Mutual Fund, as per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual funds set up by public sector banks or public financial institutions and Mutual funds authorized by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

6. TO VENTURE CAPITAL COMPANIES / FUNDS

In case of a shareholder being a Venture Capital Company/ Fund, as per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Company / Fund registered with the Securities and Exchange Board of India, would be exempt from Income Tax, subject to the conditions specified.

Benefits under the Wealth Tax Act, 1957

"Asset" as defined under section 2(ea) of the Wealth Tax Act, 1957, does not include shares in companies. Hence, the investments in shares is not liable to Wealth Tax.

Benefits under the Gift Tax Act, 1958

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

Notes:

1. All above benefits are as per the current tax laws as amended by the Finance Act, 2007 and will be available only to the sole first named holder in case the shares are held by the joint holders.

2. In view of individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her participation in the scheme.

Dass Khanna & Co
Chartered Accountants

Rakesh Soni
Partner
Membership No: 83142

Place: Ludhiana
Date: 18.06.2007

SECTION V: ABOUT US

INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources including officially prepared materials from the Government of India and its various ministries, industry websites and from publications and Company estimates. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Red Herring Prospectus is reliable, these have not being independently verified. Similarly, internal Company estimates, which we believe to be reliable, have not been verified by any independent agencies.

Textile Industry:

The share of Indian Textile Industry occupies a significant position in Global Textile Trade. It is the 3rd largest producer of cotton and cellulose fibre/yarn, 2nd largest producer of cotton yarn, largest producer of jute, 2nd largest producer of silk and 5th largest producer of synthetic fibre/yarn. With total exports of textile and clothing of about US$13 billion, India accounts for 3.3% of the World Trade in Textile and clothing and is ranked 6th largest supplier. India is one of the few countries that has a presence across the entire value chain of the textiles and clothing business starting from fibre production, spinning, weaving/knitting, processing to garments and made ups.

The Textile industry is very crucial to the Indian economy in terms of contribution to GDP and employment as shown below:

- Contributes about 4% to the GDP, accounts for over 14% of total industrial production and contributes around 21% to total exports.
- 2nd largest employment provider after the agriculture sector, employing about 35 million people directly and another 50 million people indirectly.

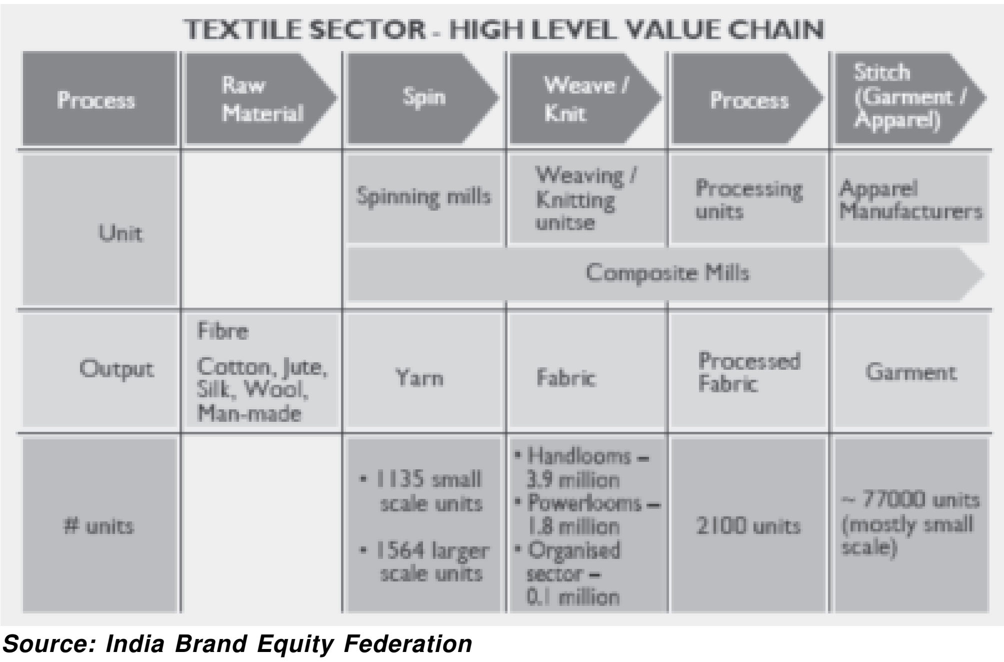
Therefore the growth and development of this industry has a significant bearing on the overall development of Indian economy.

Industry Profile

The Indian textile industry is quite complex and varied with hand –spun and hand-woven sector at one end of the spectrum and capital-intensive sophisticated mill sector at the other with the decentralized power loom and knitting sectors coming in between. Industry uses all kinds of fibers both natural and manmade. The natural fibre includes cotton, jute, silk and wool, while Synthetic/man made fibre includes polyester, viscose, nylon, acrylic and their multiple blends. This complex and varied structure, latest technological inputs, strong designing capabilities and legacy in textiles provides the industry the unique capacity to produce wide variety of products to suit the varying consumer taste and preferences.

Industry Value Chain

The figure below depicts the overall value chain and the number and type of units within the industry.



TEXTILE SECTOR - HIGH LEVEL VALUE CHAIN

Process	Raw Material	Spin	Weave / Knit	Process	Stitch (Garment / Apparel)
Unit		Spinning mills	Weaving / Knitting unitse	Processing units	Apparel Manufacturers
		Composite Mills			
Output	Fibre Cotton, Jute, Silk, Wool, Man-made	Yarn	Fabric	Processed Fabric	Garment
# units		• 1135 small scale units • 1564 larger scale units	• Handlooms – 3.9 million • Powerlooms – 1.8 million • Organised sector – 0.1 million	2100 units	~ 77000 units (mostly small scale)

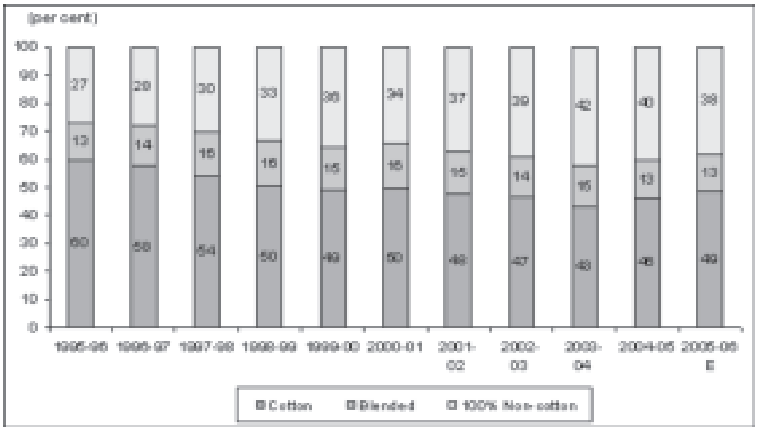
Source: India Brand Equity Federation

Raw Material:

Cotton

Cotton is the most important raw material used in the production of fabric and has played a crucial role in the growth of textile industry in India. It accounts for about 56% of the total fibre consumption in the textile sector. Share of cotton fabrics in total fabric production has been around 50% historically as shown in diagram below:

Domestic Fabric Production



Source: Textile Commissioner's Office

(a) Prices:

Lower cotton production in China, expected in 2005-06, to lead to surge in global cotton prices

World cotton production in the 2005-06 season is expected to be 24,970 million kgs, resulting in a drop of 5 per cent (26,285 million kgs) from the all-time-high production in the 2004-05 season, mainly on account of the drop in Chinese cotton production. Chinese production is expected to drop from 6,324 million kgs by 8.8 per cent to 5,770 million kgs, while the consumption is expected to increase by 9.8 per cent from 8,200 million kgs in 2004-05 to 9,000 million kgs in 2005-06. Thus, China is expected to import 3,200 million kgs of cotton in 2005-06 as against 1,394 million kgs in 2004-05. The higher import demand from China resulted in a rise in the international prices of cotton. On the other side, in Indian market, higher export orders and improved demand from the blending segment led to a moderate increase in cotton prices in April.

(b) Demand & Supply:

(i) Cotton Production

The cotton production has been steadily increasing over the period. The cotton production was 2,065.5 million kgs. in 1993-94, which increased to record level of 4,131 million kgs. in 2004-05. The yield per hectare of cotton has also shown improvement from about 278 kgs per hectare in 1993-94 to about 404 kgs per hectare in 2004-05. India has the largest cotton acreage (89.69 lac hectares) in the world but the yield per hectare is still relatively low, when compared to the world average of about 650 kgs per hectare. This is due to large dependence on monsoons and adoption of outdated methods of farming. The major cotton producing states are Gujarat, Maharashtra, Andhra Pradesh, Madhya Pradesh, Punjab, Haryana, Rajasthan, Karnataka and Tamil Nadu.

The production of cotton in India is expected to be 4,250 million kgs in 2005-06 (an increase of 3 per cent over the previous year) mainly due to the cultivation of BT cotton, which has improved the productivity. However, in the scenario of rising international cotton prices, the export of raw cotton from India would increase, resulting in the rise of cotton prices domestically. Therefore, it is expected that average cotton prices in India to rise by 12-13 per cent in the 2005-06 season over the average prices in 2004-05 season.

(Million Kg)	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05E	2005-06F	2006-07F	CAGR
China	4,501	3,829	4,417	5,324	4,916	4,871	6,324	5,770	6,350	4.4
USA	3,030	3,694	3,742	4,420	3,747	3,975	5,062	5,160	4,580	5.3
India	2,805	2,652	2,380	2,686	2,312	3,043	4,131	4,120	4,220	5.2
Pakistan	1,494	1,911	1,816	1,783	1,736	1,708	2,482	2,250	2,310	5.6
Uzbekistan	1,000	1,128	975	1,055	1,022	893	1,134	1,230	1,100	1.2
Others	5,887	5,866	6,108	6,222	5,565	6,242	7,168	6,620	6,870	1.9
Total	18,717	19,080	19,438	21,490	19,298	20,732	26,301	25,150	25,430	3.9

E: Estimate, F: Forecast

* Compounded annual growth rate during the period 1998-99 to 2006-07

Source: ICAC

(ii) India: Cotton balance sheet

(Million Kgs)	2002-03	2003-04	2004-05E	2005-06P
Opening stock	680.0	408.0	357.0	1,224.0
Production (crop size)	2,312.0	3,009.0	4,131.0	4,250.0
Imports	272.0	110.5	204.0	204.0
Total availability	3,264.0	3,527.5	4,692.0	5,678.0
Domestic consumption	2,847.5	2,945.3	3,298.0	3,649.9
Exports	8.5	225.3	170.0	340.0
Total demand	2,856.0	3,170.5	3,468.0	3,989.9
Closing stock	408.0	357.0	1,224.0	1,688.1
Note: The years above refer to the cotton season.				

Note: The years above refer to the cotton season.

Source: ICAC

(iii) World: Cotton balance sheet

(Million kgs)	2002-03	2003-04	2004-05E	2005-06P
Opening stock	10,770.0	8,661.0	8,090.0	10,380.0
Production (crop size)	19,298.0	20,698.0	26,285.0	24,970.0
Total availability	30,068.0	29,359.0	34,375.0	35,350.0
Consumption	21,235.0	21,324.0	23,448.0	24,380.0
Adjustments	172.0	(55.0)	547.0	10.0
Closing stocks	8,661.0	8,090.0	10,380.0	10,960.0
Note: The years above refer to the cotton season				

Note: The years above refer to the cotton season

Source: ICAC

(c) Quality of Cotton and Consumption

The largest share in the total production of cotton is that of medium staple & medium long staple varieties followed by long staple varieties. In 2003-04, the share of short staple cotton was about 4.5%, the share of medium and medium long staple varieties was 48.5% and that of long and extra long staple varieties was 47%.

Consumption of cotton has been increasing over the last few years. As against a total consumption of 2159 million kgs., during 1993-94 (Mill and Non-Mill), the consumption level has been increased approximately to touch a record high of 3300 million kgs., in 2004-05 cotton season. The variety-wise demand for cotton almost follows the same pattern as the variety-wise production. The major demand is for medium and medium long staple variety, which also has the largest share in the total production of cotton. The demand for short staple varieties is relatively very small.

Spinning

With an installed capacity of 40 million spindles, India accounts for about 22 per cent of the world's spindle capacity. In 2003-04, India's spinning sector consisted of about 1,135 small-scale independent firms and 1,564 larger scale independent units. Independent spinning mills account for about 75 per cent of capacity and 92 per cent of production.

Cotton Yarn: Balance Sheet

Year	Opening Stock	Production	Imports	Total Availability	Exports	Domestic Consumption	Closing Stock
1995-96	126	1,894	0	2,020	263	1,618	139
1996-97	139	2,148	0	2,287	465	1,746	76
1997-98	76	2,213	0	2,289	485	1,714	90
1998-99	90	2,022	0	2,112	487	1,530	95
1999-00	95	2,204	1	2,300	445	1,782	73
2000-01	73	2,267	2	2,342	513	1,743	86
2001-02	86	2,212	2	2,300	438	1,769	93
2002-03	93	2,177	3	2,273	511	1,691	71
2003-04	71	2,121	2	2,194	466	1,651	77
2004-05	77	2,272	3	2,352	417	1,867	68
2005-06 E	68	2,434	n.a.	n.a.	n.a.	n.a.	n.a.

E: Estimate, n.a: Not Available, All figures are in million Kg., Source: Textile Commissioner's Office

Demand & Supply:

Garment exports to drive cotton yarn demand; total demand to grow by 7.5-8.0 per cent per annum in the medium term

The removal of quotas on Indian textile exports from January 2005 and the restrictions imposed on growth of Chinese textile exports (in certain key categories) to the key markets in the world - US and EU until 2008, has provided India with a big opportunity to augment its textile exports, including cotton-based apparels, made-ups and fabrics. Indian cotton-based apparel exports is expected to grow by a strong CAGR of 20 per cent in the period between 2004-05 and 2006-07. This would in turn result in a higher cotton yarn demand, for the production of cotton-based apparels for exports.

- The derived demand for cotton yarn for cotton-based garment exports (which forms about 16 per cent of the total cotton yarn demand) would grow by around 20 per cent in the short to medium term.
- The derived demand for cotton-based home textile exports (8 per cent of yarn demand) and fabric exports (9 per cent of yarn demand) is expected to rise by 7.5 per cent and 3.5 per cent per annum respectively, in the medium term (between 2004-05 and 2006-07).
- The cotton yarn demand for domestic fabric and apparel consumption (47 per cent of yarn demand) is expected to increase by 6 per cent in the medium term. Share of cotton fabrics in total fabric production has also increased recently.

Thus, the total demand for cotton yarn is expected to grow at a CAGR of 7.5-8.0 per cent in the medium term.

Cotton yarn: Domestic demand-supply scenario

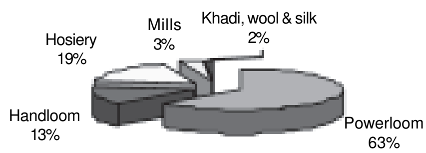
(Million Kgs)	2004-05	2005-06F	CAGR 1 (per cent)	2009-10F	CAGR 2 (per cent)
Production	2271	2,405	5.9	3,158	6.8
Exports	480	495	6.6	557	3.0
Domestic demand (production less CY exports)	1791	1,910	6.6	2,601	7.8
CY exports/Production (per cent)	21.1	20.6	-	17.6	-
[1] CAGR between 2004-05 and 2005-06; [2] CAGR between 2004-05 and 2009-10					

Source: Textile Commissioner's Office & Cris Infac

Weaving / knitting India's weaving and knitting sector is highly fragmented, small-scale, and labour-intensive. The woven fabric production industry can be divided into three sectors: powerloom, handloom and mill sector. In 2003-04 it consisted of about 3.9 million handlooms, 1.8 million powerlooms, and 0.1 million looms in the organised sector. The decentralised power loom sector accounts for 95 per cent of the total cloth production. The knitted fabric forms 18 per cent of the total fabric production.

The unorganized sector has dominated this industry in India for long and contributes around 93% of the total fabric production. However, the preference and protection accorded to this sector are being removed now to give way to integrated players in the organized sector, which will be able to modernize and improve the quality of the weaving sector and give this industry a major boost. The sector wise fabric production in India in 2003-04 was as shown in the chart.

Sector wise fabric production: 2003-04



[Source: Compendium of Textile Statistic, 2004, Office of the Textile Commissioner]

The following are the important factors, which gives India an edge over other countries in weaving of fabric:

Cotton rich country

India is the third largest producer of cotton with largest area under cotton cultivation in the world. With cotton being a key raw material for the cotton textile industry, India enjoys an advantage as a producer of low cost raw material compared to other countries.

Low-cost skilled labour

In developed countries average cost of labour in weaving segment is around 39%, which is substantially higher than the labour cost in India. Labour cost in India is one of the least in the world that gives an edge to Indian textile industry from global outsourcing trend in labour intensive businesses like garments and home textiles.

Processing

The processing industry is largely decentralised and marked by hand processing units and independent processing units. Composite mill sectors are very few falling into the organized category. Overall, about 2,300 processors are operating in India, including about 2,100 independent units and 200 units that are integrated with spinning, weaving or knitting units.

Garment manufacturing

Small-scale fabricators dominate garment manufacturing. Most garment-manufacturing units fare reasonably well on the technology count. The bulk of apparel is produced by about 77,000 small-scale units classified as domestic manufacturers, manufacturer exporters, and fabricators (subcontractors). The fragmented structure of the industry provides the advantage of a large pool of skilled workers in different areas of textile manufacturing, and also gives scope for entry of organized integrated textile manufacturers. Small-scale units in different sectors can also be leveraged as a supply base for sourcing materials at low cost. Apart from these advantages, the industry has also been experiencing consistent growth across different sectors, making it one of the key potential sectors in India.

The garment industry is one of the fastest growing industries in India. This industry is structurally a labour-intensive, low wage industry with some variations across its market segments. Pricing in the industry depends upon the extent of value addition in the end product, the more the value addition the higher per unit price realization. The competitive advantage of companies in this market segment is related to their ability to create designs that capture tastes and preferences, and even better – influence such tastes and preferences – in addition to cost effectiveness. This industry has also seen a significant amount of relocation of production and outsourcing to lower-cost producers. In 2003, the Indian garment industry was of around USD 16 billion, consisting of domestic market of USD 10 billion and exports market of around USD 6.5 billion. Vision 2010 envisages this industry to be around USD 47billion, consisting of domestic market of USD 22 billion and exports market of USD 25 billion by 2010.

The following are the important factors, which gives India an edge over other countries in the garment industry:

Designing Skills

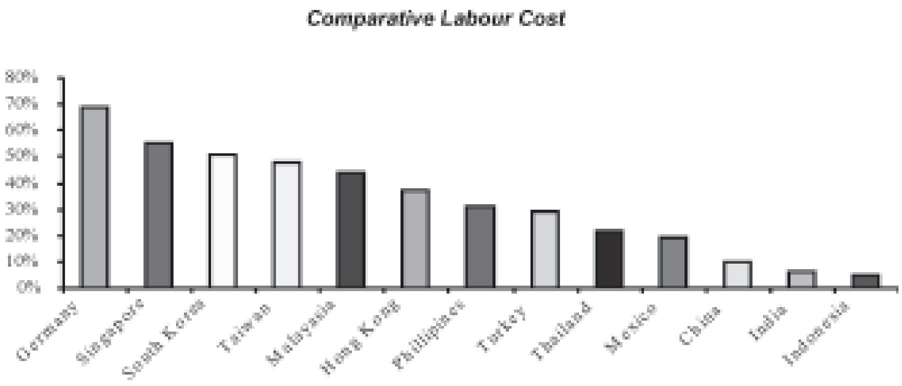
Globally it is difficult to forecast the demand and therefore buyers prefer to place small orders on the basis of seasonal trends. Order flow in the industry depends upon ability of manufacturer to recommend design changes in tandem with the on going trend. Skilled designers play an important role by analysing the existing trend and innovating new designs suited to preferences of end users. The ability of Indian designers to give innovative designs helps the garment manufactures to realize better prices for their products.

Raw Material Advantage

India is the third largest producer of cotton with the largest area under cotton cultivation in the world. Also, India is one of the largest producers of man-made fabric. Abundant availability of raw materials for the garment manufacturing at competitive costs gives India an edge and is in a position to meet global demand of garment products on large scales.

Low Labour Cost

Indian garment industry is internationally cost competitive, as cost of labour in India is cheap compared to other countries. A comparative analysis of India and other countries with respect to labour cost as a percentage of total manufacturing cost of apparel/garment making is given in the chart.



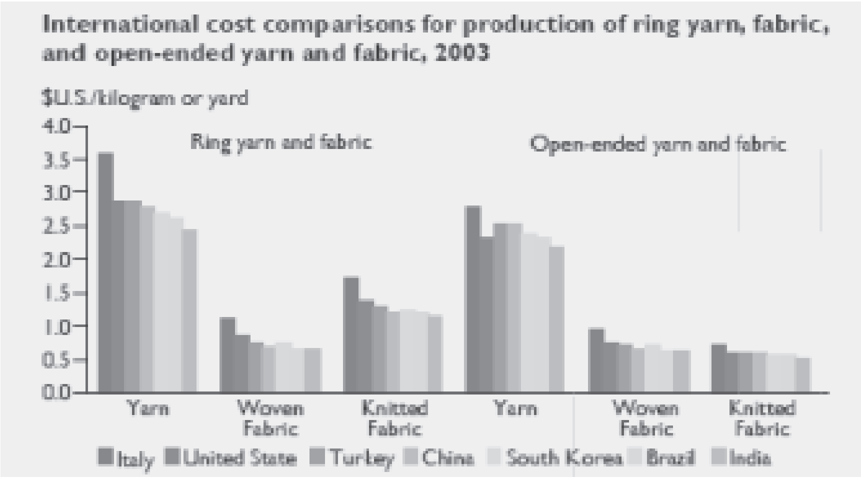
[Source: CII-Accenture report 'Textile Industry: Road to Growth", November, 2001]

INTERNATIONAL COST COMPARISONS

India has a strong comparative advantage over other competing countries in the textile industry. India has the following strengths:

- **Ample low priced supply of domestically produced cotton** - this is a significant advantage that is currently not matched by other key countries with competitive labour costs, including China and Brazil. India not only has the largest acreage under cotton cultivation, but also produces nearly twenty three varieties of cotton. This diversity makes India capable of catering to various segments in the world trade. Further, this inherent strength in raw material availability prevents any supply side shocks.
- **Predominance of small-scale units with skilled workmen** – provides increased flexibility in production.

- **Availability of low cost skilled labour** - provides a significant advantage for the textile industry in India in terms of increased productivity at lower costs



Source: International Textile Manufacturing Federation

Government Regulations and Support

In order to boost reforms in the textile sector and enable it to meet the challenges in the quota free regime, GoI has taken several steps in last five years. A summary of these policy and administrative initiates are as under:

Union Budget 2006-07

The following measures announced in the union budget 2006-07:

- Rs.189 crore to be provided for Scheme for Integrated Textiles Parks (SITP),
- Jute Technology Mission to be launched and a National Jute Board to be established.

Union Budget 2005-06

As per the National Common Minimum Programme of the United Progressive Alliance Government, the textile industry will be enabled to meet new challenges imposed by the abolition of quotas under the ATC. In pursuance, GoI has initiated a number of measures for strengthening the domestic textile industry for meeting the global competition including the following announced in the union budget 2005-06:

- Optional CENVAT Scheme has been extended to stand alone texturising units at 8% excise duty with CENVAT credit or at nil duty without CENVAT credit;
- Duties on specified textile machinery items, raw materials and spare parts for manufacture of such machinery brought down from 20% to 10%. The existing concessional duty of 5% on some other machinery is also being continued.

Initiatives under Export and Import Policy

- Export Promotion Capital Goods Scheme: Facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods is also allowed under this scheme;
- Duty Exemption Pass Book Scheme (DEPB): GoI had in September 2004 reduced the DEPB rates across the board by 45% on all textile items. The DEPB rates are intended to neutralise the incidence of basic customs duty on exports and thus provide incentives for textile exports;
- Duty Drawback Scheme: Exporters are allowed refund of the excise and import duty paid on raw materials under the scheme so as to make the products more competitive in the international market.

The Textile Policy, 2000

With an objective of providing conducive environment to enable the Indian textile industry to realise its full potential and to achieve global excellence the GoI had in November 2000 announced the new textile policy with an objective to equip the industry to withstand pressures of import penetration and maintain a dominant presence in the domestic market, liberalise controls and regulations to perform in a greater competitive environment, enable the industry to build world class state-of-the-art manufacturing capabilities in conformity with environmental standards, develop a strong multi-fibre base with thrust of product up-gradation and diversification, sustain and strengthen the traditional knowledge, skills and capabilities of our weavers and craftspeople etc. The policy laid a vision of achieving the target of textile and apparel exports to USD 50 billion by the year 2010 including an export turnover of USD 25 billion for garments.

Technology Mission on Cotton

With an objective to improve production, quality and stabilize prices of cotton in February 2000 Technology Mission on Cotton was launched. The scheme will continue till the end of 10th five-year plan, i.e., March 31, 2007.

Prospects of Textile Industry:

The new textile policy has set a target of textile and apparel export of USD 50 billion by 2010 from the present level of USD 13 billion of which the share of garments will be USD 25 billion (presently USD 6.1 bn). This target itself indicates the vast scope in the global textile market that exists for Indian Textile Industry. However, this ambitious target can be achieved only through setting up of world-class state-of-the-art integrated textile enterprises.

Developed countries like USA and EU have started downsizing capacities in view of their higher cost of manufacturing vis-à-vis low cost producing Asian countries like China, India, Pakistan, Indonesia etc. The increase outsourcing of textiles by the western countries will increase the cross country trade at a much faster pace than in the past and it is expected that world trade in textile would reach US $ 565 billion by 2010 from US$ 395 billion at 2003 level. India has a very strong and diverse raw material base for manufacturing fibres / yarn from natural i.e. cotton, wool, silk, jute to artificial i.e. synthetic, cellulosic and multiple blends of such fibres / yarn. India also has competitive advantage in terms of raw material cost and labour cost. All these advantages makes India a preferred choice for the US and EU customers to source their textile requirements and to reduce their dependence on China.

The maximum growth in textile exports for India is expected to come from garment exports, which is presently at about USD 6.1 bn and is expected to increase to about USD 25 bn by 2010. The next biggest growth is expected in case of home textiles (bed sheets, towels etc.), which is presently at about USD 1.6 bn and is expected to become USD 10 bn by 2010.

The GOI has also taken several positive initiatives to improve the productivity, quality and cost competitiveness of the India textile industry, which have already stated yielding positive results. With all round support from GOI, overseas customers, banks and investing community and positive attitude of Indian entrepreneurs, India's share in global textile and clothing trade is expected to increase from the present 3.3% (USD 13.0 billion) to about 8.85% (USD 50 billion) by the year 2010, a growth of around 285%. The table below gives the vision of Indian textile industry by the year 2010.

(In Billion USD)

*Indian Textile Industry – Vision 2010				
Particulars	**2003**	**Projected 2010**	**% Growth**	**On Annualised Basis**
World trade in textiles	395 bn	565 bn*	43%	5.25%
India's share in world textile trade	3.3%	8.85%	--	--
India's textile exports	13 bn	50 bn**	285%	21.25%
Share of garment exports in textile	45%	50%	--	--
Value of garment exports	6 bn	25 bn**	317%	22.60%

*Industry estimates; **Targets set by GOI.

Although dismantling of quotas is likely to result in the market increasing for the developing nations (including India), the guarantee of quota will not be there, and competition would increase. With highly competitive China having joined WTO late in 2001, the developed countries can impose economic safeguards (till 2007) in order to limit Chinese growth. Both US and EU have already imposed restraints on various categories of textiles imported from China. This is likely to help other developing countries including India. Because of the accession of world textile and apparel trade to WTO framework, India's textile producers all face, primarily, the same challenge: to raise productivity through gains in efficiency. The fiscal incentives in various Union Budgets under the new textile policy and textile upgradation fund scheme are steps to improve productivity and provide the right signals to various investors to modernise and expand their facilities.

The industry is also responding quickly with major initiatives in terms of investment in state of the art manufacturing, adding large capacities across the value chain and improving its cost competitiveness. With the opportunities knocking and world placing its confidence in India, the Indian textile industry is poised to become major international player sooner than expected.

OUR BUSINESS

Overview

We are vertically integrated multi-product textile company, manufacturing and exporting cotton yarn, , knitted fabrics and knitted garments with our production facilities located in Ludhiana in Punjab and Baddi in Himachal Pradesh. To cater to our target exports markets, we have opened representative offices in Russia and Dubai. Presently, majority of our production of garments is exported to Russia and U.A.E. We are operating with a consolidated capacity to manufacture 6 million garment pieces per annum. Our capacities in cotton yarn , fabric knitting, and fabric processing & dyeing are at approximately 49,056 spindles (11,088 tons yarns per annum) , 4,050 tons per annum of fabric knitting per annum and 3,000 tons per annum of fabric processing & dyeing respectively.

We manufacture and export all types of knitted garments and our main products include t-shirts, polo shirts, sweat shirts, boxer shorts, thermals, girls top etc. A part of yarn produced from our spinning units are captively consumed for our knitting operations and balance is sold in both domestic as well as overseas market. Similarly, the fabric that we knit is also used for both knitted garment manufacturing and is also sold in local market as knitted fabric.

Over the last few years we have integrated our operations from being a garment manufacturer to a fully integrated textile company.

In the last two years since we started our spinning plant as a backward integration, we are now operating with a capacity of 49,056 spindles and will have capacities of 74,256 spindles post implementation of expansion plan through this IPO.

Our total income increased from Rs. 6,434.44 lacs in FY2005 to Rs. 20,188.11 lacs in FY2007 i.e., at a CAGR of 77.13%. This has being due to change in our product mix from single product i.e. knitted garments to multi-product. Our Consolidated total income has increased at a rate of 40.99% from Rs. 14,632.56 lacs in FY2006 to Rs. 20,631.06 lacs in FY2007.

Our Profitability has increased from Rs. 314.51 lacs in FY2005 to Rs. 2,369.60 lacs in FY2007 i.e., at a CAGR of 174.47%. Our Consolidated Restated Profits after tax had shown growth of 67.71% from Rs. 1,360.57 lacs in FY2006 to Rs. 2,281.83 lacs in FY2007.

Our Corporate History

Mr. R.S. Saluja, our chairman promoted the R. S. Saluja Group in 1969. We started with a modest beginning of small capacities for manufacture of hosiery products and knitted fabrics catering to domestic market, now we are an integrated textile player with presence in all the value added segments, from yarn manufacturing to manufacture of knitted garments. In the early 1990's Mr. Neeraj Saluja and Mr. Dhiraj Saluja, sons of Mr. R. S. Saluja joined the family business and foreseeing opportunities in garments exports, particularly from the liberalized Russian market, decided to venture into the exports of garments.

Business Consolidation

Starting FY 2005, we have consolidated the business of the R. S. Saluja Group into our Company. Two of our erstwhile group companies engaged in textiles business were amalgamated with our Company. During FY 2006, we acquired 99% stake in our group partnership firm, engaged in business of manufacture of value added knitted garments having production facilities located in the tax free zone in Baddi in Himachal Pradesh. Taking forward the consolidation process, in FY 2007 we have taken over the spinning division of one more group company, which is a 100% export oriented unit engaged in manufacture of combed yarn.

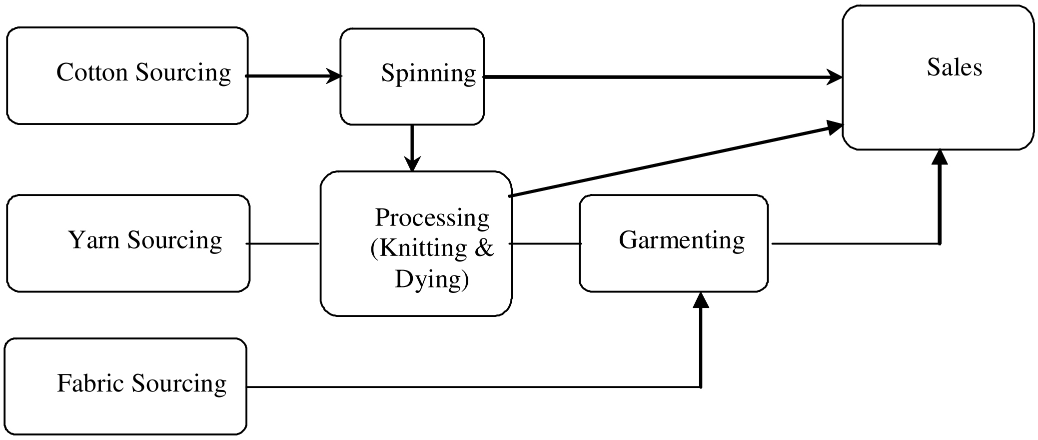
Business Acquisition

During the same fiscal we acquired the land & building and some 150 garmenting machines of a garmenting unit situated in Ludhiana for Rs. 315 lacs. The said garmenting unit has a capacity to manufacture 1.5 million pieces per annum.

Further we are also in process of acquiring the assets of Mangla Cotex Private Limited (Mangla Cotex), a textile company under liquidation. Facilities of Mangla Cotex are strategically located adjoining our existing spinning and knitting facilities in Ludhiana. We were the highest bidder in the auction of the properties (comprising of land and textile related machineries) undertaken by the official liquidator of Mangla Cotex.

Our Business Model

We are a vertically integrated multi product, and multi market company. Our presence in the total value addition chain in textiles is indicated below:



Our Competitive Strengths

Experience of our Promoters

Our Promoters have adequate experience in the textile industry and we have in past successfully implemented expansion projects. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project.

Punctuality

Meeting customer deadlines on a consistent basis is paramount for our business. To ensure timely deliveries, we meticulously plan our entire range of activities well in advance, right from sourcing of fabric and components to manufacturing to shipping. Thus allowing us deliver the products as per their requirements.

Capability to Manage Multiple and Large Sized Orders

In the textile-garmenting segment the key to success lays in the capability to execute large and multiple orders on time, these orders requires immense operational expertise to manage large work force, complex sourcing capabilities, production planning and facilities. Being in this field for a number of years our Company has developed sufficient operational expertise to manage such kind of orders effectively.

Quality Standards and Quality Assurances

We adhere to all the quality standards as prescribed by customers for products and processes. Buyers are keen to work with vendors who are capable of meeting quality standards to enable them to maintain their brand equity with their customers and enhance their sales. We follow all the stringent guidelines and procedures prescribed by the customers.

Each of the Company's products passes through stringent quality checks. The quality assurance measures taken by the Company include thorough checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyse areas of improvement, experienced manpower for quality assurance activities, creation of data base for future reference and analysis etc. Each of the divisions is well equipped with most modern quality checking and testing equipment in place for quality assurance and functions on our philosophy of providing quality products to customer. We at present produce yarn at <25% uster level.

Economies of scale

With the increase in our capacities post proposed expansion plans, acquisition of spinning unit of group Company and proposed acquisition of the assets of Mangla Cotex Limited we now have a greater bargaining capacity with our raw material suppliers and can avail the bulk discounts. Hence with the increase in the size of the Company, we will be benefiting from economies of scale.

Strategic Location

We have our manufacturing facilities strategically located in Ludhiana, Punjab and Baddi, Himachal Pradesh. We believe location of our units gives us significant savings in production, labour and transportation costs. Both Ludhiana and Baddi are well connected to Delhi NCR and other major cities in northern India, thereby enabling us to be in close proximity to our domestic suppliers and clients.

Low interest cost

The debt portion of the spinning unit of Saluja Cotex, which was acquired by our Company during FY 2007, was sanctioned under the TUFS. The weighted average interest rate of our existing term loans after considering the benefits available to us on loans covered under TUFS is around 5.25%. This has helped us in lowering the overall average cost of funds and has increased our competitiveness.

Marketing Strength

We have an experienced marketing team both for international as well as domestic markets. We are marketing our garments to Russia for the past five years and have further started garments exports to U.A.E. Also during FY 2007 we have opened our representative offices in Russia and Dubai, enabling us to be closer to our customer and serving them in a much better manner.

Integrated Facility

Over the last few years we have integrated our operations from being a garment manufacturer to a fully integrated multi-product textile company. Though at present we are catering to the domestic yarn market for marketing our yarn, post expansion most of our requirements will be met in house thus allowing us reduce costs, maintain quality and reduce our turnaround time.

Capacity expansions

In last two years since we started our spinning plant as a backward integration, we are currently operating with a capacity of 49,056 spindles and will have capacities of 74,256 spindles post implementation of expansion planned through the proposed IPO and 1,49,856 spindles post implementation of concurrent expansion plan. Also we are presently operating at a capacity of 4,050 tons per annum of fabric knitting, which we have achieved in a span of four years and propose to increase the said capacities to 7,050 tons per annum post implementation of the proposed IPO.

Further we have also added 1.5 million pcs p.a. of garmenting capacities to our existing capacities of 4.5 million pcs p.a. and plan to have capacities of 7.5 million pcs p.a. post implementation of proposed IPO.

Low labour cost

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

High productivity

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

Use of Information Technology

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

Research and Development and Design Development

We undertake continuous research and development activities with an objective to reduce operational costs and improve the efficiency of our plants. We have an in-house team of experienced designers in fabric knitting and garmenting. We have also installed software packages / CAD / CAM systems for generating designs on computers. New design development and sampling is an important feature of our business and we accord importance since these are highly effective tools to convert business enquiries into orders.

Environment

Good environmental practice has always been a prime consideration in our development, leading us to seek practical solutions to avoid the production of waste. Our business activity inevitably has an impact on the environment. We seek to minimize this impact as far as possible by operating a policy of sustainable development and constantly researching new ways to reduce pollution, wastage and the amount of resources used, while recycling as much as we can.

Our Business Strategy

Our principal operating strategies are to:

- become an integrated player in the textile market catering to all segments from manufacture of cotton yarn to knitting to fabrics processing/dyeing, to manufacture of knitted garments.

- increase our product range and de-risk our business from depending on few products/countries.
- expand our garment capacity to cater to more diverse export markets.
- increase our capacity in yarn manufacturing and knitting in order to cater in-house requirements, domestic and international markets requirements.
- make strategic acquisitions and investments where we believe we can achieve competitive advantage
- reduction of operational costs
- invest in design and product development
- develop and maintain strong relationship with our existing and prospective clients.

Spinning

We intend to increase production in the cotton yarn segment by investing in substantial capacity expansion in our spinning divisions. We commenced manufacturing of combed yarn in addition to the existing carded yarn since the quality and realization of combed yarn is better. We propose to meet our requirements for yarn from in house production allowing us to take benefit of the integration and sell balance yarn in the domestic and international market. We intend to increase our combined spinning capacities to 1,49,856 spindles from our current capacities of 49,056 spindles. We are proposing to finance the expansion of 25,200 spindles through a mix of term loans, issue proceeds & internal accruals and the additional 75,600 spindles, scheduled to be carried out in two phases, viz; phase V and VI, through a mix of term loans and internal accruals.

Knitting and Processing

We intend to increase our knitting capacities to 7,050 tons per annum from 4,050 tons per annum. Further acquisition of assets of Mangla Cotex will further increase our fabric processing capacity and add a new segment of yarn dyeing to our presently existing business segments. Additionally we also intend to increase our fabric processing & dyeing capacities from 3,000 tons per annum to 6,500 tons per annum by way of concurrent expansion carried out in Phase VI. All these expansion in our capacities will compliment and facilitate us in meeting our planned production for value-added garments. We intend to use majority of processed fabrics in house for the manufacture of our garments.

Garmenting

We intend to expand our garments capacity (including SE Exports) to 7.5million pcs per annum from our present capacities of 6 million pcs per annum which will allow us to meet the demand of our customers in a better manner and allow us to make further inroads in new markets.

Our Quality Policy

- *We are committed to manufacture and supply quality* products *as per our customer and market requirements for their entire satisfaction.*
- *We will strive to continually improve the effectiveness of the established quality management system.*

Our Products

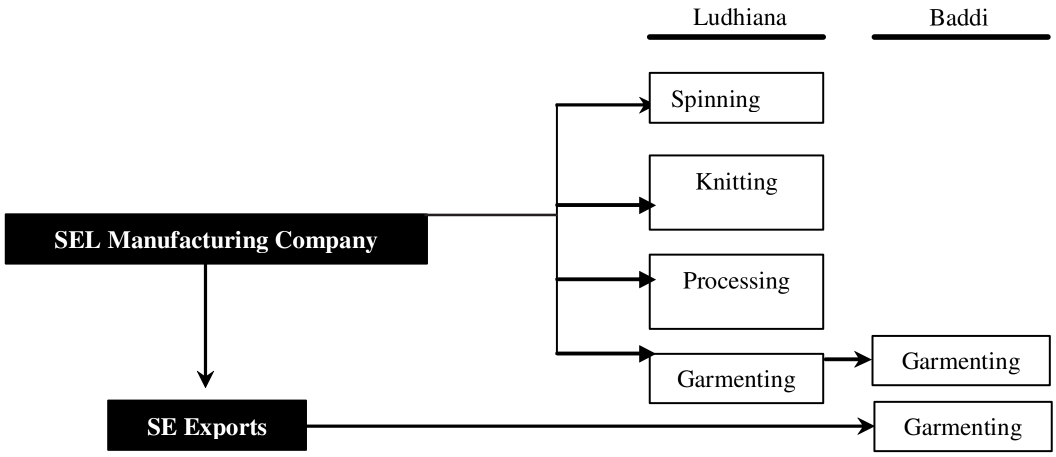
The following is an illustrative list of the products that we manufacture in our in-house production facilities.

1. Cotton yarn:
   - Carded,
   - Combed,
   - Compact,
   - Milanges and
   - Double Yarn
2. Various variety of knitted fabrics
3. Knitted Garments:
   - Basic T-Shirts
   - Polo T-Shirts
   - Sweat Shirts
   - Inner thermal Garments
   - Girls Top
   - Kids Tops and T-Shirts

Our Manufacturing Capacities

We are an integrated textile player and are present in entire value addition chain. We have our production facilities in Ludhiana, Punjab and Baddi, Himachal Pradesh. To consolidate the business of R.S. Saluja ("Group") into our Company we merged the textile businesses of two group companies in FY 2005 and further in acquired in FY 2006 a 99% stake in S E Exports, a group partnership firm engaged in business of manufacture of value added knitted garments having production facilities located in the tax free zone in Baddi, Himachal Pradesh and a spinning division of one more group company, which is a 100% export oriented unit in FY 2007.

The following diagram depicts the range of activity in which we are present:



Existing and Post Expansion Capacities

Post expansion combined manufacturing capacity of our Company and our partnership firm would be as under:

Activity	Existing Capacity$	Capacity Expansion under IPO Project	Other Capacity Expansion R	Capacities Post Expansion
Spinning				
No. of Spindles	49,056 Spindles@	25,200 Spindles	75,600 Spindles	1,49,856 Spindles
Manufacturing	11,088 tons per annum**	6,552 tons per annum	20,195 tons per annum	37,835 tons per annum
Knitting	4,050 tons per annum	3,000 tons per annum	NIL	7,050 tons per annum
Processing/Dyeing	3,000 tons per annum	Nil	3,500	6,500 tons per annum
Garment Manufacturing#	6.0 million pieces per annum	1.5 millions per annum	NIL	7.5 millions per annum

$Capacities per annum on the assumption of 300 working days in a year except in case of cotton yarn where it is on the basis of 360 working days. The capacities may vary depending on quality of the final product desired.

***Average Count ranging between 24 to 30s.*

@ Spinning unit acquired from Saluja Cotex Private Limited w.e.f. May 31, 2006 through slump sale of its textile division having machine capacity of 14,400 spindles

Including 2 million capacity of M/s S. E. Exports, and 1.5 million from acquisition of garmenting unit during FY 2007.

R Expansion (including setting up of 10MW capacity of captive power plant) contemplated in two phases namely Phase V and VI to be funded through secured debts of up to Rs.27,350 lacs, under the TUFS Scheme and internal accruals of up to Rs. 13,650 lacs.

Our Manufacturing Process for Spinning

Sourcing of Raw Material

Our raw material primarily comprises cotton and yarn.

Cotton procurement

Cotton procurement is amongst the most important elements in the spinning of yarn. We source our cotton requirements from the local unorganized market or through agents. We have a quality testing team, which maintains stringent standards for the cotton sourced. Our main objective is to source the best quality cotton at the lowest prices. For FY 2007, we consumed around 6,495.10/39,365 tons/bales of raw cotton.

Yarn procurement

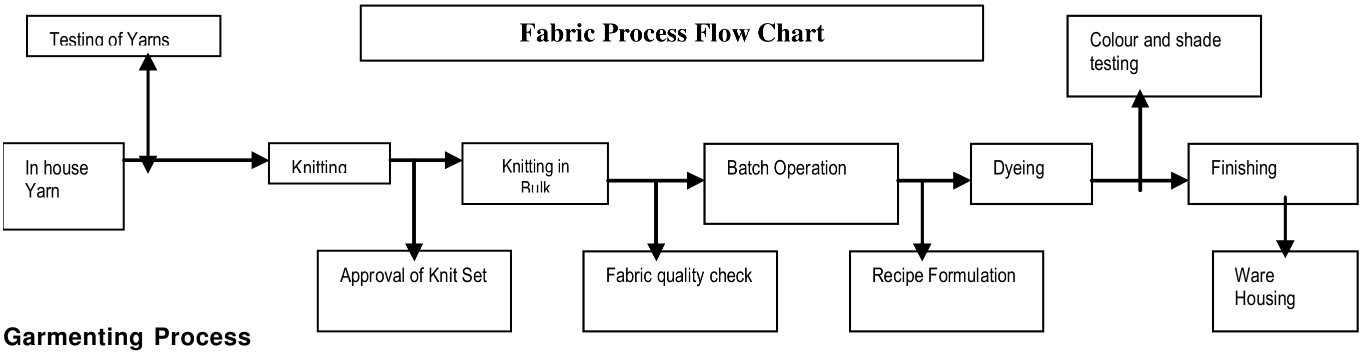
We also procure yarn from outside for knitting certain types of fabrics. We enjoy a strong relationship with various yarn manufacturers in Punjab, which give us an edge in sourcing yarn directly from them. After proposed capacity expansion, we will be able to meet out yarn requirements from our spinning facility.

Spinning Process

We manufacture and sell cotton yarn in a range of 20-30 counts carded knitting cotton yarn. We plan our production based on our understanding of the market as well as regular feedback from our agents, both in India and abroad. The cotton is sourced from the local unorganized markets after quality checks on the same. The following is the process chart for spinning of yarn.

Knitting and Processing

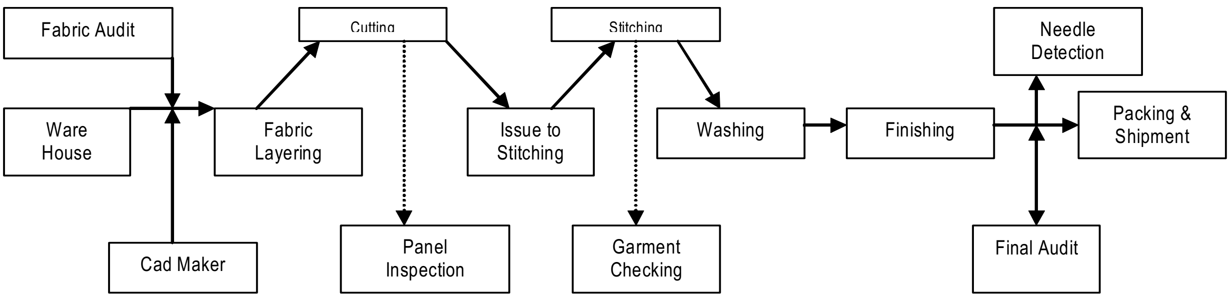
We manufacture fabrics according to the design required for the garments to be produced. Most of the fabric produced by us is used in-house for the production of garments though some portion of the fabric is sold outside customers.



Garmenting Process

We manufacture knitted garments of various types based on the requirements of the orders sourced. We produce all type of knitted garments right from basic to value added garments. We have our own designing department, which sends its designs for approval to the customers on getting the approval we undertake the manufacturing of the approved design or our customers provide the designs for the garments required by them and on the basis of these designs we undertake our production activities

Manufacturing Flow Chart of Garments



Marketing and Sales Arrangement

We have set-up a separate full-fledged marketing department to procure orders and contracts. Our marketing department is headed by Mr. Dhiraj Saluja, our Whole-time Director and is supported by the Vice President (Marketing). Our marketing strategy is based on the products *type and the end user segment. We adopt hybrid-marketing module comprising of direct customers approach and existing agents network. We have appointed various agents in domestic as well as international market to obtain regular orders. With the setting-up of our representative offices both in Russia and Dubai, we are now in a position to deploy our own marketing teams at these centres to source new orders and also serve our existing customers. Considering this fact we have from FY 2007 reduced our over dependence on agents for sourcing any orders for these markets. Our product wise marketing strategy of the Company is presented below:*

With our experienced marketing team, we have been able to devise different strategies to suit the needs of both existing & new buyers. For the existing buyers, our prime focus is to enhance volumes. By leveraging our long-standing relationships with the buyers, we are a preferred partner to our buyers. For the new buyers, based on our understanding of their product range and brand identity / customer identity, we present to them our entire product range. This gives them a good idea of areas of our expertise and capabilities.

In case of garment or fabric many a times buyers come to us with their thoughts on designs or predetermined design requirement, we offer our suggestions on modifications and our designers along with the sampling department provides them with prototypes, which undergo various iterations till the client finalizes the design.

Segment	Handled through
Domestic sales of yarn and fabric	Corporate office in Ludhiana
Exports of Garment	Representative offices in Moscow and Dubai.
Expansion plan	Company is planning to enter into Western Europe and USA. The existing buyers of the Company are big retail chains and hyper stores, which also have stores in these countries.

Channels of marketing

With our experienced marketing team, we are able to devise different strategies to suit the needs of both existing & new buyers. Our products *are marketed through following channels viz., international agents, domestic agents and brokers.*

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

Geographical Segmentation of Sales

The following table shows the sales arrangements for different market segments:

Standalone

Exports	FY 2005		FY 2006		FY 2007	
	Rs. in lacs	%	Rs. in lacs	%	Rs. in lacs	%
Exports	4,139.60	69.29	4,562.19	38.49	6,387.67	34.47
Domestic	1,834.83	30.71	7,287.71	61.51	12,142.64	65.53
Total	**5,974.43**	**100.00**	**11,849.89**	**100.00**	**18,530.31**	**100.00**

Consolidated

Exports	FY 2006		FY 2007	
	Rs. in lacs	%	Rs. in lacs	%
Exports	7,222.49	50.68	9,594.80	47.22
Domesti	7,028.75	49.32	10,724.50	52.78
Total	**14,251.24**	**100.00**	**20,319.30**	**100.00**

Yarn

We market our yarn both in the domestic and international markets directly as well as through a well-established network of agents working across the country and abroad. For FY 2007, about 36.16% of our yarn sales were exported to various countries, compared with 53.46% of our yarn exports in FY 2006.

Knitted Fabric

The fabric knitted by our Company is mainly used for in-house purpose for the manufacture of garments. In the Financial Year 2006, though we did not sold any of the fabric knitted by us we were engaged in trading of fabric. For FY 2007, we have consumed fabrics for our in-house requirement of garments and also sold fabric knitted by us. However from second half of FY 2007 we have discontinued any trading in knitted fabrics.

Garments

During FY2007 our garments exports were Rs 4,706.79 lacs, compared with Rs 3,331.83 lacs in FY 2006. Garment exports in FY2006 constituted 95.82% of overall garment sales, compared with 97.69% in FY 2005. Our main target markets for garment exports are U.A.E and Russia, which together accounted for approximately 98% in FY 2007, compared with 72% in FY 2006.

Region Wise Performance – Standalone

Exports	FY 2005		FY 2006		FY 2007	
	Rs. in lacs	%	Rs. in lacs	%	Rs. in lacs	%
Russia	3,526.60	85.19	718.00	21.55	1,408.21	29.92
UAE	596.00	14.40	1,677.00	50.33	3,197.52	67.93
Others	17.00	0.41	0.00	0.00	0.00	0.00
Deemed Exports	-	-	936.83	28.12	101.06	2.15
Total	**4,139.60**	**100.0%**	**3,331.83**	**100.0%**	**4,706.79**	**100.00%**

Region Wise Performance – Consolidated

Exports	FY 2006		FY 2007	
	Rs. in lacs	%	Rs. in lacs	%
Russia	1,231.40	20.71	3,068.01	38.77
UAE	2,320.23	39.03	4,689.62	59.26
Others	1.40	0.02	0.00	0.00
Deemed Exports	2,391.49	40.24	156.29	1.97
Total	**5,944.52**	**100.00%**	**7,913.92**	**100.00%**

During FY 2007 and FY 2006, our consolidated garment exports were at Rs. 7,913.92 lacs and Rs.5,944.52 lacs being 96.41% and 98.23% respectively of our consolidated total knitted garment sales. Even for our consolidated garments exports U.A.E. and Russia remain our main target markets accounting for approximately 98% and60%, respectively of our consolidated garment exports during FY 2007 and for FY 2006

Client Profile

We enjoy strong relationship with global and domestic clients in yarn, knitted fabric and garments. Following are our important clients:

Products	Prominent Global Clients	Prominent Domestic Clients
Yarn	N.A	▪ Ginni International Limited ▪ Alok Industries Limited ▪ Arvind Mills Limited ▪ Shyam Tex Fabs Limited ▪ Shyam Polyspin Private Limited ▪ SPL Industries Limited ▪ Navnitlal Private Limited ▪ Jimi Sales Private Limited ▪ Acme Cotsyn Private Limited ▪ Shantinath Enterprises
Knitted Fabric	N.A.	N.A
Garments	Auchen, Metro AG, Carrfour	N.A.

Insurance Coverage

We have insurance coverage, which we consider adequate to cover all normal risks associated with the operation of the business. The insurance covers the entire plant and machinery at all our units, the transit and other risks of the raw materials and the finished goods and the breakdown of electrical and electronic equipments. Further we have also insured ourselves from any loss in profit caused by out break of fire, by adequately covering our Company under 'Fire Loss of Profit' policy, taken from Reliance General Insurance Company Limited. We believe that our current level of insurance coverage is in accordance with industry norms in India.

Human Resources

Textile industry is highly labour intensive in nature. Managing a team engaged doing largely repetitive work is one of the challenges that we face. Further, with competition from other companies in labour intensive business, retaining our workforce is another challenge that we face. Our human resource policies are targeted at creating a motivated work force. Our efforts in building a conducive work atmosphere have helped us in having lower attrition rates than the rest of the industry.

As of June 30, 2007, our work force consisted of 1,295 full-time employees (including 60 full-time employees of M/s S. E. Exports). We believe our sophisticated equipment and skilled employee resources, together with our strong management and design capabilities, enable us to successfully implement modern spinning facility and maintain expand existing facilities.

Our Apparel Brands and Trade Marks

Over the period of time we have developed our apparel brands, a brief description of which is given below:

No Problem	TOO GOOD	HIS	SmartCotton T-Shirts
Out of the above four logos we are yet to make an application for registration of the mark 'HIS' with the Trade Mark Registry. These four logos are used as labels for Inner Wear, Men's T-Shirt, Shorts, Bermuda Sets, Thermals, Boxed Shorts, Vests, Polo T-Shirts, Ladies Nightwear, Ladies, Top, Kids wear etc.			

RAMTEX	'RAMTEX' logo is used for our yarn
RS SALUJA GROUP	'R S SALUJA GROUP' is our corporate logo. Presently we have made an application for registering the said mark under class 25 of the Trade Mark Act.

For further details on Intellectual Property, please refer to the section titled 'Government Approvals/Licensing Arrangement' on page 140 of the Red Herring Prospectus.

Our Offices and Production Facilities

We have acquired immovable properties for setting up our offices and production facilities for the purpose of business. These properties are held either on a freehold or on a leasehold basis. Set forth below is a brief summary of our office/production properties:

Office/Facilities	Address	Area (sq. ft.)	Property Rights
Offices			
Registered Office@	274, G.T.Road, Dhandari Khurd, Ludhiana-141 010, Punjab	64,800	Freehold
Corporate Office	Ludhiana-Chandigarh Road, Ludhiana 141 113 Punjab	3,34,323*	Freehold
Representative Office	OOO, 'Ram-Tex', Shelkovskoe Shosse 2-A, Moscow 105 122, Russia		Leasehold
Representative Office	Building No C-1, Office No 1218, Ajmen Free Zone, Ajmen Dubai		Leasehold
Production Facilities			
Spinning and Knitting	Ludhiana-Chandigarh Road, Ludhiana 141 113, Punjab	3,34,323*	Freehold
Garmenting (Ludhiana Unit)	Village Bajra Road, Ludhiana 141 007	9,207	Rented
Garmenting (Ludhiana Unit)	274, G.T.Road, Dhandari Khurd, Ludhiana-141 010, Punjab	64,800	Freehold
Garmenting (Baddi Unit)	Plot No. 106, Industrial Area, Baddi (SFS), District Solan, Himachal Pradesh	13,707	Freehold
Garmenting – M/s. S.E.Exports (Baddi Unit)	Plot No. 90, Industrial Area, Baddi (SFS), District Solan, Himachal Pradesh	12,636	Freehold

**The corporate office complex also houses the spinning and knitting manufacturing facilities.*

@ The office at 706, Industrial Area A, Ludhiana 141 003, Punjab is now non-functional.

Residential Colony

We are constructing a residential colony near our production facilities in Ludhiana for the benefit of our workers. The colony will provide residential accommodation to all our workers employed in the Ludhiana factory. A part of the colony has already been commissioned and further work is under process.

OUR HISTORY AND CORPORATE STRUCTURE

Our History

Our Company was incorporated on May 8, 2000. It is a part of the R S Saluja Group of Companies set up by Mr. Ram Saran Saluja. The R S Saluja Group has been in existence for more than 35 years, having facilities for manufacture of yarns, fabrics, garments in addition to our manufacturing facilities we also have in-house facilities for garment design and development among others. As of now, the R S Saluja Group is mainly engaged in the activities of manufacture of yarns for domestic and export sale, knitting & dyeing of fabric partially for domestic sale & rest for captive consumption and manufacture and export of ready made garments.

Change of Status and Registered Office

Our registered office was shifted from Rahon Road, Opposite Octroi Post, Ludhiana to 706, Industrial Area A, Ludhiana, with effect from June 20, 2001 by a resolution of our Board, and again from 706, Industrial Area A, Ludhiana to 274, G.T.Road, Dhandarai Khurd, Ludhiana-141 010, Punjab, with effect from March 30, 2007 by a resolution of our Board.

We were initially incorporated under the name Saluja Exim Limited as a public limited company on May 8, 2000 and received our certificate of commencement of business on June 2, 2000. The name of our Company was changed to SEL Manufacturing Company Limited by a special resolution of the members passed at an extraordinary general meeting held on June 27, 2003. The fresh certificate of incorporation consequent on change of name was granted to our Company on July 21, 2003, by the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh at Jalandhar (RoC).

The name of our Company again changed to Saluja Exim Limited by a special resolution of the members passed at an extraordinary general meeting held on November 10, 2003. The fresh certificate of incorporation consequent on change of name was granted to our Company on November 14, 2003, by the RoC.

The name of our Company was once again changed to SEL Manufacturing Company Limited by a special resolution of the members passed at an extraordinary general meeting held on January 31, 2004. The fresh certificate of incorporation consequent on change of name was granted to our Company on February 9, 2004, by the RoC.

The status of our Company was changed to a private limited company by a special resolution of the members passed at an extraordinary general meeting held on March 15, 2004. The fresh certificate of incorporation consequent on change of name was granted to our Company on March 31,2004 by the RoC. The status of our Company was subsequently changed to a public limited company by a special resolution of the members passed at an extraordinary general meeting held on March 14, 2006. The fresh certificate of incorporation consequent on change of name was granted to our Company on March 16, 2006 by the RoC.

Our Subsidiary

In our endeavour to consolidate the business of the R S Saluja Group, our Company was admitted as a 99% partner in M/s S E Exports ("Firm") from April 1, 2005, with two of our Promoters viz; Mr. Dhiraj Saluja and Mrs. Reema Saluja, as the other two partners with 0.5% stake each vide partnership deed dated April 1, 2005. M/s S E Exports is a partnership firm constituted vide a partnership deed dated May 14, 2001 under the name and style of M/s Saluja Exim. The Firm has its office at 90 Industrial Area, Baddi, Himachal Pradesh. Since constitution, the Firm was reconstituted on various occasions. The name of the Firm was changed to M/s S E Exports on April 1, 2003. The Firm is engaged in the business of manufacture of value added knitted garments having production facilities located in the tax free zone in Baddi in Himachal Pradesh. As March 31,2007 our Company has invested an amount of Rs. 3,204.98 lacs towards the partners' contribution in the capital of M/s S E Exports. For further details, please refer to section titled "Our Promoters Group Companies" on page 79 of the Red Herring Prospectus.

Amalgamation

With the abolition of quota system in the textile industry and further, to have synergies in our group operations and towards optimisation of resources, two of the group entities, namely Saluja Processors Private Limited (SPPL) and Saluja Fabrics Limited (SFL) both forming part of the R S Saluja Group were merged with our Company w.e.f April 1, 2004. Both SPPL and SFL were involved in the business of spinning, knitting, dyeing & manufacturing of polyester textured yarn, and manufacture and exports of readymade garments, whereas our Company was mainly involved in the business of manufacture & export of ready made garments.

A petition under sections 391 and 394 of the Companies Act, 1956 for obtaining approval to the Scheme of Amalgamation ("Scheme") of SPPL, SFL with our Company was filed before the Hon'ble High Court of Punjab and Haryana, Chandigarh on March 28, 2005. No independent valuations of assets or business of the companies were done for this purpose and share exchange ratios were based on the book values of net assets of these companies.

The Hon'ble High Court of Punjab and Haryana, Chandigarh vide its order dated February 23, 2006 has approved the Scheme of SPPL, SFL and our Company to be effective from April 1, 2004 ("appointed date"). In terms of the said order with effect from the appointed date all assets and liabilities of SPPL and SFL including their employees, direct and indirect taxes and all other statutory and regulatory dues were transferred and stood vested in our Company without any further act or deed. Further, our Company has issued 1 (one) Equity Share of Rs. 10 each for every 492.93 Equity

Shares of Rs.10 each held in SPPL and 1 (one) Equity Share of Rs. 10 each for every 425.461 Equity Shares of the face value of Rs. 10 each held by the shareholders of SFL subject to adjustments through consolidation in case of fractions. Our Company has in all issued 5,990 equity shares of Rs. 10 each to the shareholders of SPPL and SFL. Further, in terms of the said order the combined un-issued portion of the authorised share capital of SPPL and SFL of Rs. 1,285 lacs comprising of 12.85 lacs Equity Shares of Rs. 10 each was added to the existing authorised share capital of our Company.

Acquisition of 100% EOU Spinning Unit of Saluja Cotex Private Limited (SCPL)

Our Company has vide a 'Business Transfer Agreement' ("BTA") dated May 31, 2006 acquired the 100% EOU Spinning Unit of SCPL. SCPL forms part of the R S Saluja Group of companies and is engaged in the business of textile. As per the terms of the BTA all the rights, title and interest in the business and assets relating to the said EOU, together with the requisite facilities required to run the EOU, were transferred to our Company on a slump sale basis w.e.f June 1, 2006 for a total consideration of Rs. 190.91 lacs.

Details of Assets and Liabilities acquired under the BTA are as follows:

(Rs. In Lacs)

Sr. No.	Particulars	Amounts
1	Fixed Assets:	
	Land*	212.43
	Vehicles	17.82
	Computers	2.15
	Capital Work in Progress	2,103.95
	Sub Total	**2,336.35**
2	Current Assets:	
	Inventories	794.16
	Cash & Bank Balances	11.54
	Loans & Advances	1,993.96
	Sub Total	**2,799.66**
	Gross Total Assets	**5,136.01**
3	Current Liabilities & Provisions:	
	Sundry Creditors	727.36
	Other Liabilities	403.41
	Sub Total	**1,130.77**
4	Secured Loans	3,801.45
5	Unsecured Loans	8.25
	Gross Total Liabilities	**4,940.47**
	Net Assets	**195.54**
	Purchase Consideration	**190.91**
	Capital Reserve	**4.63**

SCPL has availed loan/credit facilities from State Bank of Patiala (SBoP) and State Bank of Bikaner & Jaipur (SBBJ) against the security of the land and other assets forming part of the EOU unit to be transferred vide the BTA. We are in receipt of approval from SBBJ & SBOP granting their permission to transfer the loan/credit facilities together with the land to our Company.

Acquisition of assets of Mangla Cotex Ltd (Mangla Cotex)

Our Company had participated in a public auction organized on May 11, 2006 by the Official Liquidator attached to the Hon'ble High Court of Punjab, Haryana & Himachal Pradesh. The auction was organized to put on sale the assets and property of Mangla Cotex a company engaged in textile business and presently under liquidation. At the said auction our Company had tendered a composite bid for Rs. 670 lacs for acquiring the entire advertised manufacturing assets and property of Mangla Cotex and were adjudged the highest bidder. Till the date of filing of the Red Herring Prospectus we have deposited a sum of Rs.167.50 lacs towards the earnest money with the said official liquidator.

The petition for conformation of sale is pending in the Hon'ble High Court Punjab and Haryana, Chandigarh. The next date for confirmation of sale has been scheduled for July 26, 2007.

Acquisition of garmenting unit

During FY 2007 we had acquired land & building alongwith some 150 garmenting machines ("assets") of a garmenting unit situated in Ludhiana. These assets were kept as collaterals with State Bank India ("SBI") by M/s Utkarsh Apparels ("Utkarsh") for securing the repayment of loan granted to it by SBI. Since Utkarsh was not in a position to repay the outstanding loan amount to SBI, Utkarsh proposed for a one-time settlement, which was agreed by SBI and accordingly counter proposed a sum of Rs. 315 lacs towards full and final payment against their outstanding dues.

Utkarsh had approached us for making the said payment to SBI and accordingly take the possession of above mentioned assets from SBI. Considering our plans for expansions in garmenting segment and the strategic location of the unit at National Highway (NH)-1 we found the proposal of Utkarsh a viable one, and we agreed to make the said payment on behalf of Utkarsh to SBI which was made by March 8, 2007. The sale deed confirming the registration of land & building in the name of our Company was entered on March 9, 2007.

We have in addition to the said sum of Rs. 315 lacs incurred a sum of Rs. 585 lacs towards repair & renovations, purchase of additional 150 sewing machines, cost of registration of land & building and other sundry expenditure. The cost of acquisition and renovation were financed entirely out of internal accruals.

Post acquisition and installation of additional machines we have a total tally of 300 garmenting machines at this unit with a capacity to manufacture upto 1.5 million garment pieces per annum.

Discontinuance of Polyester Business

During FY 2007 we have discontinued our loss making polyester business, having capacity to manufacture 4,500 tons per annum. In view of our management, business environment for polyester business was not conducive given relatively lower capacities of the Company. As the segment was not even marking contribution to recover fixed costs, the closure was intended to improve overall profitability of the Company. We have sold the entire plant and machineries of the said division at a loss of Rs. 24.85 lacs (upto March 31, 2007 one machinery at a loss of Rs. 8.07 lacs). Monetary impact of such discontinued operations is as under:

(Rs. in lacs)

Particulars	Amount
Revenue	295.89
Expenses	372.83
Tax Expenses	-
(Net Loss)	(76.94)

Major events

2000	Incorporation of our Company on May 8, 2000 under the name of 'Saluja Exim Limited'
2003	Change of name to 'SEL Manufacturing Company Limited' w.e.f. July 21, 2003
	Change of name to 'Saluja Exim Limited' w.e.f. November 14, 2003
2004	Change of name to 'SEL Manufacturing Company Limited' w.e.f. February 9, 2004
2004	Conversion of our Company from 'public company' to 'private company' w.e.f. March 31,2004
2005	Our Company became a partner in M/s S E Exports w.e.f April 1, 2005
2005	Insertion of following clause to our main objects w.e.f November 12, 2005: - *to carry on business of manufacturing and processing of and dealers in all kinds of yarns, hosiery goods, readymade garments, carpets, duries, mats, rugs, blankets and other similar articles*
2006	Amalgamation of SPPL & SFL with our Company w.e.f April 1, 2004 vide court order dated February 23, 2006
2006	Conversion of our Company from 'private company' to 'public company' w.e.f March 16, 2006
2006	Acquisition of 100% EOU spinning unit of Saluja Cotex Private Limited w.e.f June 1, 2006
2006	Acquisition of assets & property of Mangla Cotex Limited through bidding process from official liquidator vide order dated March 23, 2006 passed by the Hon'ble High Court of Punjab & Haryana at Chandigarh
2007	Acquisition of land & building and assets of a garmenting unit at Ludhiana.
2008	EXIM Bank acquires Pre-IPO stake in our Company

Main Objects of our Company

The main objects of our Company as contained in the Memorandum of Association ("MOA") are as under:

1. To carry on the business of buyers, sellers, importers, exporters, distributors, agents, C&F Agents, brokers, factors, stockists, commission agents, marketing trading and dealers and suppliers of all kinds of Hosiery Goods, Readymade Garments, knitting, shirts, jeans, pants, Electric and Electronic goods, Engineering goods, Cycle parts, Dhoop, Electric appliances, edible oils, spices, rice, horticulture produce, disposable needles, bandages, computer hardware, software, oils, non-edible oils, oil seeds, oils and cakes, vanaspati, Plastic and Plastic goods, plastic liners and snacks of high density polyethylene, polypropthelene, low density polythene, pipes, sheets, metals, alloys, ores and scraps, toys and wares and other types of plastic goods and products, photographic goods, sport goods, machine tools, hand tools, small tools, iron pipe fitting, nuts and bolts and accessories, automobile parts, steel and stainless steel and iron products, metallurgical residues, hides, skins, leather goods, furs, bristles, tobacco(raw and manufactured) hemp, seeds, wheat product, cattle feed, poultry feed, textile fibre and waste coir and jute and products, thereof, wood and timber, bones, crushed and uncrushed, industrial diamonds, resorts, coal and charcoal glue, gums and resins, ivory, lac, shella, manures, pulp or wood, rags, rubber, tanning substances, wax, quartz ,crystal, chemicals and chemical preparations, pesticides, insecticides, plastic and linoleum articles, glass and glass ware, handicraft , handloom, toys, liquid gold, precious stones, ornaments, jewelleries, pearls, drugs and medicines, soaps, paints, instrument, apparatus and appliances, machinery and

mill work and parts thereof, paper and stationery, sport goods, druggist in dressing materials cosmetics, wags, belting, cinematograph films exposed, gramophone records, rubber plastic goods, starch, umbrellas, crow corks, batteries, surgical and musical instruments, marble and hardware items traditional calendars, all kinds of books and manuscripts, electric and electronic products of all kinds, sanitaryware and fittings, woollen textiles, natural fibre products, cellulose and cellulosic products mixed blended products, fish and fish products, alcohol beverages perfumed spirits, spices and tea, coffee, sugar and molasses, thermoware, vegetable, and vegetable product processed foods and packed food products, glass or glass bottles, crowns different kinds of caps for bottles, plastic shells and any other material relating to aerated soft drinks, medicines, drugs and other medical goods/ equipment, living plants and animals, their seeds, siblings & their offsprings, flowers, fruits and body parts of plants & animals, goods made from body parts of plant, animals, wireless and other communication goods and equipment and any other article or material which can lawfully be traded, imported and exported.

2. To act as an import & export house, agents, purchase and sale representatives to stockists, products, processing units and units engaged in village industries, home industries, cottage industries, small and medium industries.

3. To carry on the business of manufacturing and processing of and dealers in all kinds of yarns, hosiery goods, readymade garments, carpets, duries, mats, rugs, blankets and other similar articles.

   The following new sub-clauses no. 4 and no. 5 have been added after the existing sub clause no 3 to clause III (A) of the Memorandum of Association vide shareholders resolution passed in the extra-ordinary general meeting of the Company held on January 20, 2007.

4. To carry on in India or elsewhere the business to generate, receive, produce, improve, buy, sell, resell, acquire, use, transmit, accumulate, employ, distribute, develop, handle, protect, supply and at act as agents, brokers, representatives, consultants, collaborators or otherwise to deal in electric power and steam in all its branches or such place or places as may be permitted by appropriate authorities by establishment of Fuel Oil, Naphtha or Gas, Thermal power plants, hydro power plants, atomic power plants, wind power plants, solar power plants and other power plants based on any source of energy including a source as may be developed or invented in future. Further for such matter to acquire concessions, facilities, licences from electricity boards, Government, Semi-Government or local authorities for generation, distribution, production, transmission or use of electric power.

5. To enter into any contract, agreements, memorandum of understandings, joint ventures, arrangements or such other mode of contracts with Govt. of India, State Govt., Foreign Governments, Municipal, Local Authorities, body corporate, persons or such other authorities, whether in India or elsewhere as the Company may deem fit on the basis of built-own-lease-transfer (BOLT), built-own-operate-transfer (BOOT), built-own-operate (BOO) or such methods for the purposes of carrying out the objects of the Company.

The present business of the Company is covered under the main objects as contained in the Memorandum of Association.

Changes in Memorandum of Association

Details of Change	Date of EGM/AGM
Change of name from 'Saluja Exim Limited' to 'SEL Manufacturing Company Limited'	June 27, 2003
Change of status from 'public limited company' to 'private limited company'	March 15, 2004
Insertion of following to the main objects of our Company: *to carry on business of manufacturing and processing of and dealers in all kinds of yarns, hosiery goods, readymade garments, carpets, duries, mats, rugs, blankets and other similar articles*	November 12, 2005
Increase in authorised capital to Rs. 150.50 lacs comprising of 15.05 lacs Equity Shares of Rs. 10 each	Vide court order dated February 23, 2006
Change of status from 'private limited company' to 'public limited company'	March 14, 2006
Increase in authorised capital to Rs. 1000 lacs comprising of 100 lacs Equity Shares of Rs. 10 each	March 30, 2006
Increase in authorised capital to Rs. 2000 lacs comprising of 200 lacs Equity Shares of Rs. 10 each	November 4, 2006
Addition of new sub-clauses no. 4 and no. 5 after the existing sub clause no 3 to clause III (A) of the Memorandum of Association	January 20, 2007

Shareholders' Agreement

In terms of Shareholders' Agreement dated July 4, 2007 Export- Import Bank of India has made an equity investment in our Company.

The salient features of the Shareholders' Agreement are as under:

Clause 2 of the Agreement deals with the following:

SUBSCRIPTION FOR EXIM BANK SHARES

2.1 Based on the information and data provided by the Company and the various discussions with the Promoters and senior managerial personnel of the Company, the valuation of the Shares of the Company is fixed at Rs. 65/- per share.

2.2 Subject to fulfillment of the Conditions Precedent, Exim Bank hereby agrees to subscribe to and the Company agrees to issue and allot to Exim Bank, the following Shares of the Company:

(a) 7,60,800 Equity Shares of Rs. 10/- each at the price of Rs. 65/- per Share (including a premium of Rs. 55/- per share) for an aggregate consideration of Rs. 4,94,52,000/- (Rupees Four Crores Ninety Four Lakhs and Fifty Two Thousand Only) constituting not less than 5% of the total expanded equity Share Capital of the Company post IPO.

Clause 3 of the Agreement deals with the following:

CONDITIONS PRECEDENT

3.1. The obligation of the Company to issue and allot Exim Bank Shares, and of Exim Bank to accept the Exim Bank Shares at the Closing Date shall be conditional upon the satisfaction (or, where permissible under applicable law, waiver) of the following conditions precedent (the **"Conditions Precedent");**

(a) The representations and warranties severally made by the Company and the Promoters in Schedule-A shall be true and correct when made, and shall be true and correct as of the Closing Date with the same force and effect as if they had been made on and as of such date;

(b) The Board of Directors of the Company shall have approved the allotment of the Exim Bank Shares in favour of Exim Bank and the terms of this Agreement;

(c) The Board of Directors of Exim Bank or its Committee of Executives shall have approved the terms of this Agreement;

(d) The Shareholders of the Company shall have passed a resolution, if any required under the law, for issue to the Exim Bank Shares on terms set out herein;

(e) The statutory auditors or company secretary in practice of the Company shall have certified that the issue of the Exim Bank Shares is in accordance with the Unlisted Company (Preferential Allotment) Rules, 2003;

(f) Each Party shall have received from the other a certified true copy of the relevant board and shareholders resolutions referred to in Articles 3.1 (b) to (d) herein above.

Clause 4 of the Agreement deals with the following:

CLOSING

4.1 The Closing shall take place within 21 (twenty one) business days from the date of fulfillment of all the Conditions Precedent (the date on which such Closing takes place shall be termed as the **"Closing Date")**, at the corporate office of Exim Bank or at such other place or within such extended time period as may be agreed between the Parties in writing.

4.2 All transactions contemplated by this Agreement to be consummated at Closing shall be deemed to occur contemporaneously and no such transactions shall be consummated unless all such transactions are consummated.

4.3 At Closing:

(a) Exim Bank shall pay the subscription amount for Exim Bank Shares and submit the necessary share application for the same; and

(b) The Board of Directors of the Company or a committee thereof shall take the necessary corporate action for issuance and allotment of the Exim Bank shares to Exim Bank including passing the necessary resolutions and recording the necessary entries in its corporate and statutory registers. Upon the completion of these steps by the Company, the Company shall hand over to Exim Bank, or its authorized representative, the Share Certificates relating to the Exim Bank Shares in the name of Exim Bank along with a certificate copy of the relevant extracts of the register of members of the Company, evidencing the membership of Exim Bank in the Company. Exim Bank at its discretion may require the Company to issue Exim Bank shares in dematerialized form and accordingly, the Company shall take all necessary steps for issue of Exim Bank Shares to Exim Bank in dematerialized form at the time of Closing or at any subsequent time as Exim Bank may decide.

(c) Notwithstanding any thing contained elsewhere in this Agreement, where the issue price for the shares of the Company is mentioned in this Agreement, it shall be adjusted on proportionate basis for any consolidation, sub-division, merger, de-merger or any other similar corporate event or re-organization of the Share Capital of the Company.

4.4 Anti Dilution Rights: If at any time prior to the Initial Public Offer (IPO), the Company proposes to issue or allot any Share or convertible security, the Company will inform Exim Bank about such proposed allotment through a letter setting out the terms of issue and identity of the proposed investor. If the issue price for the proposed allotment of Shares (other than the allotment of Share pursuant to any Employee Stock Option Plan of the Company) is below 90% of the issue price of Exim Bank Shares (i.e. below 90% of Rs. 65/- per share) then Exim Bank shall have the irrevocable right (but not the obligation) to acquire such number of Shares of Company at par value, as may be necessary, so that the average issue price of all the Shares held by Exim Bank after such further allotment is equal to the issue price of the Shares proposed to be allotted as per the notice of the Company.

4.5 The Company shall, and the Promoters shall procure that the Company issues and allot such number of Shares as Exim Bank is entitled to under this Agreement and the Company shall take and the Promoters shall cause the Company to take all steps as may be required under the Companies Act and the Articles of the Company or any other law or agreements to which the Company may be a party, for the issue of Shares to Exim Bank and for performance of obligations of the Company set out herein.

Clause 5 of the Agreement deals with the following:

COVENANTS AND UNDERTAKINGS OF THE COMPANY AND THE PROMOTERS

5.1 The Company and the Promoters covenants and undertake for the benefit Exim Bank that the Company shall:

(a) Promptly inform Exim Bank of any default or any breach of any loan agreement or other agreement or arrangement which would have a material adverse effect on the business of the Company or any material adverse change in the financial condition of the Company.

(b) Furnish to Exim Bank:

I. As soon as they are available and in any case within four calendar weeks after the end of each half year of the accounting year of the Company, the un-audited financial result of the Company, for such half year period and within three months of end of each financial year audited financial statement of the Company and all its Affiliates on consolidated basis, along with the auditors report thereon;

II. Copies of any other report or communication received by the Company from its auditors relating to the financial position or affairs of the Company which is of a material nature;

III. At all times ensure that the Memorandum of Association and Articles of Association of the Company are consistent with the provisions of this Agreement;

IV. To inform Exim Bank before entering into any transaction, arrangement, agreement or contract with the Company, in which the Promoters are interested parties. This clause shall exclude normal commercial transactions on arms length basis with the Company's subsidiaries, other than sale of any capital assets exceeding 10% of the Net Block value in any given year. Further no such consent shall be required for entering into any agreement with an entity controlled and owned by the Company to the extent of not less than 75%.

5.2 The Company shall procure permissions, licenses, consents, registrations and authorizations and other approvals that are required for the business of the Company, and for the allotment and issue of Exim Bank Shares under this Agreement and for the validity or enforceability of this Agreement and shall keep all such approvals in full force and effect.

5.3 The Company and the Promoters hereby jointly and severally undertake to indemnify Exim Bank and agree to hold Exim Bank harmless from any and all damage, loss, liability and expenses incurred or suffered by Exim Bank (including the Director, if any of the Company, who is appointed by Exim Bank) arising out of any misrepresentation or breach of warranty, covenant, representation or arrangement made or to be performed by the Promoters or the Company pursuant to this Agreement

5.4 The Company shall be the exclusive owner of all documents, patents, copyrights and trademarks or any other individual property rights and all proprietary rights whether recognized under the law or not and whether registered with any authority or not.

The above covenants shall get accordingly restricted on listing of the Company's Shares and Exim Bank's rights on listing shall be as per the SEBI norms for information sharing.

Clause 6 of the Agreement deals with the following:

DIRECTORS AND MANAGEMENT

6.1 The Management and the operational control of the Company shall solely vest in the Company and its Board of Directors, Exim Bank shall be entitled to nominate / appoint one Director on the Board of Directors of the Company as long as it holds not less than 2% of the total paid-up equity share capital of the Company.

The Company will, and the Promoters will procure that the Company prepares an agenda for each meeting of the Board of Directors, providing full details of the matters to be considered and details of all resolutions proposed to be passed at the relevant meeting of the Board. At least 7 days before the date of the relevant Board meeting the Company shall send a copy of the notice along with the agenda to Exim Bank. The Parties hereto agree that the Board will not be entitled to transact any business or pass any resolution, (except to the extent that such resolutions which are of a routine nature or are required to be conducted or passed in the normal course of the Company's business), other than as set out in agenda, unless the same is informed to Exim Bank at least seven days in advance, Exim Bank shall have the right to periodically review the Minute Book containing the Minutes of the Board Meetings of the Company.

Clause 7 of the Agreement deals with the following:

PASSING OF RESOLUTIONS

Without prejudice to the provisions of Section 6 above and as long as Exim Bank holds not less than 2% Exim Bank's Shares in the Share Capital of the Company, any decision (a) relating to any matter for which a special resolution of the shareholders is required under the Companies Act; and (b) having any bearing on the rights of Exim Bank set out in this Agreement**;** and (c) affecting share capital or shareholding of the Company, whether taken by the Board or shareholders or the Promoters shall be taken after written prior consent of Exim Bank. Any resolution passed or decision taken by the Board or the Shareholders or the Promoters of the Company in violation of the provisions of this Agreement shall not be binding on the Company and shall not be given effect or implemented.

Clause 8 of the Agreement deals with the following:

DEALING IN SHARES

8.1 The Promoters covenant and undertake for the benefit of Exim Bank that

(a) Subject to the terms of this Agreement, the Promoters shall not except with the prior written consent of Exim Bank:

(i) Pledge, mortgage, charge or otherwise encumber any of its Shares, options or warrants or any interest in any such Shares, options or warrants;

(ii) Transfer, dispose of or grant an option over any of its Shares or any interest (legal or beneficial) in any such Shares, options, or warrants; or

(iii) Enter into any agreement in respect of the votes attached to any of its Shares, options, or warrants.

The above Clause 8.1:

(a) shall not be applicable as long as the promoters hold 51% stake in the Company.

(b) The Promoters covenant to exercise their powers in relation to the Company so as to ensure that the Company fully and promptly observes, performs and complies with its obligations under this Agreement and the Articles of Association of the Company.

(c) If during the continuance of this Agreement, there shall be any conflict between the provisions of this Agreement and the provisions of the Articles of Association of the Company then, during such period, the provisions of this Agreement shall prevail as between the Promoters and Exim Bank over the Articles of Association and in the event of such conflict the Promoters shall procure at the request of Exim Bank to make such modifications to the Articles of Association as shall be necessary to cure such conflict.

Clause 9 of the Agreement deals with the following:

EXIT OPTION / LISTING

Exim Bank has made this investment in the Company as a financial investor and looks forward to exit from the same. Exim Bank looks forward and relies on the Promoters and the Company to facilitate the proper exit. Subject to any lock in provision of SEBI, Exim Bank has the right to sell its shareholding in the Company at any point of time at its discretion, subject to below mentioned clauses. The Exit shall be available to Exim Bank on its shares in the following sequence:

9.1 Exit though IPO

The Company shall come out with an IPO for the listing of its Shares inter alia on National Stock Exchange Limited (NSE) within a period of 24 months from the Closing Date. Subsequent to the listing the Promoters and the Company shall be under no obligation to offer exit to Exim Bank Shares.

9.2 Exit in the Interim (from the Closing Date and before the IPO)

This clause shall be applicable before the IPO

1. Exim Bank shall have the right (but not the obligation) to sell, transfer or assign its shareholding in the Company to any person after 12 months from the date of Closing. However before transferring the Shares to any person, Exim Bank shall provide 'right of first refusal' to the Promoters, on terms as acceptable to Exim Bank. In case the Promoters do not accept such offer from Exim Bank within 2 weeks, Exim Bank shall be free to sell the Shares to any other party on the same terms. The obligation of the Promoters to provide exit to Exim Bank shall continue regardless of such non-acceptance and the Promoters shall be bound to offer exit as mentioned in 9.1 and 9.3.

9.3 Exit in case the IPO does not happen in 24 months of Closing Date

9.3.1 If the Company or the Promoters fail or neglect to list the Shares of the Company though IPO as provided in Clause 9.1 by the end of 2nd year form the Closing Date, Exim Bank and the Company shall jointly appoint a Third Party Consultant for the valuation of the Company. The Promoters shall buy-back the Shares held by the Exim Bank or shall find a third party buyer to buy the Exim Bank Shares at the price arrived at by the Third Party Consultant.

In such event, the cost of the transaction including appointment of a Third Party Consultant shall be borne equally by the Company / Promoters and Exim Bank.

9.3.2 If for any reason Exim Bank could not exit from the Company pursuant to the provisions of aforesaid Clauses 9.1 or 9.3.1, Exim Bank shall be free to identity any third party who is willing to buy the Shares held by Exim Bank and the third party investor, may conduct due diligence in connection with legal, financial and such other due diligence of the Company as the third party investor may reasonably propose to conduct.

9.3.3 The Parties agree that Exim Bank shall be a financial investor in respect of its investment in the Company. Exim Bank shall not in any manner, be construed to be a promoter of the Company for any current and future regulatory purposes including, but not limited to, lock in stipulations. Further, the Company and the Promoters agree that Exim Bank shall not be required to give any warranties or indemnities to any bank, institutions, Stock Exchange or any other competent authority or any other person except as to title of the Shares held by Exim Bank.

Clause 10 of the Agreement deals with the following:

TAG ALONG PROVISIONS

If the Promoters propose to sell, transfer or assign any Shares of the Company in one transaction or in a series of transactions to a third party (whether through private sale or stock exchange), at the time, then Exim Bank shall have the right (but not obligation) to participate in the sale and transfer of the Shares to such third party on proportionate basis. Accordingly, whenever the Promoters of the Company proposes to sell / transfer any of their shares in the Company, such proposal shall be extended forthwith to Exim Bank. Further, Promoters shall ensure that Exim Bank be made a party to and made aware of, in writing of all the discussions and negotiations as to the price and other terms of the proposal. However, in the event, the proposed buyer does not for any reason whatsoever acquire the Shares of Exim Bank, the Promoters shall not sell or otherwise dispose of their respective shareholding to the buyer. Further, Exim Bank shall have the similar 'tag-along rights' with respect to any public offer or IPO of the Shares of the Company, subject to the IPO not happening within 12 months of the Closing Date.

Clause 11 of the Agreement deals with the following:

COVENANTS NOT TO COMPETE

11.1 During the currency of this Agreement, the Promoters shall not either alone or jointly with any other person (whether as director, partner, consultant, manager, employee, shareholders, agent or otherwise), directly or indirectly, engage, involve, invest substantially, be concerned or interested (or seek to take such action) in any business, venture or project (other than the existing Company) which directly or indirectly competes with the business of the Company, without the prior written consent of Exim Bank.

11.2 The restriction contained in respect of Clauses 11.1 above are considered reasonable by the Promoters but in the event that any such restriction shall be found to be void but would be valid if some part of parts thereof were deleted or the period or area of application reduced, such restriction shall apply with such modifications as may be necessary to make it valid and effective.

Clause 13of the Agreement deals with the following:

TERMINATION

13.1 The Party which has fulfilled all the Conditions Precedent that it is supposed to fulfill may terminate the Agreement if any of the other Parties have failed, neglected or for any reason could not fulfill the Conditions Precedent within a period of thirty days from the date of this Agreement.

13.2 A Party may terminate this Agreement if, any other Party commits a breach of any of the terms and conditions of this Agreement and fails to remedy that breach within fifteen days of the service of a notice from the Party requesting that breach to be remedied.

13.3 Exim Bank may terminate this Agreement if:-

(a) The Company is subject to a change of Control;

(b) The filing for liquidation, dissolution or winding-up of the Company or occurrence of any event which on expiry of any notice or time may lead to bankruptcy or liquidation of the Company;

(c) The refusal, revocation or cancellation of any material authorization, license, consent or registration required by the Company in connection with the carrying out of the business / operations of the Company.

13.4 This Agreement shall automatically terminate without any further action of any Party on the happening of any one or more of the following events, whichever is earlier:

(a) If Exim Bank ceases to hold any Share in the Company.

(b) If the Parties mutually agree to terminate the Agreement without any condition.

(c) The Company coming up with an IPO within the period envisaged in this Agreement.

Point 13.4(c) above shall not be applicable if there is no sufficient liquidity post listing for a period of 2 years. Sufficient liquidity shall mean a total trading divided by the market capitalization to be less than ½ % (half percentage) as an average in a given month.

13.5 Termination of this Agreement shall be without prejudice to any antecedent rights or obligations of the Parties up to the date to termination.

Clause 14 of the Agreement deals with the following:

DISPUTE / ARBITRATION

14.1 Any and all claims, disputes, questions or controversies involving the Parties and arising out of or in connection with this Agreement, or the execution, interpretation, validity, performance, breach or termination hereof (collectively, the **"Disputes"**) which cannot be finally resolved by the Parties by amicable negotiation and conciliation, within thirty (30) calendar days of the arising of a dispute shall be resolved by binding arbitration. The arbitration shall be held in Delhi, in accordance with the provisions of Arbitration ad Conciliation Act, 1996 as then existing and shall be heard and determined by an arbitral tribunal composed of three (3) arbitrators. The Promoters and the Company shall appoint one arbitrator and second arbitrator shall be appointed by Exim Bank, and both of such arbitrators shall appoint a third arbitrator who shall serve as the Chairman of such arbitral tribunal.

14.2 All notices and other communications by one party to the Dispute to the other or by the arbitral tribunal to any of the Parties in connection with the arbitration hereunder shall be in accordance with the provisions of Clause 15.1 and 15.2.

14.3 The Parties agree that they shall bear their own costs in relation to the arbitration and shall share the common costs of the arbitration proceedings.

Other Agreements

(i) Partnership deed dated April 1, 2005

Our Company has been admitted as partner in M/s S E Exports w.e.f. April 1, 2005 vide a partnership deed dated April 1, 2005.

The salient features of the terms of the partnership deed are as under:

i. The books of account of the Firm will be audited annually by a qualified Chartered Accountant(s) or a firm of Chartered Accountants;

ii. The auditors shall also carry out a limited review of the quarterly accounts of the Firm. Such limited review should be done within a time frame so as to enable SEL to publish its quarterly consolidated un-audited accounts as per the requirement of the listing agreement(s) of the stock exchanges;

iii. The bank account(s) shall be opened by the Firm with any Bank/s with the mutual consent of both the partners of the Firm. The bank account(s) of the Firm shall be in the name of the Firm and shall be operated in accordance with the instructions and the advise of the partners of the Firm to the Bank or Banks concerned from time to time. One of the signatory to the Bank account should compulsorily be an authorized representative of SEL;

iv. The partners of the Firm shall cooperate, provide and furnish all information, documents and records pertaining to the Firm, as may be sought/required by SEL or to be disclosed by SEL from time to time in terms of the provisions of the Listing Agreement of stock exchanges to which SEL is a party or the requirements of SEBI (Disclosure and Investor Protection) Guidelines, 2000;

v. The partner(s) shall not draw any salary, perquisites or other benefits monetary or otherwise from the Firm. Further, no partner shall be entitled to make withdrawals from the Firm of an amount equal to or exceeding the credit balance in the capital account of the respective partners as on the date of withdrawal, expect with the prior written consent of the other partner;

vi. Partners shall take effective steps for transferring the business of the Firm or the acquisition of the Firm by SEL, consequent to ceasing of the benefits under section 80 IB/80 IC of the Income tax Act, 1961 and/ or benefits/tax holidays under other applicable provisions under the Income Tax Act;

vii. Partners shall subject to clause vi above will take effective steps to convert or re-constitute the Firm into limited liability partnership as and when the proposed legislation relating to limited liability partnership comes into force;

viii. SEL shall have a right to depute its officials/representatives to look after the day-to-day operation and affairs of the Firm. The partners agree that the salary /compensation, if any, payable to person on deputation from SEL will be borne by the Firm;

ix. In the event of Mr. Dhiraj Saluja & Mrs. Reema Saluja incapability to continue as partners of the Firm for any reason what so ever, the promoter of SEL shall have a right to nominate the new partners.

x. The Firm cannot be amended, modified or altered except with the written consent of SEL;

xi. The Audit committee and the Remuneration committee of SEL., constituted in terms of the requirements of the listing agreement of the Stock Exchange, shall have right and scope over the affairs of the Firm, as applicable to 'subsidiary companies' in terms of Clause 49 of the listing agreement, including right in deciding the remuneration of the partners as the case may be;

xii. Any capital expenditure incurred by the Firm will be borne/shared by the partners in the ratio of their profit sharing;

xiii. The death, retirement, insolvency or dissolution of any partner shall not dissolve the Firm between the other partners. In such case, Mr. Neeraj Saluja or any other the legal heir(s) or representatives, successor in business of the exiting partners may join the Firm subject to the mutual consent of remaining partners;

xiv. The term(s) of the Firm may be amended or varied or any additional term/s may be provided by a regular addendum agreements/understanding on regular stamp paper/s or by way of passing resolution/s (in writing) and signed by the parties hereto without executing fresh deed/s of partnership deed, however subject to the affirmative consent of SEL, accorded by its shareholders of the SEL by way of resolution passed with simple majority; and

xv. The Firm may borrow or accept deposits from time to time from banks, body corporate(s), partners, individuals or others entities such other money as may be required or deem expedient for purposes of business of the Firm with prior permission/consent of all parties hereto, upto 10 times of the networth of the Firm or such higher amount with the consent of S.E.L. accorded by its shareholders by way of resolution passed with simple majority.

(ii) Business Transfer agreement dated May 31, 2006

Our Company has vide a 'Business Transfer Agreement' ("BTA") dated May 31, 2006 acquired the 100% EOU Spinning Unit of Saluja Cotex Private Limited (SCPL).

The salient features of the terms of the BTA are as follows:

(i) The BTA governs the transfer of the entire business of the EOU unit as a going concern on slump sale basis at a lump sum consideration of Rs. 190.91 lacs.

(ii) The **"Business"** to be transferred means the entire business of the Saluja Cotex relating to the EOU (vide the permission granted by the Office of Development Commissioner, Noida Special Economic Zone, Noida Ministry of Commerce and Industry, Government of India vide its letter dated December 14, 2005 under reference FNo.4-681/2005-100%EOU/548) as a going concern together with requisite facilities required to run the said EOU and shall include the following:

  (a) all properties and assets, fixed and current, movable and immovable, real and personal, tangible and intangible, in possession, or in reversion, present and future, contingent or of whatsoever nature, where so ever situated, as on the Transfer Date, viz., plant & machinery, vehicles, equipment, furniture & fixtures, sundry debtors, inventories, work in progress, cash and bank balances, bills of exchange, deposits, loans and advances etc. pertaining to the EOU as per **Schedule A** to the Agreement,

  (b) all leases, tenancy rights and agency pertaining to the EOU

  (c) all other interests or rights in or arising out of or relating to such properties and assets of the EOU;

  (d) all rights, titles, interests, charges, privileges, benefits, entitlement, industrial and, permissions, approvals, registrations, quotas, liberties, easements and advantages, pertaining to the EOU and/or to which the Seller is entitled to in respect of the EOU of whatsoever kind, nature or description held, applied for or may be obtained thereafter or to which the Seller is entitled to in respect of the EOU together with the benefit of all contracts and engagements and all books, papers, documents and records relating to the EOU;

  (e) The agreed current contracts including that of purchase, sale, lease, hire purchase, maintenance and such other contracts, policies, agencies, permits, agreements relating to or pertaining to the EOU to the extent that all or any of the foregoing are capable of being transferred, or assigned from or by the Seller to the Purchaser.

  (f) Certain liabilities pertaining to the EOU

(iii) The transfer of Business is subject to the requisite approval from the Development Commissioner, Noida Special Economic Zone (NSEZ), Noida Ministry of Commerce and Industry, Government of India and/or any other applicable/relevant statutory, tax and regulatory authority.

Our Company has however received the above requisite approvals for transfer of business.

Strategic and Financial Partners

In terms of Shareholders' Agreement dated July 4, 2007 Export- Import Bank of India has made an equity investment in our Company. We have allotted on July 6, 2007, 7,60,800 Equity Shares of Rs. 10 (constituting 7.19 % of the pre-Issue Capital) each at a premium of Rs. 55/- aggregating to Rs. 494.52 lacs on preferential basis to EXIM Bank.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we cannot have fewer than 3 directors or more than 18 directors. Presently we have 6 directors. The day to day affairs of the Company is looked after by Mr. Neeraj Saluja, Managing Director and Mr. Dhiraj Saluja, Whole-time Director under the overall supervision and control of the Board of Directors.

Details of Board of Directors

Name, Designation, Father's Name, Address and Occupation	Qualification	Nationality	Date of Appointment and term	Other Directorships
Mr. Ram Saran Saluja Non-Executive Chairman S/o Mr. Surjan Dass 9 C, Sarabha Nagar, Ludhiana- 141 001 *Business*	Bachelor of Arts, Punjab University	Indian	April 24, 2006 *Liable to retire by rotation*	• Saluja Cotex Private Limited.
Mr. Neeraj Saluja Managing Director S/o Mr. Ram Saran Saluja 9 C, Sarabha Nagar, Ludhiana-141 001 *Business*	Diploma in Business Administration, Punjab University	Indian	March 30, 2006. Appointed for a term of 3 years w.e.f. May 26, 2005 *Not liable to retire by rotation*	• Saluja Cotex Private Limited.
Mr. Dhiraj Saluja Whole Time Director S/o Mr. Ram Saran Saluja 9 C, Sarabha Nagar, Ludhiana-141 001 *Business*	Mechanical Engineer, Moscow University, Russia	Indian	November 20, 2000. Appointed for a term of 3 years w.e.f May 26, 2006 *Liable to retire by rotation*	• Saluja Cotex Private Limited
Mr. Ashwani Kumar Director (Independent) S/o Mr. Mohan Lal H. No. 19-A, Udham Singh Nagar, Ludhiana – 141001 *Practising Chartered Accountant*	Chartered Accountant	Indian	April 24, 2006 *Liable to retire by rotation*	• Vardhman Industries Limited • Garg Furnace Limited • LSE Securities Limited • Globe Trotters Private Limited • D & M Components Limited • Prime Industries Limited • Master Trust Limited
Mr. Sanjay Jain Additional Director (Independent) S/o Dr. S C Jain 33/1, First Floor, East Patel Nagar, New Delhi-110 008 *Corporate Consultant*	Chartered Accountant	Indian	November 10, 2006 *Upto the forthcoming AGM*	• Taj Capital Partners Private Limited
Mr Sanjiv Garg Additional Director (Independent) 61-A, Sant Nagar, Civil Lines, Ludhiana 141 001 *Business*	Bachelor of Commerce, Punjab University	Indian	May 8, 2007 *Upto the forthcoming AGM*	• Garg Furnace Limited • Raja Devi Investment and Trading Company Private Limited • Gargsons Investments Private Limited • Om Yarn Plus Private Limited

Brief Profile of our Directors

Mr. Ram Saran Saluja aged 63 years is our Non-Executive Chairman. He holds a bachelors degree in arts from Punjab University. He is the main person behind the establishment and growth of the R S Saluja Group (Group) and has been involved in the business of our Company since its inception. He has over 40 years of experience in the textile industry. As Chairman he provides strategic direction to our Company. He is the founder promoter of our Company and has been the guiding force behind its consistent growth & development. He laid the foundation of the R S Saluja Group in 1969 with the establishment of M/s R. S. Saluja Hosiery, a sole proprietorship concern engaged in the business of trading of textile products. In the year 1980 and 1985, Mr. Saluja alongwith his son Neeraj formed two partnership firms namely M/s Saluja International and M/s Saluja Fabrics respectively. For further details on the said sole proprietary concern and partnership firms please refer to the section titled 'Our Promoter Group Companies' on page 79 of this Red Herring Prospectus. In the year 1995, Mr. Saluja had incorporated M/s Saluja Fabrics Limited the first corporate entity of the Group. M/s Saluja Fabrics Limited was engaged in the business of manufacturing polyester texturised yarn till it was merged with our Company w.e.f. April 1, 2004. Under the able leadership of Mr. Saluja the Group today boast of full range manufacturing facilities right from spinning of yarn, knitting & dyeing of fabric to manufacture and exports of readymade garments. Mr. Saluja is ably assisted by his sons Neeraj and Dhiraj. Presently he is not actively involved in the activities of our Company or the Group.

Mr. Neeraj Saluja aged 39 years is Managing Director of our Company. He is the eldest son of Mr. Ram Saran Saluja and has over 15 years of experience in the textile industry. He holds a diploma in Business Administration, from Punjab University. Besides, being responsible for the overall management of our Company he is in charge of designing & production of garments and commercial & financial functions of our Company. He also looks after procurement of cotton and other raw materials. He provides strategic direction in selection of technology and machineries, in setting up new manufacturing facilities, production planning of yarn and fabrics, improvement of production processes, exploring, and diversifying into new ventures.

Mr. Dhiraj Saluja aged 34 years is the Whole-time Director of our Company. He is the youngest son of Mr. Ram Saran Saluja. He holds a degree in Mechanical Engineering from Moscow University, Russia. He has over 12 years experience in the textile industry. Besides, being responsible for the overall management of the Company along with Mr. Neeraj Saluja, he is also in charge of overseeing marketing of yarn and garments and looks after the complete function of marketing and delivery of our Company's products to the end customer.

Mr. Ashwani Kumar aged 51 years is an independent director on our Board. Mr. Kumar is a member of the Institute of Chartered Accountants of India and is a senior partner in Ashwani & Associates, Chartered Accountants, one of the leading Chartered Accountancy firms in Ludhiana. He is on the Board of several leading and well-known public and private limited companies. Mr. Kumar possesses rich and varied experience in tax planning, management consultancy, and corporate laws. He has been the past President of Ludhiana Chartered Accountants Society, and has been the past member of Taxation Committee and Board of Studies of the Institute of Chartered Accountants of India. He has also served as a Public Representative Director on the Board of the Ludhiana Stock Exchange Association Limited. Currently, he is a member of the Fiscal Laws Committee of the Institute of Chartered Accountants of India.

Mr. Sanjay Jain aged 40 years is an independent director on our Board. Mr. Jain is a member of the Institute of Chartered Accountants of India and a diploma holder in business finance from the Institute of Chartered Financial Analyst of India. He possesses rich and varied experience in handling merchant banking activities, merger and acquisitions and business restructuring. He started his career in 1990 with J M Financial in their Merchant Banking Division. Before setting up Taj Capital Partners Private Limited a strategic advisory firm he has worked for almost 6 years with Rabo Bank primarily in the area of M&A and Strategic Advisory focused largely on North India market and has led many transactions such as Barista, Max Pharma, Burnol, Whyte & Mackay, DCM Sugar etc, 1-1/2 years with Price Waterhouse Coopers as a part of the financial advisory group and for 5 years with Ranbaxy Laboratories Limited where he handled Treasury and Investor Relations and had managed their Global Depository Receipt and International fund raising programs.

Mr Sanjiv Garg aged 47 years is an independent director on our Board. Mr. Garg holds a bachelors degree in commerce from Punjab University. He has over 25 years of experience in the steel and yarn manufacturing sector. He started his career in the year 1982 as a director in Garg Furnace Limited, where he is presently the Managing Director and is responsible for its overall management. Mr. Garg has been the past president of The North India Induction Furnace Association.

Details of Borrowing Powers of Directors

The shareholders of our Company have passed a resolution at the extra-ordinary general meeting of the Company held on May 26, 2006, authorising the Board of Directors of our company pursuant to Section 293(1)(d) of the Companies Act, 1956 to borrow, such sum or sums of money as they may deem requisite for the purpose of the business of the Company not withstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the bankers of the company in the ordinary course of business) shall exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set up for any specific purposes provided that the total amount together with the monies already borrowed by the Board of Directors shall not at time exceed the sum of Rs.20,000 lacs. The limit of Rs.20,000 lacs was further raised to Rs.1,00,000 lacs by a special resolution of the members passed at an extraordinary general meeting of our Company held on January 20, 2007.

For details regarding powers of our Board in this regard, please refer to the section titled 'Description of Equity Shares and Terms of the Articles of Association' on page no. 174 of the Red Herring Prospectus.

Terms of appointment and compensation/remuneration of our Managing Directors/Whole-time Directors

1. Mr. Neeraj Saluja, Managing Director

Mr. Neeraj Saluja has been appointed as the Managing Director of our Company vide the resolution passed at the meeting of the shareholders held on 26.05.2006. The remuneration of Mr. Neeraj Saluja was upwardly revised vide the resolution passed at the meeting of the board of directors of the Company held on October 9, 2006 and was last revised by a resolution of our Board on April 6, 2007. The terms of his appointment and remuneration payable to him as revised are as under:

(a)	Basic Salary	Rs.1,00,000/- per month
(b)	Allowances	Rs.70,000/- per month
(c)	Perquisites and Benefits	(i) Car, for official purposes only (ii) Telephone expenses at residence, for official purposes only

Further, the Board of Directors of our Company has been authorized to increase the remuneration of the Mr. Neeraj Saluja from time to time, within the limits prescribed under section 198, 310 read with Schedule XIII of the Companies Act, 1956 and in terms of the guidelines issued by the Central Government from time to time.

Further, in the event of loss or inadequacy of profit in any financial year, the Company will pay the aforesaid remuneration as minimum remuneration to Mr. Neeraj Saluja.

2. Mr. Dhiraj Saluja, Whole Time Director

Mr. Dhiraj Saluja has been appointed as the Whole-time Director of our Company vide the resolution passed at the meeting of the shareholders held on 26.05.2006. The remuneration of Mr. Dhiraj Saluja was upwardly revised vide the resolution passed at the meeting of the board of directors of the Company held on October 9, 2006 and was last revised by a resolution of our Board on April 6, 2007. The terms of his appointment and remuneration payable to him are as under:

(a)	Basic Salary	Rs.1,00,000/- per month
(b)	Allowances	Rs.70,000/- per month
(c)	Perquisites and Benefits	(i) Car, for official purposes only (ii) Telephone expenses at residence, for official purposes only

Further, the Board of Directors of our Company has been authorized to increase the remuneration of the Mr. Dhiraj Saluja from time to time, within the limits prescribed under section 198, 310 read with Schedule XIII of the Companies Act, 1956 and in terms of the guidelines issued by the Central Government from time to time.

Further, in the event of loss or inadequacy of profit in any financial year, the Company will pay the aforesaid remuneration as minimum remuneration to Mr. Dhiraj Saluja.

Corporate Governance

Our Company stands committed to good corporate governance practices. We have set up internal policies to ensure best practices in corporate governance. The corporate governance philosophy is dedicated to the attainment of the highest levels of accountability and transparency in dealings with our stakeholders. The corporate governance policies lay emphasis on communication (both internal and external) and reporting. These initiatives extend beyond mandatory corporate governance requirements and are in accordance with our Company's aim of establishing voluntary best practices for good corporate governance practices.

The Listing Agreement's requirements in respect of Corporate Governance will be applicable to our Company immediately upon applying for in-principle approval for listing of our Equity Shares on the Stock Exchanges.

Accordingly, our Company has already taken the steps to comply with the SEBI Guidelines on Corporate Governance. The Corporate Governance framework is based on an effective independent Board and constitution of the Board Committees, majority of them comprises of independent directors.

Composition of the Board

We have a broad-based Board of Directors, constituted in compliance with the Companies Act and listing agreements with the Stock Exchanges. We shall comply with the requirements of the SEBI circulars from time to time, which shall notify revised corporate governance guidelines for listed entities.

The Board has six Directors, of which two are executive Directors. There are three independent directors. The Chairman of the Board is a non-executive Director. Thus 50% of our board comprises of independent directors.

The details are given as follows:

Sr. No.	Name of Director	Designation
1	Mr. Ram Saran Saluja	Chairman (Non-Executive)
2	Mr. Neeraj Saluja	Managing Director
3	Mr. Dhiraj Saluja	Whole-time Director
4	Mr. Ashwani Kumar	Director (Independent)
5	Mr. Sanjay Jain	Additional Director (Independent)
6	Mr. Sanjiv Garg	Additional Director (Independent)

Committees of the Board

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

Audit Committee

The Audit committee was constituted on May 13, 2006 & last reconstituted on May 8, 2007. The Audit committee after reconstitution comprises of the following members:

Mr. Ashwani Kumar - Chairman

Mr. Sanjay Jain - Member

Mr Sanjiv Garg - Member

Mr. Ashwani Kumar is the Chairman of the Committee. The Statutory Auditors, Internal Auditors and the Chief Financial Officer will be the special invitees to the Audit Committee. Our Company Secretary is the Secretary of the Committee. The Committee shall meet at least four times a year.

The scope and function of the Audit Committee is to comply with the requirements of section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement to be entered into with the stock exchange(s). The scope of Audit Committee shall include but shall not be restricted to the following:

i. To review financial reporting process and all financial statements.

ii. To recommend appointment/ re-appointment/ replacement/ removal of statutory auditor, internal auditors etc., and to fix their fees.

iii. Reviewing along with management, the listing compliances, related party disclosures, qualifications in draft audit report, quarterly financial statements before its submission to the Board, changes in accounting policies and major accounting entries based on estimate of management.

iv. To look into all matters relating to internal control system, internal audit system and the reasons for substantial defaults in the payment to the depositors.

v. To review Management Discussion and Analysis of financial condition and results of operation, statement of significant Related Party Transactions as submitted by management, internal audit report, term of chief internal auditor (including his remuneration).

vi. Authority to investigate into matters specified in terms of the provisions of section 292A of the Companies Act, 1956.

Remuneration Committee

The Remuneration Committee was constituted on September 18, 2006 and last reconstituted on May 8, 2007. The Committee consists of the following members:

Mr. Sanjay Jain - Chairman

Mr. Ashwani Kumar - Member

Mr. Sanjiv Garg - Member

Mr. Sanjay Jain is the Chairman of the Committee. The Managing Director and other directors can be invitees to the Remuneration Committee. The Company Secretary of our Company is the Secretary of the Committee.

The Remuneration Committee shall have the powers to determine the policy of our Company on specific remuneration packages including pension rights and other compensation payable to the Managing Director(s) and Executive Director(s) of our Company. In this regard, the Remuneration Committee shall have full access to information/records of the Company and external professional advice, if necessary.

Shareholders/ Investor Grievance Committee

The Shareholders'/ Investor Grievance Committee was constituted on September 18, 2006 and last reconstituted on May 8, 2007. The Committee comprises of the following members:

Mr. Sanjay Jain - Chairman

Mr. Ram Saran Saluja - Member

Mr. Sanjiv Garg - Member

The Company secretary of our Company is the Secretary of the committee.

The Committee is formed to look into the matters relating to investors/ shareholders grievance, viz; approval of shares transfer/ transmission/ demat, issue of duplicate, split-up, consolidation, renewal of share certificate, non-receipt of annual report, non receipt of dividend and other related matter as may be deemed necessary.

Share Transfer Committee

The Share Transfer Committee was constituted on September 18, 2006 and last reconstituted on May 8, 2007. The Committee comprises of the following members:

Mr. Sanjay Jain - Chairman

Mr. Sanjiv Garg - Member

The Company Secretary of our Company is the Secretary of the Committee.

IPO Committee

The IPO Committee was constituted on September 18, 2006 and reconstituted on November 10, 2006. The Committee comprises of the following members:

Mr. Ram Saran Saluja - Chairman

Mr. Neeraj Saluja - Member

Mr. Ashwani Kumar - Member

Mr. Sanjay Jain - Member

Upon listing of the shares of our Company on the stock exchanges the scope function, powers and duties of the Audit Committee, Remuneration Committee and Shareholders /Investors' Grievance Committee would comply with the provisions as contained in Clause 49 of the Listing Agreement, which our Company shall enter into with the Stock Exchanges.

Shareholding of the Directors

Name of Director	Designation	No. of shares	% Shareholding
Mr. Ram Saran Saluja	Chairman (Non-Executive)	30,19,335	30.76%
Mr. Neeraj Saluja	Managing Director	1,49,060	1.52%
Mr. Dhiraj Saluja	Whole-time Director	28,014	0.28%
Mr. Ashwani Kumar	Independent Director	NIL	NIL
Mr. Sanjay Jain	Independent Director	NIL	NIL
Mr. Sanjiv Garg	Independent Director	NIL	NIL

Further, the Articles of Association of our Company does not require our directors to hold qualification shares.

Interest of the Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them. Our Directors may also be regarded as interested in the shares & dividend payable thereon, if any, held by them or that may be subscribed by and allotted/ transferred to them or the companies, firms and trust, in which they are interested as Directors, Members, Partners and or Trustees. All Promoters/ Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by our Company with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Mr. Neeraj Saluja and Mr. Dhiraj Saluja are entitled to receive remuneration from us.

Except as stated in the section titled "Related Party Transactions" on page 82 of the Red Herring Prospectus, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

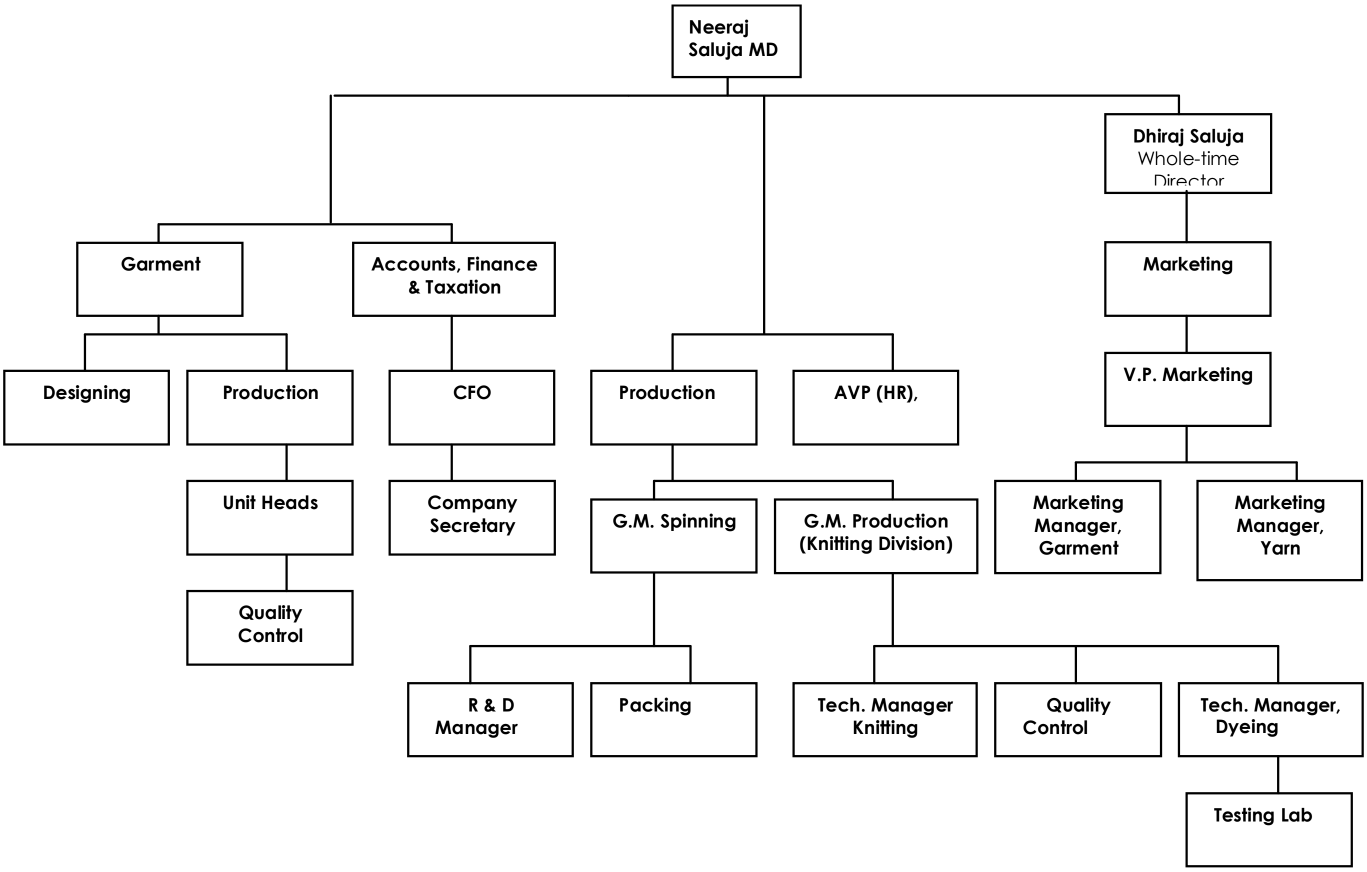
Except as stated below our Directors have no interest in any property acquired by our Company within two years of the date of the Red Herring Prospectus:

1. Acquisition of 100 % EOU Unit of Saluja Cotex Private Limited vide a Business Transfer Agreement dated May 31, 2006;
2. Acquisition of properties consequent to amalgamation of Saluja Processors Private Limited & Saluja Fabrics Limited with our Company vide court order dated February 23, 2006;
3. Mrs. Sneh Lata Saluja and Mrs. Ritu Saluja are interested to the extent of the rent received for the property situated at village Bajra, Rahon Road, Ludhiana leased by them to our Company vide rent deed dated April 1, 2006.

Changes in our Board of Directors during the last three years

Name of the Director	Date of appointment	Date of cessation	Reason for change
Mr. Neeraj Saluja	-	January 7,2004	Resigned
Mr. Neeraj Saluja	March 30,2006	-	Appointment
Mr. Jay Kumar LD	January 7,2004	-	Appointment
Mr. Jay Kumar LD	-	January 31,2005	Resigned
Mr. Jay Kumar LD	March 11, 2006	-	Appointment
Mr. Jay Kumar LD	-	April 24, 2006	Resigned
Mr. Ram Saran Saluja	April 24, 2006	-	Appointment
Mr. Ashwani Kumar	April 24, 2006	-	Appointed as independent director
Mr. Pradeep Sobti	September 18, 2006	-	Appointed as independent director
Mr. Pradeep Sobti	-	November 10, 2006	Resigned
Mr. Sanjay Jain	November 10, 2006	-	Appointed as independent director
Mrs. Reema Saluja	-	May 2, 2007	Resigned
Mr Sanjiv Garg	May 8, 2007	-	Appointed as independent director

Organizational Structure



Key Managerial Personnel

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

For details regarding our Managing Director and Whole-time Director, please see the section titled "Our Management" on page 66 of the Red Herring Prospectus.

Mr. Chottu Ali Khan-Vice President, Marketing, aged 33 years, joined our Company in November 2005. He holds a bachelors degree in Textile Engineering from TIT & S Bhivani. He has over 9 years of experience in sales and marketing in the textile industry. Prior to joining our Company he has worked with Kirloskar Toyoda Textile Machinery Private Ltd (Bangalore) and Cheema Spintex (Chandigarh). He is responsible for our Company's marketing and relationship building efforts. During FY 2007, he drew a gross salary of Rs. 3.60 lacs p.a. and perks such as use of car for official and personal purpose.

Mr. Swinder Masih-General Manager, Production aged 41 years, joined our Company in September 2004. He holds a Diploma in Textile Technology from Punjab Institute of Textile Technology, Amritsar. He has over 17 years of experience in the textile industry. Prior to joining our Company, he has worked with Arham Spinning Mills Ltd. of Nahar Group and Malwa Cotton Spinning Mills Ltd. of Malwa Group. He is responsible for the production of polyester texturised yarns and overall management of the plant. During FY 2007, he was paid a gross compensation of Rs. 3.96 lacs and perks such as use of car for official and personal purpose.

Mr. Navneet Gupta-Chief Financial Officer, aged 36 years, joined our Company in September 2004. He is a commerce graduate and a Chartered Accountant. He has more than 7 years of experience in diversified fields of finance, accounts and taxation. He is overall responsible for the finalisation of corporate accounts, taxation, finance and related work. During FY 2007, he was paid a gross compensation of Rs. 3.60 lacs and perks such as use of car for official and personal purpose.

Mr. Deepak Chauhan, AVP (HR) aged 35 years, joined our Company in November 2006 and is responsible for Formulation and Implementation of HR policies. He is an MBA from IGNOU, New Delhi. He has over 12 years of experience in the field of Human Resource Development. Prior to joining our Company he has worked with Abhishek Industries, Aarti International & Auro Weaving Mills Ltd. During FY 2007 he was paid a gross compensation of Rs.1.48 Lacs and perks such as use of car for official and personal purposes.

Mr. Rahul Kapoor-Company Secretary, aged 31 years, joined our Company in September 2006. He is a commerce graduate and a Company Secretary. He has over 5 years of experience in the field of secretarial, corporate & legal affairs. During FY 2007, he was paid a gross compensation of Rs. 1.56 lacs.

Mr. Jay Kumar LD-Manager (Exports), aged 32 years, is responsible for the overall export documentation of our Company. He has over 6 years of experience in administration and export documentation. He is an arts graduate and is associated with R.S. Saluja Group since 1999. With effect from April 1, 2004 he was transferred to our Company. During FY 2007, he was paid a gross compensation of Rs. 1.05 lac.

Mr. Surinder Pal Wadhwa-Manager (Production), aged 52 years, is responsible for production of garments. He has over 28 years of experience in hosiery industry. He is a matriculate pass and is associated with R.S. Saluja Group since 1978. With effect from April 1, 2004 he was transferred to our Company. During FY 2007, he was paid a gross compensation of Rs. 1.45 lacs.

Ms. Harpreet Sohal-Fashion Designer, aged 34 years joined our Company in April 2007. She is responsible for designing of garments and merchandising. She holds a diploma in Fashion Designing from South Delhi Polytechnic for Women, New Delhi. She has an experience of over 10 years in the field of fashion designing, merchandising, production of garments and customer liasioning. She was not paid any compensation during FY 2007 as she has joined our Company during the current financial year.

Mr. Vivek Nayyar-Manager Production (Garments), aged 40 years, joined our Company in May 2007 and is responsible for production of garments. He is a graduate and has over 19 years of experience in the field of merchandising and production of garments. Prior to joining our Company he has worked with Eveline International, Ludhiana and Sobhigaya Sales, Ludhiana. He was not paid any compensation during FY 2007 as he has joined our company during the current financial year.

Mr. Sandeep Mehra-Manager Production (Knitting & Dyeing), aged 31 years, joined our Company in May 2007 and is responsible for knitting & dyeing operations of the Company. He holds diploma in Textile Technology from Punjab Institute of Textile Technology, Amritsar. He has over 11 years of experience in the field of knitting, dyeing and weaving. Prior to joining our Company he has worked with S.R.Industries, Abhishek Industries Limited, Apollo Shawls & Modern Terry Towels Ltd. He was not paid any compensation during FY 2007 as he has joined our Company during the current financial year.

All our key managerial personnel are permanent employees of our Company and except as otherwise stated in the Red Herring Prospectus, all our key managerial personnel have no other material/pecuniary interest in our Company.

Shareholding of the Key Managerial Personnel

Name of Key Managerial Person	Date of allotment	No. of shares
Mr. Surinder Pal Wadhwa	May 8, 2000	100
	March 30, 2006	2800
	Total	**2900**

Changes in the Key Managerial Personnel

Name of the Key Managerial Personnel	Date of Joining	Date of Leaving	Reason for change
Mr. Jay Kumar LD	April 1, 2004	-	Transferred from group company
Mr. Surinder Pal Wadhwa	April 1, 2004	-	Transferred from group company
Mr. Rahul Kapoor	September 25, 2006	-	Joined our Company
Mr. Deepak Chauhan	November 28, 2006	-	Joined our Company
Ms. Harpreet Sohal	April 1, 2007	-	Joined our Company
Mr. Vivek Nayyar	May 1, 2007	-	Joined our Company
Mr. Sandeep Mehra	June 5, 2007	-	Joined our Company
Mr. L C Bhardwaj	-	May 31, 2007	Resigned

Employees Stock Option Scheme/ Employees Stock Purchase Scheme

Our Company has not introduced any Employees Stock Option Scheme/ Employees Stock Purchase Scheme, in terms of the provision/guidelines issued by SEBI or other wise.

Payment or benefit to officers of the Company

Our Company has not paid any amount or benefit within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as directors, officers or employees.

OUR PROMOTERS

The promoters of our Company are Mr. Ram Saran Saluja, Mr. Neeraj Saluja, Mr. Dhiraj Saluja, Mr. Sneh Lata Saluja, Mrs. Ritu Saluja & Mrs. Reema Saluja

A brief profile of our Promoters is given here under:

Mr. Ram Saran Saluja, Chairman (Non-Executive)

DOB:	February 6, 1943
Qualification:	Graduation
Address:	9 C, Sarabha Nagar, LudhianaA
PAN No.:	DNPS1484N
Passport No.:	F3419106
Driving License No.:	019255/REN

Mr. Ram Saran Saluja aged 63 years is our Non-Executive Chairman. He holds a bachelors degree in arts from Punjab University. He is the main person behind the establishment and growth of the R S Saluja Group (Group) and has been involved in the business of our Company since its inception. He has over 40 years of experience in the textile industry. As Chairman he provides strategic direction to our Company. He is the founder promoter of our Company and has been the guiding force behind its consistent growth & development. He laid the foundation of the R S Saluja Group in 1969 with the establishment of M/s R. S. Saluja Hosiery, a sole proprietorship concern engaged in the business of trading of textile products. In the year 1980 and 1985, Mr. Saluja alongwith his son Neeraj formed two partnership firms namely M/s Saluja International and M/s Saluja Fabrics respectively. For further details on the said sole proprietary concern and partnership firms please refer to the section titled ‘Our Promoter Group Companies’ on page 79 of this Red Herring Prospectus. In the year 1995, Mr. Saluja had incorporated M/s Saluja Fabrics Limited the first corporate entity of the Group. M/s Saluja Fabrics Limited was engaged in the business of manufacturing polyester texturised yarn till it was merged with our Company w.e.f. April 1, 2004. Under the able leadership of Mr. Saluja the Group today boast of full range manufacturing facilities right from spinning of yarn, knitting & dyeing of fabric to manufacture and exports of readymade garments. Mr. Saluja is ably assisted by his sons Neeraj and Dhiraj. Presently he is not actively involved in the activities of our Company or the Group. He does not have a voters ID.

Mr. Neeraj Saluja, Managing Director

DOB:	March 6,1967
Qualification:	Post Graduation
Address:	9 C, Sarabha Nagar, LudhianaA
PAN No.:	AEHPS4478K
Passport No.:	E8582993
Driving License No.:	060408

Mr. Neeraj Saluja aged 39 years is Managing Director of our Company. He is the eldest son of Mr. Ram Saran Saluja and has over 15 years of experience in the textile industry. He holds a diploma in Business Administration, from Punjab University. Besides, being responsible for the overall management of our Company he is in charge of designing & production of garments and commercial & financial functions of our Company. He also looks after procurement of cotton and other raw materials. He provides strategic direction in selection of technology and machineries, in setting up new manufacturing facilities, production planning of yarn and fabrics, improvement of production processes, exploring, and diversifying into new ventures. He does not have a voters ID.

Mr. Dhiraj Saluja, Whole Time Director

DOB:	August 3, 1972
Qualification:	Mechanical Engineer
Address:	9 C, Sarabha Nagar, LudhianaA
PAN No.:	ANVPS4752R
Passport No.:	Z-1437020

Mr. Dhiraj Saluja aged 34 years is the Whole-time Director of our Company. He is the younger son of Mr. Ram Saran Saluja. He holds a degree in Mechanical Engineering from Moscow University, Russia. He has over 12 years experience in the textile industry. Besides, being responsible for the overall management of the Company along with Mr. Neeraj Saluja, he is also in charge of overseeing marketing of yarn and garments and looks after the complete function of marketing and delivery of our Company's products to the end customer. He does not have a voters ID or any driving license as on the date of the Red Herring Prospectus.

Mrs. Sneh Lata Saluja

DOB:	April 20, 1946
Qualification:	Graduate
Address:	9 C, Sarabha Nagar, LudhianaA
PAN No.:	AAIPL7700Q
Passport No.:	F1990561

Mrs. Sneh Lata Saluja aged 60 years is one of the promoters of our Company. She is the wife of Mr. Ram Saran Saluja and mother of Mr. Neeraj Saluja and Dhiraj Saluja. She holds a bachelors degree in art from Punjab University. She has been partnering her husband and was actively involved with the activities of R S Saluja group since its initial days. Presently she is not actively involved in the activities of our Company or the R S Saluja Group. She is not on the board of our Company. She does not have a voters ID or any driving license as on the date of the Red Herring Prospectus.

Mrs. Ritu Saluja

DOB:	January 19, 1970
Qualification:	Graduate
Address:	9 C, Sarabha Nagar, LudhianaA
PAN No.:	AQAPS5820L
Passport No.:	A9203513
Driving License No.:	P90020038

Mrs. Ritu Lata Saluja aged 36 years is one of the promoters of our Company. She is the wife of Mr. Neeraj Saluja. She holds a bachelors degree in arts from Punjab University. Mrs. Ritu Saluja concentrates on activities pertaining to, HR activities and overall supervision and administration of the Company. She is not on the board of our Company. She does not have a voters ID as on the date of the Red Herring Prospectus.

Mrs. Reema Saluja, Director (Non-Executive)

DOB:	August 22, 1974
Qualification:	Graduate
Address:	9 C, Sarabha Nagar, LudhianaA
PAN No.:	AWFPS8387P
Passport No.:	Z-1691558
Driving License No.:	5047

Mrs. Reema Saluja aged 32 years is a non-executive director of our Company. She is the wife of Mr. Dhiraj Saluja. She holds a bachelors degree in arts degree from Punjab University. Mrs. Saluja guides our management in overseeing our representative office in Dubai. She does not have a voters ID as on the date of the Red Herring Prospectus.

Declaration

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters will be submitted to the BSE and NSE at the time of filing the Red Herring Prospectus with these Stock Exchanges.

Interests of Promoters and Common Pursuits

Mr. Neeraj Saluja and Mr. Dhiraj Saluja are brothers. Further they are the sons of Mr. Ram Saran Saluja and Mrs. Sneh Lata Saluja. Mrs. Ritu Saluja and Mrs. Reema Saluja are the respective wives of Mr. Neeraj Saluja and Mr. Dhiraj Saluja.

Except what has been stated above there exists no relation between our Promoters, Other Directors and Key Management Personnel's.

For further details of the shareholding of our Promoters in our Company, please refer to note no. 2 to the section titled "Capital Structure–Notes to Capital Structure" on page 15 of the Red Herring Prospectus.

The aforesaid Promoters of our Company also hold shares in some of the other group companies as detailed in the sections titled "Our Promoter Group Companies" and beginning on pages 79 of the Red Herring Prospectus.

The aforementioned Promoters of our Company are interested to the extent of their shareholding in the Company. Further, four of our Promoters, namely Mr. Ram Saran Saluja, Mr. Neeraj Saluja, Mr. Dhiraj Saluja and Mrs. Reema Saluja who are also the Directors of our 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 other remuneration, reimbursement of expenses payable to them as per the terms of our Articles and relevant provisions of Companies Act. All our Promoter 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 this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Further, some of our Promoter Directors are also directors/partners/proprietors of certain group companies and they may be deemed to be interested to the extent of the payments made by the Company, if any, to these group companies. A list of such Promoters who are the partners/proprietor/directors of our subsidiary or group companies is as under:

Name of the Concern	Type of Concern	Names of the Interested Parties	Relationship
Saluja Cotex Private Limited	Private Limited Company	Mr. Ram Saran Saluja, Mr. Neeraj Saluja, Mr. Dhiraj Saluja & Mrs. Reema Saluja^	Directors/Members
M/s S E Exports	Partnership Firm	Mr. Dhiraj Saluja Mrs. Reema Saluja	Partners
M/s Saluja International	Partnership Firm	Mr. Ram Saran Saluja Mr. Neeraj Saluja	Partners
M/s Saluja Fabrics	Partnership Firm	Mr. Ram Saran Saluja Mr. Neeraj Saluja	Partners
M/s Saluja Foundry & Allied Industries	Sole proprietary concern	Mr. Ram Saran Saluja	Sole proprietor
M/s R S Saluja Hosiery	Sole proprietary concern	Mr. Ram Saran Saluja	Sole proprietor

^ *Mrs. Reema Saluja is only a member in Saluja Cotex Private Limited*

For further details, please refer to the section titled "Our Promoter Group Companies" beginning on page 79 of the Red Herring Prospectus.

For the payments that are made by our Company to our subsidiary or group companies, please refer to the section titled "Related Party Transactions" on page 82 of the Red Herring Prospectus.

Except as stated herein below, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Red Herring Prospectus in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by the Company other than in the normal course of business.

1. Acquisition of 100% EOU Unit of Saluja Cotex Private Limited vide a Business Transfer Agreement dated May 31, 2006;
2. Our Promoters may be deemed to be interested in the property acquired by our Company consequent to (i) amalgamation of Saluja Processors Private Limited & Saluja Fabrics Limited with our Company vide court order dated February 23, 2006 and (ii) purchase of the '100% EOU Unit' of Saluja Cotex Private Limited vide a Business Transfer Agreement dated May 31, 2006.

3. Mrs. Sneh Lata Saluja and Mrs. Ritu Saluja are interested to the extent of the rent received for the property situated at village Bajra, Rahon Road, Ludhiana leased by them to our Company vide rent deed dated April 1, 2006.

Further, except as disclosed in the sections titled “Our Promoter Group Companies” and “Related Party Transactions” beginning on pages 79 and 82 respectively of the Red Herring Prospectus, our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by us.

Payment or benefit to promoters of our Company

Apart from the rent paid to Mrs. Sneh Lata Saluja and Mrs. Ritu Saluja for the property situated at village Bajra, Rahon Road, Ludhiana, the remuneration for services rendered by Mr. Neeraj Saluja & Mr. Dhiraj Saluja as Managing and Whole-time Directors and except as otherwise stated in the Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Promoters.

For currency of presentation used in the Red Herring Prospectus kindly, refer to the section titled ‘Currency of Presentation’ on page viii of the Red Herring Prospectus.

For dividend policy of our Company kindly, refer to the section titled ‘Dividend Policy’ on page 89 of the Red Herring Prospectus.

OUR PROMOTER GROUP COMPANIES

There are total six entities forming part of our Promoter Group Companies consisting of a subsidiary partnership firm, i.e., S E Exports; one private limited company, i.e., Saluja Cotex Private Limited; two other partnership firms, i.e., M/s. Saluja International and M/s. Saluja Fabrics; and two proprietorship concern of one of our Promoters, i.e., M/s. Saluja Foundry & Allied Industry and M/s. R.S.Saluja Hosiery.

Until February 23, 2006, our Group was having two more companies, i.e., Saluja Processors Private Limited and Saluja Fabrics Limited. Both these companies were in the business of textiles. Pursuant to the then ongoing business consolidation within our Group, these two companies were amalgamated with our Company with effect April 1, 2004 pursuant to a scheme of amalgamation approved by the Hon'ble High Court of Punjab and Haryana on February 23, 2006.

None of our Promoter Group Companies/entities is listed. Our Promoter Group Companies have not made any public or rights issue in the preceding three years and none of them are sick or potentially sick company or under liquidation. None of our Promoter Group Companies/entities has negative net worth, except a group partnership firm i.e. M/s. Saluja Fabrics having negative net worth of Rs 13.46 lacs.

M/s S E Exports, our Subsidiary Partnership Firm (the Firm)

Our Company is a 99% partner in M/s S E Exports from April 1, 2005, with two of our Promoters viz, Mr. Dhiraj Saluja and Mrs. Reema Saluja, as the other two partners with 0.5% stake each vide partnership deed dated April 1, 2005. M/s S E Exports is a partnership firm constituted vide a partnership deed dated May 14, 2001 under the name and style of M/s Saluja Exim. The Firm has its office at 90 Industrial Area, Baddi, Himachal Pradesh. Since constitution, the Firm was reconstituted on various occasions. The name of the Firm was changed to M/s S E Exports on April 1, 2003. The Firm is engaged in the business of manufacture of value added knitted garments having production facilities located in the tax free zone in Baddi in Himachal Pradesh.

The following are the details of the partners, profit sharing ratio and capital account position of the firm as on March 31, 2006:

(Rs. in lacs)

S. No.	Name of the Partner	Profit Sharing Ratio	Capital Account Balance
1	SEL Manufacturing Co. Limited	99.00%	2,781.51
2	Mr. Dhiraj Saluja	0.50%	9.38
3	Mrs. Reema Saluja	0.50%	30.47
	Total	**100.00%**	**2,821.37**

Financial Performance

Financial performance of M/s S E Exports for the last three financial years is as under:

(Rs. in lacs)

Particulars	FY 2007	FY 2006	FY 2005
Turnover	4,273.13	4,064.36	3,885.36
Net Profits	1,453.52	1,113.87	900.16
Partners Capital	3,236.19	2,821.38	437.40

For details on the salient features of the terms of the partnership deed dated April 1, 2005, kindly refer to the section titled 'Our History and Corporate Structure' starting on page 56 of the Red Herring Prospectus.

Our Group Company

Saluja Cotex Private Limited

Saluja Cotex Private Limited (Saluja Cotex) was incorporated on June 28, 2002 under the Companies Act, 1956 and is registered with the Registrar of Companies, Punjab, Himachal Pradesh. & Chandigarh. The registration number of Saluja Cotex is 16-25227. Registered office of Saluja Cotex is located at 706, Industrial Area 'A', Ludhiana..

With effect from May 31, 2006, our Company vide a Business Transfer Agreement (BTA) has acquired the textile business of Saluja Cotex, comprising of a 100% export oriented spinning unit of Saluja Cotex, on slump sale basis for a total consideration of Rs. 190.91 lacs. This slump sale has added 14,400 spindles, with a capacity to manufacture 3,816 tons of combed yarn per annum to the spinning capacities of our Company.

Board of Directors

Sr. No.	Name of Director	Designation
1	Mr. Ram Saran Saluja	Director
2	Mr. Neeraj Saluja	Director
3	Mr. Dhiraj Saluja	Director
4	Mrs. Reema Saluja	Director

Shareholding Pattern

The shareholding pattern of Saluja Cotex as on March 31, 2006 was as under:

S. No.	Name of the Shareholder	No. of Shares Held	% Shareholding
1	Ram Saran Saluja	6000	12.28%
2	Neeraj Saluja	2000	4.09%
3	Dhiraj Saluja	22,200	45.43%
4	Reema Saluja	4000	8.19%
5	Sneh Lata Saluja	14,667	30.01%
	Total	**48,867**	**100.00%**

Financial Performance

Financial performance of Saluja Cotex for the last three financial years is as under:

(Rs. in lacs)

Particulars	FY 2006	FY 2005	FY 2004
Turnover	1,384.10	Nil	Nil
Profit After Tax	6.04	Nil	Nil
Equity Share Capital	4.88	1.00	1.00
Share Application Money	454.54	58.30	239.30
Reserves & Surplus (excluding revaluation reserves)	60.45	Nil	Nil
Earning Per Share (Rs.)	12.36	Nil	Nil
Net Asset Value	1,059.96	3.55	3.55

For details on the salient features of the terms of the Business Transfer Agreement dated May 31, 2006, kindly refer to the section titled 'Our History and Corporate Structure' starting on page 56 of the Red Herring Prospectus.

Other Partnership Firms of our Group

M/s Saluja International

M/s Saluja International is a partnership firm (the Firm) constituted vide partnership deed dated August 6, 1980. The office of the Firm is situated at 706, Industrial Area 'A', Ludhiana. The Firm is engaged in the business of trading of textile products.

The following are the details of the partners, profit sharing ratio and capital account position of the Firm as on March 31, 2006:

(Rs. in lacs)

S. No.	Name of the Partner	Capital Account Balance	Profit Sharing Ratio
1	Mr. Ram Saran Saluja	223.57	50%
2	Mr. Neeraj Saluja	(44.78)	50%
3	**Total**	**178.78**	**100%**

Financial Performance

Financial performance of M/s Saluja International for the last three financial years is as under:

(Rs. in lacs)

Particulars	FY 2006	FY 2005	FY 2004
Sales/Income	16.77	319.10	73.54
Net Profit/ (Loss)	(15.97)	(34.72)	(20.31)
Partners Capital	178.78	229.78	443.90

M/s Saluja Fabrics

M/s Saluja Fabrics is a partnership firm (the Firm) constituted vide partnership deed dated April 8, 1985. The office of the firm is situated at 706, Industrial Area 'A', Ludhiana. The Firm was engaged in the business of trading of textile products however; presently it is not carrying any business activity.

The following are the details of the partners, profit sharing ratio and capital account position of the Firm as on March 31, 2006:

(Rs. in lacs)

S. No.	Name of the Partner	Profit Sharing Ratio	Capital Amount Balance
1	Mr. Ram Saran Saluja	50%	23.92
2	Mr. Neeraj Saluja	50%	(37.38)
	Total	**100%**	**(13.45)**

Financial Performance

Financial performance of M/s Saluja Fabrics for the last three financial years is as under:

(Rs. in lacs)

Particulars	FY 2006	FY 2005	FY 2004
Sales/Income	Nil	56.99	1.69
Net Profit/ (Loss)	(30.27)	(37.38)	(27.67)
Partners Capital	(13.46)	12.25	39.75

Other Ventures of our Group

M/s R S Saluja Hosiery

M/s R S Saluja Hosiery (Saluja Hosiery) is a proprietorship concern of Mr. Ram. Saran. Saluja, one of our Promoters, which was in the business of trading of textile products since 1969. However since, last 4 years there have been no commercial activities carried out in Saluja Hosiery and hence no financial data is available.

M/s Saluja Foundry & Allied Industry

M/s Saluja Foundry & Allied Industry (Saluja Foundry) is a proprietorship concern of Mr. Ram Saran Saluja, one of our Promoters. M/s Saluja Foundry is yet to commence its operations however; it owns an immovable property admeasuring 998.25 Sq yards situated at Village Meharban, Rahon Road, Ludhiana. Saluja Foundry has offered this immovable property as security to lender/bankers against the term loan & working capital facility availed by our Company from the existing bankers. Since Saluja Foundry was never commercially operational, no financial data is available.

Companies with which the Promoter has disassociated itself in the last three years

Our Promoters namely Mr. Dhiraj Saluja and Mrs. Reema Saluja had formed a partnership firm named M/s Saluja Exim (“firm”). The firm came into existence on May 14, 2001 vide a deed of partnership. The name of the firm was later changed to M/s S E Exports in FY04. The first partners of the firm were Mr. Dhiraj Saluja and Mrs. Reema Saluja holding 60% and 40% respective stake in the firm. From time to time the firm was re-constituted.

Mr. Neeraj Saluja one of our Promoter was also admitted as a partner in FY05 with 25% stake in the firm and had disassociated from this firm vide a retirement deed executed on March 31, 2005 and thereby our Company was admitted as a 99% partner w.e.f April 1, 2005 vide partnership deed dated April 1, 2005. This disassociation was to ensure that our Company becomes a majority partner in the firm and that all garmenting activities of the group are consolidated with our Company. Mr. Dhiraj Saluja and Mrs. Reema Saluja continue to remain the other partners with a reduced stake of 0.50% each in the firm.

Related party transaction with Group Companies

For details of transactions with our Promoter Group Companies please refer to paragraph on ‘Related Party Transactions’ on page 82 of the Red Herring Prospectus.

RELATED PARTY TRANSACTIONS

Break-Up of Significant Transactions with Related Parties:

Name of Related Parties and Relationships:

Name	Relationship
Saluja Cotex Private Limited	Associate
S.E.Exports	Firm in which Company is Partner
Saluja International	Entities owned by Shareholders
Saluja Fabrics (Partnership Firm)	Entities owned by Shareholders
R.S.Saluja Hosiery (HUF)	Entities owned by Shareholders
Mr. R.S.Saluja	Key Management Personnel
Mr. Neeraj Saluja	Key Management Personnel
Mr. Dhiraj Saluja	Key Management Personnel
Mrs. Reema Saluja	Key Management Personnel
Mrs. Ritu Saluja	Relatives of KMP
Mrs. Sneh Lata Saluja	Relatives of KMP

FY 2007

(Rs in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja Cotex Private Limited	1,839.94	
S.E.Exports	622.61	
Saluja International	14.72	2,477.27
Sales of Goods / Job Work:		
S.E.Exports (Sales)	1,649.30	
Saluja Fabrics	0.17	
Saluja International	13.62	1,663.09
LOAN TRANSACTION:		
Acceptance of Loans & Advances:		
Saluja Fabrics	802.89	
Saluja International	537.19	1,340.08
Repayment of Loans & Advances Taken:		
Saluja International	533.90	
Saluja Fabrics	805.34	1,339.24
Investments in SE Exports:		1766.00
Share of Profits from SE Exports:		1438.98
Purchase Consideration of Spinning Unit from Saluja Cotex Pvt. Ltd.:		190.91
Payment of Remuneration:		
Mr. Neeraj Saluja	9.83	
Mr. Dhiraj Saluja	9.83	19.66
Payment of Rent:		
Mrs. Ritu Saluja	0.60	
Mrs. Sneh Lata Saluja	0.60	1.20

FY 2006

(Rs. in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja Cotex Private Limited	783.77	
S.E.Exports	1,653.00	
Saluja International	17.43	2,454.20
Sales of Goods / Job Work:		
Saluja Cotex Private Limited	0.81	
S.E.Exports (Sales)	840.46	
S.E.Exports (Job Work)	35.88	
Saluja International	5.82	882.97
LOAN TRANSACTION:		
Acceptance of Loans & Advances:		
Saluja International		483.44
Repayment of Loans & Advances Taken:		
Saluja International		512.94
Loans Granted:		
S.E.Exports	300.00	
Saluja Cotex Private Limited	464.66	764.66
Repayment of Loans Granted:		
S.E. Exports	2532.10	
Saluja Cotex Private Limited	464.66	2,996.76
Investments in SE Exports		1,678.78
Share of Profits from SE Exports		1,102.73
Sale of Investments to Saluja Cotex Pvt. Ltd.		2,197.90
Payment of Rent:		
Mrs. Ritu Saluja	0.60	
Mrs. Sneh Lata Saluja	0.60	1.20

FY 2005

(Rs. in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja Fabrics	57.48	
S.E.Exports	117.64	
Saluja International	173.66	348.78
Sales of Goods / Job Work:		
S.E.Exports (Sales)	767.62	
S.E.Exports (Job Work)	45.47	813.09
LOAN TRANSACTION:		
Acceptance of Loans & Advances:		
Saluja International		35.35
Repayment of Loans & Advances Taken:		
Saluja International		35.35
Loans Granted:		
Saluja International	115.85	
Saluja Fabrics	0.50	
S.E.Exports	1,025.25	1,141.60

Repayment of Loans Granted:		
S.E. Exports	1,299.15	
Saluja International	115.85	
Saluja Fabrics	264.00	
R.S.Saluja Hosiery	3.00	1,769.20
Sale of Investments to Saluja Cotex Pvt. Ltd.		165.00
Payment of Rent:		
Mrs. Ritu Saluja	0.60	
Mr. Neeraj Saluja	0.24	
Mr R.S.Saluja	0.96	
Mrs. Sneh Lata Saluja	0.60	2.40

FY 2004

(Rs. in Lacs)

Particulars	**Amounts**	**Total**
Purchase of Goods:		
Saluja Processors Private Limited	1,094.57	
Saluja International	32.56	1,127.13
Sales of Goods		
Saluja International		0.41
LOAN TRANSACTION:		
Loans Granted:		
Saluja International	440.80	
Saluja Fabrics	50.50	
Saluja Fabrics Private Limited	191.00	
Saluja Processors Private Limited	1,325.12	
Saluja Cotex Private Limited (Investments)	112.34	
S.E.Exports	2,559.00	4,678.76
Repayment of Loans Granted:		
Saluja International	453.00	
Saluja Fabrics	50.50	
Saluja Fabrics Private Limited	569.77	
Saluja Processors Private Limited	1,038.86	
R.S.Saluja Hosiery	1.50	
S.E. Exports	1,747.65	3,861.28
Payment of Rent:		
Mrs. Ritu Saluja		0.48

FY 2003

(Rs in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja International		40.05
Purchase of Machinery:		
Saluja International		7.49
LOAN TRANSACTION:		
Acceptance of Loans & Advances:		
S.E.Exports		6.00
Repayment of Loans & Advances Taken :		
S.E.Exports		6.00
Loans Granted:		
Saluja International	558.76	
Saluja Fabrics	870.25	
Saluja Fabrics Private Limited	804.95	
Saluja Processors Private Limited	289.49	
R.S.Saluja Hosiery	84.00	
S.E.Exports	2,268.70	4,886.14
Repayment of Loans Granted:		
Saluja International	407.56	
Saluja Fabrics	404.68	
Saluja Fabrics Private Limited	175.15	
Saluja Processors Private Limited	289.00	
R.S.Saluja Hosiery	78.00	
S.E. Exports	574.88	1,929.27
Payment of Rent:		
Mrs. Ritu Saluja	0.48	
Mr. Neeraj Saluja	0.12	0.60

REGULATION AND POLICIES

The Government of India has over the years formulated various regulations and policies for the development of the textile sector in India.

National Textile Policy

The Ministry of Textiles has formulated the National Textile Policy, 2000 ("Textile Policy") with the objective of enabling the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The Textile Policy envisages a multi-pronged strategy to achieve these long-term goals.

The strategy aims at modernizing the equipment and technology that is used in the sector and simultaneously strengthening the traditional knowledge, skills and capabilities in this sector. The Textile Policy also targets the development of a strong multi-fibre base to facilitate product upgradation and diversification. The Textile Policy provides for government financing and venture capital funding for setting up textile plants. Particular emphasis is laid on exports with the proposal of multi-disciplinary institutional mechanisms to formulate policy and action plans, including the restructuring of Export Promotion Councils and operating a brand equity fund exclusively for textile and apparel products.

The Textile Policy also contains sector specific agendas. For the cotton sector, it designates the Technology Mission of Cotton as the nodal body to bring about increase in productivity and stability in prices. For the spinning and weaving sectors, decentralized modernization is the thrust of the government policy and for the garments sector, the government proposes a number of measures in light of the WTO rules and regulations, including strategic alliances with leading global manufacturers and the establishment of textile/apparel parks.

The Textiles Committee Act, 1963

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

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

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

Cotton Control Order 1986

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

Ministry of Textiles Order

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

Further, the Textile Order authorizes the Textiles Commissioner to pass directions with respect to the production and supply of textiles by textile manufacturers if the same is required in public interest or in the interest of national security.

The Textile Commissioner, under the Textiles Order, is authorized to specify from time to time, certain markings that must be made on textiles by a manufacturer of such textiles. No person, other than a manufacturer, is permitted to have in his possession or under his control textiles without such markings and no person is permitted to offer or store such unmarked textiles for sale.

Multi Fibre Agreement and Agreement on Textiles and Clothing

Exports of textiles and clothing from developing countries have long faced restrictive blocks to their exports called quotas. After more than forty years of trade with import quotas, the textiles and clothing sector eventually became subject to the general rules on the World Trade Organization (WTO) from January 1, 2005 and hence now textile quota regime has come to an end.

In 1962, a Long-term Agreement (LTA) regarding International Trade in Cotton Textiles was signed under the auspices of General Agreement of Tariffs and Trade (GATT). The LTA was renegotiated several times until it was replaced by the Multi Fibre Agreement (MFA), which came into force in 1974. Under the MFA regime textile and clothing quotas were negotiated bilaterally. It provided for the application of selective quantitative restrictions when surges in imports of particular products caused, or threatened to cause, serious damage to the industry of the importing country. Thus MFA came into force to allocate export quotas to the low cost developing countries, limiting the amount of imports to countries whose domestic industries were facing serious challenge from rapidly increasing imports.

The MFA was negotiated four times and it finally expired in 1994. However, the expiration did not symbolize the end of quotas. With the establishment of the WTO in 1995, the Agreement on Textiles and Clothing (ATC) was negotiated as a transitory regime to the full integration of textiles and clothing into multi-lateral trading system. The basic aim of the ATC was to secure the removal of restrictions applied by developed countries to imports of textiles and clothing. The ATC as a transitional instrument was built on certain key elements.

The ATC ruled the scene for ten years, and terminated on December 31, 2004, performing its due role of dismantling the MFA regime. Four countries that had been restricting their imports of textiles and clothing viz., Canada, the European Union, Norway and the United States integrated textiles into GATT 1994 in four steps over a period of ten years.

Technology Upgradation Fund Scheme

The Technology Upgradation Fund Scheme (TUFS) is the flagship scheme of the Ministry of Textiles, which aims at making available funds to the domestic textile industry for technology upgradation of existing units and to set up new units, to increase their viability and competitiveness in national and international markets. The Scheme was launched in February 1997 and was last extended upto March 2012. This scheme has acted as a catalyst in spurring investment in the textile sector and has received the support of the industry.

Under the TUFS the eligible units, as prescribed under the Scheme, will be provided loans at concessional terms and conditions by the nodal agencies notified for different segments by the Ministry of Textiles. The said nodal agencies in turn will nominate lending institutions, i.e., Financial Institutions/banks thereby facilitating the process of availing various benefits under the Scheme.

The Government funding is limited to reimbursement of 5% interest charged by the financial institutions / banks for Rupee Term Loan (RTL) or exchange rate fluctuation/forward cover premium limited to 5% for Foreign Currency Loan (FCL) on a project of technology Upgradation in conformity with the scheme. There is no cap on funding under the scheme.

With effect from 1.1.2002, an option has been provided to small-scale textile and jute industry to avail of either 12% credit link capital subsidy or the existing 5% interest reimbursement. For small scale power loom units, with effect from November 6, 2003 an additional option of credit linked upfront 20% capital subsidy for power loom and weaving preparatory machinery has been allowed, upto a cost of Rs. 60 lacs, with a facility to obtain credit from a enlarged credit network that includes all cooperative banks and other genuine non-banking financial companies (NBFCs) recognized by the RBI.

Generalised System of Preferences (GSP) Scheme

The Generalised System of Preferences (GSP) is an instrument by which the developed countries allow imports originating from developing and least developed countries on duty-free or preferential duty basis.

Presently, 29 preference-giving countries are extending GSP concession through their respective Schemes. These are Australia, Canada, Czech Republic, European Union, Japan, New Zealand, Norway, Bulgaria, Hungary, Poland, Russian Federation, Slovakia, Switzerland, and USA.

Foreign Trade Policy (FTP), 2004-2009

Export Oriented Units (EOUs)

Units undertaking to export their entire production of goods and services, except prohibited items of exports, can be registered under the Export Oriented Unit (EOU) Scheme. Such units may be engaged in manufacture of goods including repair, remaking, reconditioning, re-engineering, agriculture, including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture and rendering of services.

EOU units are permitted to import goods, including capital goods required by it for its activities or in connection therewith, provided they, are not prohibited items of imports in the ITC (HS) without payment of customs/excise duty. The units are also permitted to import goods required for the approved activity, including capital goods, free of cost or on loan from clients. These EOU have to be net positive foreign exchange earners. The EOUs enjoy tax holidays under section 10 B of the Income tax Act, 1961 from payment of income tax on 100% profits and gains derived by the undertaking from the export of such articles, things etc. However the aforesaid tax holiday from payment of income tax is available upto FY 2009-10.

In case of an EOU in the textile sector, disposal of leftover material/fabrics upto 2% of CIF value or quantity of import whichever is lower, on payment of duty on transaction value may be allowed, subject to certification of central excise/ custom officers certify that these are leftover items. Also, export of textile items are covered by bilateral agreements.

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

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

Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, Office Memorandum No. 1(10)/ 2001-NER, 7th January, 2003

New industrial units and existing industrial units on their substantial expansion as defined, set up in Growth Centres, Industrial Infrastructure Development Centres (IIDCs), Industrial Estates, Export Processing Zones, Theme Parks (Food Processing Parks, Software Technology Parks, etc.) and other areas as notified from time to time by the Central Government, are entitled to the following benefits:

a) 100% (hundred percent) outright excise duty exemption for a period of 10 years from the date of commencement of commercial production.

b) 100% income tax exemption for initial period of five years and thereafter 30% for companies and 25% for other than companies for a further period of five years for the entire states of Himachal Pradesh from the date of commencement of commercial production.

c) All New industries in the notified location would be eligible for capital investment subsidy @ 15% of their investment in plant & machinery, subject to a ceiling of Rs.30 lacs. The existing units will also be entitled to this subsidy on their substantial expansion, as defined.

DIVIDEND POLICY

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

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

Our Company has not paid any dividend so far.

SECTION VI: FINANCIAL INFORMATION

OUR AUDITED FINANCIAL STATEMENTS

AUDITORS' REPORT As Required by Part II of Schedule II of the Companies Act, 1956

To,
The Board of Directors,
SEL Manufacturing Company Limited
706, Industrial Area A,
Ludhiana 141 010,
Punjab

Dear Sirs,

A. a) We have examined the annexed financial information of SEL Manufacturing Company Limited for the five financial years ended March 31, 2007 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, 2007 are approved by the Board of Directors of the Company for the purpose of disclosure in the Red Herring Prospectus being issued by the Company in connection with the Public Issue of Equity Shares in the Company.

b) In accordance with the requirements of

1. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956;
2. The securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange of 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
3. Our terms of reference given vide the Company's letter dated May 1, 2006 requesting us to carry out work in connection with the Issue as aforesaid.
4. The Guidance Note on Reports in Company Prospectuses and Guidance Note on Audit Report/ Certificates on Financial information in Red Herring Prospectus issued by the institute of Chartered Accountants of India (ICAI).

We report that the restated assets and liabilities of the Company as at March 31, 2003, 2004, 2005, 2006 and 2007 are as set out in Annexure II 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 notes to account as appearing in Annexure V.

We report that the restated profits of the Company for the financial years ended March 31, 2003, 2004, 2005, 2006 and 2007 are as set out in Annexure I 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 and notes to accounts as appearing in Annexure V to this report. 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 Operational Income in Annexure I a to this report;
2. Statement of Other Income in Annexure I b to this report;
3. Statement of Cash Flow as appearing in Annexure III to this report;
4. Statement of Reconciliation of Net Profits with Cash Flow Statements as appearing in Annexure III a to this report;
5. Statement of Unsecured Loans as appearing in Annexure IV a to this report;
6. Statement of Secured Loans as appearing in Annexure IV b to this report;
7. Statement of Principal terms and conditions for term loans outstanding as on March 31, 2007 as appearing in Annexure IV b-1 to this report;
8. Statement of loans and advances as appearing in Annexure IV c to this report;
9. Statement of Debtors enclosed as Annexure IV d to this report;
10. Statement of Investments enclosed as Annexure IV e to this report;
11. Statement of Current Liabilities & Provisions enclosed as Annexure IV f to this report;
12. Statement of Accounting Ratios as appearing in Annexure V a to this Report;
13. Capitalisation Statement as at March 31, 2007 as appearing in Annexure V b to this report;

14. Related Party Transactions as appearing in Annexure V c to this report;
15. Segmental Accounting as appearing in Annexure V d to this report;
16. Statement of Tax Shelters as appearing in Annexure V e to this report;

C a) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies and Notes to Accounts enclosed in Annexure V 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 Act and the SEBI Guidelines.

b) This report is intended solely for your information and for inclusion in the Red Herring Prospectus 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.

Dass Khanna & Co
Chartered Accountants

Rakesh Soni
Partner
Membership No: 83142

Place: Ludhiana
Date: 18.06.2007

FINANCIAL STATEMENTS

Statement of Restated Profits

Annexure – 1

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Income:					
Operational Income (Gross)	18,775.19	12,160.55	6,660.37	6,012.03	6,880.97
Less: Excise Duty	28.13	4.55	228.96	9.22	-
Operational Income (Net)	18,747.06	12,156.00	6,431.41	6,002.81	6,880.97
Other Income	1,441.05	1,115.16	3.02	18.08	0.12
Increase / (Decrease) in Stocks	(1,924.35)	(6,494.21)	(2,515.09)	841.45	327.70
Total (A)	**18,263.76**	**6,776.95**	**3,919.34**	**6,862.33**	**7,208.78**
Expenditure:					
Raw Material Consumed	10,804.61	2,826.14	2,039.58	4,214.58	2,322.30
Manufacturing Expenses	1,663.06	799.34	445.51	855.54	609.90
Employees' Remuneration & Benefits	856.76	210.69	223.91	128.19	46.52
Administrative and Other Expenses	303.27	76.61	108.87	57.93	82.47
Interest and Financial Charges	732.56	326.13	156.98	85.19	103.32
Selling & Distribution Expenses	529.46	457.93	514.40	434.38	68.26
Loss / (Profit) on Sale of Assets	20.39	0.36	(0.18)	-	-
Miscellaneous Expenditure not written off	-	0.13	0.13	0.13	0.13
Total (B)	**14,910.10**	**4,697.33**	**3,489.20**	**5,775.94**	**3,232.90**
Profit before Depreciation, Tax and Extraordinary Items	**3,353.66**	**2,079.62**	**430.14**	**1,086.40**	**3,975.88**
Depreciation	503.70	277.87	105.41	18.14	19.90
Profit before Taxation	**2,849.96**	**1,801.75**	**324.73**	**1,068.26**	**3,955.98**
Provision for Taxation:					
- Current Tax	168.64	56.52	-	0.05	0.95
- Deferred Tax	315.87	277.79	(8.66)	(2.91)	0.91
Fringe Benefit Tax	4.03	2.98	-	-	-
Wealth Tax	0.28	-	-	-	-
Previous Year Adjustments (Taxation & Other)	1.10	-	-	-	-
Profit After Tax as per Audited Financial statements	**2,360.03**	**1,464.46**	**333.39**	**1,071.12**	**3,954.12**
Adjustments:					
- Less/ (Add): Changes in Accounting Policy	-	-	(1.97)	(9.40)	(10.68)
- Less/ (Add): Previous Year Adjustments	(1.10)	7.36	3.30	-	(0.02)
Provision for Gratuity	(17.95)	4.05	5.99	3.49	3.36
Total Adjustments	(19.05)	11.41	7.32	(5.91)	(7.34)
Tax Impacts on Adjustments:					
- Current Tax	-	-	-	0.93	1.12
- Deferred Tax	9.78	(34.72)	11.56	4.93	2.58
Total Adjustments net of Tax Effects	(9.27)	(23.31)	18.88	(0.05)	(3.64)
Restated Profits before Extraordinary Items	**2,369.30**	**1,487.77**	**314.51**	**1,071.17**	**3,957.77**
- Less : Extraordinary Items	-	-	1,610.00	-	-
Restated Profits after Extraordinary Items	**2,369.30**	**1,487.77**	**(1,295.49)**	**1,071.17**	**3,957.77**
Profit available for appropriations	2,369.30	1,487.77	(1,295.49)	1,071.17	3,957.77
Add: Balance brought from previous year	9,893.51	8,696.30	9,931.08	8,859.91	4,906.13
Add: Balance in the profit & loss account of Transferor Companies	-	-	60.71	-	-
Less: Capitalization for Issue of Bonus Shares	-	290.56	-	-	-
Less: Deferred Tax Liability as on April 2002	-	-	-	-	3.98
Balance Carried over to Balance Sheet	**12,262.81**	**9,893.51**	**8,696.30**	**9,931.08**	**8,859.91**

Notes:

1. The Fixed Assets have not been revalued during any of the period under reporting
2. With effect from 1st April 2004 Saluja Fabrics Limited and Saluja Processors Private Limited amalgamated with the Company. Accordingly the figures for the FY 2005 are inclusive of assets and liabilities of these companies and are not comparable with those of previous figures to that extent.
3. Extraordinary Items includes loss on Sale of Investments.
4. Employee's Remuneration and Benefits relating to current period includes Rs. 17.95 Lacs, provision made for gratuity relating to earlier years.
5. Deferred Tax Adjustment includes restatement / reversal on account of consideration of Section 80IB of the Income Tax Act in computing the provision for deferred tax.

Statement of Operational Income

Annexure – 1a

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Export Sales – Manufacturing	6,303.77	2,715.00	4,139.60	5,598.06	6,041.56
Export Sales – Trading	83.90	1,847.18	-	-	-
Domestic Sales – Manufacturing	9951.82	2,171.58	583.35	93.79	90.78
Domestic Sales – Trading	2,218.95	5,120.68	1,480.43	-	-
Export Incentives	345.71	174.17	453.06	485.48	754.19
Foreign Exchange Fluctuation	(141.17)	73.61	(60.12)	(167.34)	(8.75)
Job Work Income	8.13	47.30	61.69	-	-
Commission Received	-	-	1.25	-	-
Rebate Discount	4.08	11.03	1.11	2.04	3.19
Sundry Balances written back	-	-	-	-	-
Operational Income	**18,775.19**	**12,160.55**	**6,660.37**	**6,012.03**	**6,880.97**

Statement of Other Income
Annexure – 1b

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	Remarks	Activity
Interest Received	2.06	12.20	2.16	0.07	0.12	Recurring	Non Business
Dividend Received	-	0.24	0.38	-	-	Recurring	Non Business
Miscellaneous Income	-	-	0.48	18.01	-	Non Recurring	Non Business
Share of Profits from Partnership Firm	1,438.99	1,102.72	-	-	-	Recurring	Business
Other Income	**1,441.05**	**1,115.16**	**3.02**	**18.08**	**0.12**		

Statement of Restated Assets & Liabilities

Annexure - II

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Fixed Assets(A) :					
Gross Block	9,794.13	3,823.19	2,903.11	147.57	150.50
Less: Accumulated Depreciation	1,029.55	576.88	300.69	18.55	12.24
Net Block	8,764.58	3,246.31	2,602.42	129.02	138.26
Capital Work in Progress	3,056.51	107.90	247.12	5.40	-
Total (A)	**11,821.09**	**3,354.21**	**2,849.54**	**134.42**	**138.26**
Investments (B)	**3,204.98**	**2,781.51**	**1,837.90**	**2,696.97**	**850.00**
Current Assets, Loans & Advances (C):					
Inventories	5,839.98	2,874.82	1,963.28	2,206.16	2,359.58
Sundry Debtors	6,387.42	5,824.56	2,952.31	1,168.56	2,583.52
Cash and Bank Balances	461.40	120.81	123.48	136.85	56.56
Loans and Advances	1,888.25	1,044.44	3,388.41	4,676.38	3,652.89
Total (C)	**14,577.05**	**9,864.64**	**8,427.49**	**8,187.95**	**8,652.55**
Liabilities and Provisions (D):					
Secured Loans	13,542.79	4,233.94	3,351.58	500.21	343.66
Unsecured Loans	151.32	65.35	31.68	3.79	11.79
Deferred Tax Liability (Net)	566.48	240.83	(2.24)	9.48	7.46
Current Liabilities & Provisions	2,137.23	578.86	340.43	414.92	113.44
Total (D)	**16,397.82**	**5,118.98**	**3,721.45**	**928.40**	**476.36**
Net Worth (A+B+C-D) = E	**13,205.30**	**10,881.39**	**9,393.48**	**10,090.94**	**9,164.45**
Represented by:					
1 Share Capital	981.68	981.68	19.76	19.16	19.16
2 Share Application Money	-	-	140.95	140.95	285.75
3 Reserves & Surplus	12,273.63	9,899.70	9,232.90	9,931.08	8,859.91
Total	**13,255.31**	**10,881.39**	**9,393.61**	**10,091.19**	**9,164.82**
Less: Miscellaneous Expenditure not written off	50.01	-	0.13	0.25	0.38
Net Worth	**13,205.31**	**10,881.39**	**9,393.48**	**10,090.94**	**9,164.45**

Notes:

1. The Fixed Assets have not been revalued during any of the period under reporting
2. With effect from 1st April 2004 Saluja Fabrics Limited and Saluja Processors Private Limited amalgamated with the Company. Accordingly the figures for the FY 2005 are inclusive of assets and liabilities of these companies and are not comparable with those of previous figures to that extent.

Statement of Cash Flows

Annexure - III

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Cash Flows from Operating Activities (A)					
Net Profit before Taxes & Extraordinary Items	**2,867.91**	**1,797.70**	**320.71**	**1,065.39**	**3,951.31**
Adjustments for Non Cash Items:					
Miscellaneous Expenditure Written off	-	0.13	0.13	0.13	0.13
Previous Year Adjustments	-	(7.36)	(3.75)	-	0.02
Depreciation	503.70	277.87	105.41	18.14	19.90
Interest and Financial charges	732.56	326.13	156.98	85.19	103.32
Miscellaneous / Other Income	(1.441.05)	(1,115.16)	(3.02)	(18.08)	(0.12)
(Profit) / Loss on Sale of car	20.39	0.36	(0.18)	-	-
Operating Profit before Working Capital	**2,683.51**	**1,279.67**	**576.28**	**1,150.76**	**4,074.56**
Changes :					
(Increase)/ Decrease in Inventories	(2,965.16)	(911.53)	242.88	153.42	(1,017.33)
(Increase)/ Decrease in Sundry Debtors	(562.86)	(2,872.26)	(1,783.75)	1,414.96	657.22
(Increase)/ Decrease in Loans & Advances	(843.81)	2,343.96	1,495.97	(1,023.49)	(2,852.42)
Increase/ (Decrease) in Current Liabilities	1,558.37	238.43	(74.49)	301.48	(150.45)
Cash Generation from Operations	**(129.95)**	**78.27**	**456.89**	**1,997.13**	**711.58**
Taxes Paid	172.95	59.50	-	0.98	2.07
Net Cash Flows from Operating Activities	**(302.90)**	**18.77**	**456.89**	**1,996.15**	**709.51**
Cash Flows from Investing Activities (B)					
(Purchase)/ Sales of Fixed Assets	(9,035.67)	(788.00)	(2,828.04)	(14.08)	(5.03)
(Purchase) / Sales of Investments	(423.47)	(943.61)	(958.93)	(1,846.97)	(850.00)
Acquisition of Business	4.63	-	582.68	-	-
Miscellaneous / Other Income	1,441.05	1,115.16	3.02	18.08	0.12
Preliminary Expenses	(19.17)	-	-	-	-
Proceeds on Disposal of Fixed Assets	44.70	5.10	8.13	8.56	-
Net Cash Flows from Investing Activities	**(7,987.93)**	**(611.35)**	**(3,193.13)**	**(1,834.41)**	**(854.91)**
Cash Flows from Financing Activities (C)					
Proceeds from the Issue of Capital	-	-	0.60	(144.80)	99.00
Proceeds/(Repayment) of Secured Loans	9,308.85	882.36	2,851.37	156.55	(56.34)
Proceeds/(Repayment) of Unsecured Loans	85.97	33.67	27.89	(8.00)	8.33
Public Issue Expenses	(30.84)	-	-	-	-
Interest and Financial charges	(732.56)	(326.13)	(156.98)	(85.19)	(103.32)
Net Cash Flows from Financing Activities	**8,631.41**	**589.90**	**2,722.88**	**(81.45)**	**(52.33)**
Net Increase/(Decrease) in Cash & Cash Equivalent (A+B+C)	**340.59**	**(2.68)**	**(13.37)**	**80.29**	**(197.73)**
Cash & Cash Equivalents at beginning of the year	120.81	123.48	136.85	56.56	254.29
Cash & Cash Equivalents at end of the year	**461.40**	**120.81**	**123.48**	**136.85**	**56.56**

Statement of Reconciliation of Net Profits with Cash-Flow Statements

Annexure – III a

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Net Profit before Taxes & Extra Ordinary Items	**2,849.96**	**1,801.75**	**324.73**	**1,068.26**	**3,955.98**
Less: Decrease in Stocks	-	-	1.97	0.62	(1.32)
Less: Provision for Gratuity	(17.95)	4.05	5.99	3.49	3.36
Adjusted Net Profits for Cash Flow Statements	**2,867.91**	**1,797.70**	**320.71**	**1,065.39**	**3,951.31**

Statement of Unsecured Loan

Annexure – IV a

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
From Promoters/ Promoters Group/ Group Companies	-	-	-	-	-
ICICI Bank Limited (Vehicle Finance)	151.32	65.35	31.68	3.79	11.79

Note:

1. The Company has not created charge against the vehicles therefore loans are treated as unsecured loans.

Statement of Secured Loan

Annexure – IV b

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Term Loans	8,494.36	2,254.80	1,860.60	-	-
Cash Credits	4,309.23	1,260.09	1,088.57	99.98-	89.16
Export Packing Credits	739.20	719.05	402.41	332.40	254.50
PCFC	-	-	-	67.83	
Secured Loans	**13,542.79**	**4,233.94**	**3,351.58**	**500.21**	**343.66**

Statement of Principal Terms and Conditions of Secured Loans Outstanding As at March 31, 2007
Annexure – IV b-1

(Rs in Lacs)

Particular of Loan	Bank	Nature of Loan	Sanctioned Amount	Outstanding	Rate of Interest P.A.	Repayment Terms	Securities offered
Term Loans Under TUF	State Bank of Bikaner & Jaipur	Term Loan	1524.00	1153.72	9.25%	20 quarterly installments of Rs.76.20 lacs commencing from 31.12.2005	Charge on the entire fixed assets created out of the Term Loan and also other fixed assets of Spinning unit.
			233.00	108.81	11.50%	26 quarterly installments of Rs.8.85 lacs commencing from Sept-2004	Charge of Fixed Assets of the Company (Except office premises)
			74.00	9.86	11.50%	8 quarterly installments of Rs.2.85 lacs &10 quarterly installments of Rs.2.84 lacs commencing from Mar-04	Charge of Fixed Assets of the Company (Except office premises)
			230.00	143.03	11.50%	26 quarterly installments of Rs.8.85 lacs commencing from April-05	Charge on the entire fixed assets created out of the Term Loan and also other fixed assets of Spinning
			2400.00	2420.47	9.25%	32 quarterly installments of Rs.75.00 lacs commencing from Sept-07.	First charge on entire fixed assets of the company including equitable mortgage of company land & building .
			1500.00	1387.71	9.50%	24 quarterly installments of Rs.62.50 lacs commencing from Sept-06	First charge on pari-passu basis on all fixed assets of the company excluding factory land and personal guarantee of its directors.

	State Bank of Patiala	Term Loan	400.00	314.19	9.25%	18 quarterly installments of Rs.22.23 lacs commencing from Aug-06.	First charge on entire fixed assets of the company on pari-passu basis with SBBJ.
			800.00	647.68	9.25%	32 quarterly installments of Rs.25.00 lacs commencing from Sept-07	First charge on entire fixed assets of the company on pari-passu basis with SBBJ.
			1000.00	924.56	9.50%	24 quarterly installments of Rs.42.00 lacs commencing from Sept-06	First Pari-passu charge with SBBJ on all the fixed assets of the company & 2nd charge on current assets & personal guarantee of its promoter directors.
			3300.00	568.39	10.25%	31 quarterly installments of Rs.197.00 lacs & 1 installments of Rs.193.00 lacs commencing from Dec-08.	Charge on entire current assets & hyp of fixed assets created out of the Term Loan & equitable mortgage of properties of its promoters & personal guarantee of Directors.
	State Bank of India	Term Loan	800.00	807.21	10.00%	32 quarterly installments of Rs.25.00 lacs commencing from Sept-07	First pari-passu charge on the entire fixed assets of the company, present and future including equitable mortgage of company land & building.
Term Loan without TUF	State Bank of Bikaner & Jaipur	Term Loan	66.00	8.74	11.00%	14 quarterly installments of Rs.2.54 lacs & 4 quarterly installments of Rs.2.53 lacs commencing from Mar-04	Charge of Fixed Assets of the Company (Except office premises)
Working Capital Facility	State Bank of Bikaner & Jaipur	Cash Credit	2303.00	2264.26	9.25%	N.A.	First pari passu charge with SBOP on entire current assets approved by the Bank and book debts of the Company.
	State Bank of Patiala	Cash Credit	2250.00	2044.97	9.50%	N.A.	Secured by hypothecation of the entire current assets of Spinning Unit of Company and collateral security of specified immovable assets of the Company and the promoters.
	State Bank of Bikaner & Jaipur	*EPC/PCFC	500.00	739.20	7.50%	N.A.	Hypothecation of raw materials, finished goods, stock in process, consumables store & spares, inward RR/MTRs/Bills of lading & other documents of title to goods covering raw material First Charge on entire current assets & specified immovable assets of the garment unit of the company located at Baddi.(H.P.)

Note: Secured loans of FBP/FBD has being adjusted from Sundry Debtors

Statement of Loans & Advances

Annexure – IV c

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Advances Receivable in Cash or kind or for value to be received	1,727.34	971.40	896.26	951.66	604.81
Securities Deposits	111.08	46.11	22.37	0.11	0.14
Prepaid Taxes	49.83	26.93	8.61	0.06	0.04
From Directors/ Promoters & Group Companies	-	-	2,461.17	3,724.54	3,047.90
Total	**1,888.25**	**1,044.44**	**3,388.41**	**4,676.38**	**3,652.89**

Loans & Advances from Director/Promoters & Group Companies

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
SE Exports	-	-	2,232.10	2,506.00	1,693.82
Saluja International	-	-	-	157.20	169.45
Saluja Cotex Private Limited	-	-	-	0.34	
Saluja Processors Private Limited	-	-	-	256.75	0.49
Saluja Fabrics Limited	-	-	-	251.20	629.97
Saluja Fabrics	-	-	227.57	548.55	548.18
R.S.Saluja Hosiery	-	-	1.50	4.50	6.00
Total	**-**	**-**	**2,461.17**	**3,724.54**	**3,047.90**

Note:

1. With effect from 1st April, 2004 Saluja Fabrics Limited and Saluja Processors Private Limited amalgamated with the Company. Accordingly the figures for the FY 2005 are inclusive of assets and liabilities of these companies and are not comparable with those of previous figures to that extent.

Statement of Sundry Debtors

Annexure – IV d

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
From Others:					
Exceeding Six Months	2,287.61	2,371.31	574.44	894.94	-
Other Debts	4,830.73	2,841.83	2,477.87	721.20	2,583.52
From Promoters/ Director and Group Companies:					
Exceeding Six Months	200.90	-	-	-	-
Other Debts		1,586.31	353.03	-	-
Total	**7,319.24**	**6,799.45**	**3,405.34**	**1,616.14**	**2,583.52**
Less: Bills Discounted with Banks	931.82	974.88	453.03	447.58	-
Sundry Debtors (Net)	**6,387.42**	**5,824.56**	**2,952.31**	**1,168.56**	**2,583.52**

Sundry Debtors due from Director/Promoters & Group Companies

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
SE Exports	**-**	**-**	188.03	**-**	**-**
Saluja Cotex Private Limited	200.90	1,586.31	165.00	-	-
Total	**200.90**	**1,586.31**	**353.03**	**-**	**-**

Statement of Investments

Annexure – IV e

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Investments at Cost :					
Quoted:					
Investments in Shares	-	-	2.03	-	-
Unquoted:					
Investments in Government Securities	-	-	99.97	99.97	-
Investments in Shares:	-	-	1,735.90	2,310.00	675.00
Shares in Saluja Processors Private Limited	-	-	-	79.00	79.00
Share Application Money in Saluja Cotex Private. Ltd.	-	-	-	208.00	96.00
Investments in Partnership Firm (SE Exports)	3,204.98	2,781.51	-	-	-
Total	**3,204.98**	**2,781.51**	**1,837.90**	**2,696.97**	**850.00**
Aggregate Book Value of Quoted Investments	-	-	2.03	-	-
Market Value of Quoted Investments	-	-	8.85	-	-
Aggregate Book Value of Unquoted Investments	3,204.98	2,781.51	1,835.87	2,696.97	850.00

Statement of Current Liabilities & Provision

Annexure – IV f

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Sundry Creditors	533.27	192.54	161.83	253.08	67.23
Other Liabilities	1,414.83	305.75	161.98	151.16	39.05
Provision for Taxation	168.64	60.33	2.73	2.78	2.74
Provision of Wealth Tax	0.28				
Provision for Fringe Benefit Tax	0.31	2.28	-	-	-
Provision for Gratuity	19.89	17.95	13.90	7.91	4.42
Total	**2,137.23**	**578.86**	**340.43**	**414.92**	**113.44**

Statement of Significant Accounting Policies & Notes to Accounts

Annexure – V

Critical Accounting Policies

1. **Accounting Convention**

   The Financial Statements have been prepared under historical cost convention, in accordance with the generally accepted accounting principles. A summary of accounting policies, which have been applied consistently, is set out below. The Financial Statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956.

2. **Revenue Recognition**

   Sales revenue is recognized as net of sales returns & excluding of sales tax but including of excise duty. Sales revenue is recognized on dispatch of goods.

3. **Investments**

   Long term Investments are carried at cost less provision, if any, for diminution in value which is other than temporary and current investments are carried at lower of cost and fair value.

4. **Inventories**

   Garment Division, Knitted Cloth Division & Cotton Yarn Division

   - Inventories are valued at lower of cost or net realizable value.
   - In respect of Raw Material & Consumables Stores cost is determined on FIFO basis.
   - In respect of Work in process and Finished Goods, weighted average cost of raw material plus conversion cost.

   Polyester Texturised Yarn Division

   - Inventories are valued at lower of cost or net realizable value.
   - In respect of Raw Material & Consumables Stores cost is determined on FIFO basis.

- In respect of Work in process and Finished Goods cost is determined on basis on raw material cost plus related overheads incurred in the normal course of business in bringing such inventories to its location & condition.

5. Foreign Currency Transactions

Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of transaction except sales that are recorded at rate notified by the customs for invoice purposes. Such rate notified in the last week of every month and is adopted for recording export sales of next month.

Monetary items denominated in foreign currencies at the year end are translated at closing rates and resulting foreign exchange fluctuation is recognized in profit & loss account.

6. Fixed Assets

Fixed Assets are stated at acquisition cost including inward freight, duties, taxes and incidental expenses relating to acquisition net of subsidy relating to specific fixed asset and accumulated depreciation. All costs including borrowing costs up to the date when such assets are ready for intended use are capitalized.

7. Excise Duty

Excise duty is accounted for as and when paid on the clearance of excisable goods from the factory and is included in sales.

8. Depreciation

Depreciation has been provided under Straight Line Value Method at the rates specified in Schedule XIV of Companies Act, 1956. Depreciation on assets costing Rs. 5000/- or below is charged @ 100% per annum on proportionate basis.

9. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets, up to the date when such assets are ready for intended use. Other borrowing costs are charged as expenditure in the year in which they are incurred.

10. Retirement Benefits

Contributions to defined contribution schemes such as Provident Fund and ESI are charged to profit & loss account as incurred. Leave wages are charged to profit & loss as and when it accrues to the Company. Gratuity is provided for in books of accounts on the basis of the actuarial valuation.

11. Expenditure incurred during construction period

In respect of new / major expansion, the indirect expenses incurred during construction period up to the date of commercial production are capitalized on various categories of fixed assets on proportionate basis.

12. Miscellaneous Expenditure

Preliminary Expenses are written off over a period of 5 years from the year in which the new unit commences production or operation.

Public Issue Expenses are written off over a period of 5 years.

13. Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the period after considering tax allowances & exemptions. Deferred Tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originates in one period and capable of reversal in one or more subsequent period.

14. Impairment of Assets

At each balance sheet date, an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of any asset exceeds its recoverable amount is provided in the books of accounts.

15. Provisions and Contingent Liabilities

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized in the books of accounts but are disclosed in the notes.

Notes To Accounts

1. Impact of Changes in Accounting Policy/Prior Period/Extra-ordinary Items

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Net Profit as per Audited Accounts (A)	**2,360.03**	**1,464.46**	**333.39**	**1,071.12**	**3,954.12**
- Less/(Add): Adjustments on Account of Changes in Accounting Policy :					
-decrease in depreciation	-	-	-	(10.70)	(12.00)
-(increase)/ decrease in stocks	-	-	(1.97)	(0.62)	1.32
-change in profit/loss on sale of assets	-	-	-	1.93	-
Changes in Accounting Policy	**-**	**-**	**(1.97)**	**(9.40)**	**(10.68)**
Previous Year Adjustments	(1.10)	7.36	3.30	-	(0.02)
Provision for Gratuity	(17.95)	4.05	5.99	3.49	3.36
Total Adjustments (B)	**(19.05)**	**11.41**	**7.32**	**(5.91)**	**(7.34)**
Tax impact on above:					
-Current Tax	-	-	-	0.93	1.12
-Deferred Tax	9.78	(34.72)	11.56	4.93	2.58
Total Tax Impacts (C)	**9.78**	**(34.72)**	**11.56**	**5.86**	**3.70**
Adjustments net of Tax Effects (D) (B+C)	**(9.27)**	**(23.31)**	**18.88**	**(0.05)**	**(3.64)**
Net Profits after Adjustments (A-D)	**2,369.30**	**1,487.77**	**314.51**	**1,071.17**	**3,957.77**
Less: Extra Ordinary Items	-	-	1,610.00	-	-
Restated Profit After Tax	**2,369.30**	**1,487.77**	**(1,295.49)**	**1,071.17**	**3,957.77**

Note:

a) The Company had changed the method of depreciation from WDV to SLM in FY 20005 to confirm with uniformity in accounting policies pursuant to amalgamation of companies namely Saluja Processors Private Limited and Saluja Fabrics limited with the company. According to the scheme of amalgamation and AS-14 “Accounting for Amalgamation” issued by Institute of Chartered Accountants of India, for the purpose of amalgamation, company has to confirm the uniformity in accounting policies

b) Due to reduction in depreciation, closing stocks valuation had been reduced in accordance with AS-2 issued by ICAI.

c) Current Tax and Deferred Tax had also being changed to conform to changes in accounting policy.

2. Statement of Contingent Liability

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Bills discounted with banks	931.82	974.88	453.03	447.58	655.59
Estimated Amounts of contracts pending to be executed on Capital Accounts	-	-	-	13.00	4.00
B-17 Bond with Excise Authorities	200.00	-	-	-	-
Total	**1131.82**	**974.88**	**453.03**	**460.58**	**659.59**

3. Statement of Deferred Taxation

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Deferred Tax Liability / (Assets)					
On account of Depreciation	326.81	65.74	90.34	3.20	4.62
Carried forward Losses	-	41.63	(20.01)	-	-
Unabsorbed Depreciation	-	137.59	(64.64)	-	-
Disallowance u/s 40(a)(ia)	-	0.58	(0.58)	-	-
Disallowance u/s 36(1)(va)	-	0.19	(0.19)	-	-
Disallowance u/s 36(1)(v)	5.39	(1.36)	(2.02)	(1.18)	(1.13)
Loss on Sale of Fixed Assets	(6.86)	-	-	-	-
Disallowance u/s 35D	0.32	(1.29)	-		-
Debited / (Credited) to Profit / Loss Account	**325.65**	**243.06**	**2.90**	**2.02**	**3.49**
Add / Less: Opening balance of Deferred Tax	240.83	(2.23)	9.49	7.47	3.98
Add: Deferred Tax Liability of Transferor Companies transferred due to amalgamation	-	-	79.94	-	-
Add: Deferred Tax (Asset) of Transferor Companies transferred due to amalgamation	**-**	**-**	(94.57)	**-**	**-**
Total Deferred Tax Liability / (Assets) as on Balance Sheet Date	**566.48**	**240.83**	**(2.23)**	**9.49**	**7.47**

4. The Company has purchased assets of Mangla Cotex Private Limited through auction by the Official Liquidator, for Rs. 670 lacs. However, the possession of the same would be taken only after the confirmation of auction is confirmed by the High Court. The Company has paid Rs. 167.5 lacs as advance against it.

5. The Company has discontinued the operations of Polyester Texturized Yarn segment, which is reported as business segment. The company has sold one of the machines of this segment at a loss of Rs. 807,013/-. The disclosure regarding the discounting operations has been made in accordance with Accounting Standard – 24 "Discontinuing Operations" issued by the Institute of Chartered Accountants of India. Monetary impact of Such Discontinued Operations is as under:

(Rs in Lacs)

Particulars	**Amounts**
Revenue	295.89
Expenses	372.83
Tax Expenses	-
Net Loss	(76.94)

6. The Company has acquired by the way of slump purchase the spinning unit of Saluja Cotex Private Limited with effect from 1st June 2006 for the consideration of Rs. 190.91 Lacs. Details of Assets and Liabilities acquired under the agreement is as follows:

(Rs in Lacs)

Sr. No.	**Particulars**	**Amounts**
1	Fixed Assets:	
	Land	212.43
	Vehicles	17.82
	Computers	2.15
	Capital Work in Progress	2,103.95
	Sub Total	**2,336.35**
2	Current Assets:	
	Inventories	794.16
	Cash & Bank Balances	11.54
	Loans & Advances	1,993.96
	Sub Total	**2,799.66**
	Gross Total Assets	**5,136.01**
3	Current Liabilities & Provisions:	
	Sundry Creditors	727.36
	Other Liabilities	403.41
	Sub Total	**1,130.77**
4	Secured Loans	3,801.45
5	Unsecured Loans	8.25
	Gross Total Liabilities	**4,940.47**
	Net Assets	**195.54**
	Purchase Consideration	**190.91**
	Capital Reserve	**4.63**

Statement of Accounting Ratios

Annexure – V a

(Rs in Lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Earnings Per Share					
Restated Profits before Extraordinary Items	2,369.30	1,487.77	314.51	1,071.17	3,957.77
Restated Profits after Extra ordinary items	2,369.30	1,487.77	(1,295.49)	1,071.17	3,957.77
Weighted Average Number of Equity Shares	9,816,790	9,816,790	9,669,850	9,669,850	9,675,836
Weighted Average Number of Dilutive Potential Equity Shares	-	-	28,430	28,430	22,444
Total	9,816,790	9,816,790	9,698,280	9,698,280	9,698,280
Basic Earnings Per Share before Extra ordinary items	**24.14**	**15.16**	**3.25**	**11.08**	**40.90**
Basic Earnings Per Share after Extra ordinary items	**-**	**15.16**	**(13.40)**	**11.08**	**40.90**
Diluted Earnings Per Share before Extra ordinary items	**24.14**	**15.16**	**3.24**	**11.04**	**40.81**
Diluted Earnings Per Share after Extra ordinary items	**-**	**15.16**	**(13.36)**	**11.04**	**40.81**
Net Asset Value per Share					
Networth	13,205.31	10,881.39	9,393.48	10,090.94	9,164.45
Number of Equity Shares	9,816,790	9,816,790	191,570	191,570	191,570
Weighted Average Number of Equity Shares	9,816,790	9,816,790	9,816,790	9,816,790	9,816,790
Weighted Average Net Asset Value Per Share	134.52	110.84	95.69	102.79	93.35
Net Asset Value Per Share	**134.52**	**110.84**	**4,903.42**	**5,267.49**	**4,783.87**
Return on Net Worth					
Restated Profit before Extraordinary Items	2,369.30	1,487.77	314.51	1,071.17	3,957.77
Networth	13,205.31	10,881.39	9,393.48	10,090.94	9,164.45
Return on Net Worth *	**17.94%**	**13.67%**	**3.35%**	**10.62%**	**43.19%**
Face Value Per Share	**10.00**	**10.00**	**10.00**	**10.00**	**10.00**

*Annualised

Notes:

(a) Return is defined to include Profit after Tax before extraordinary items

(b) Net Worth includes Share Capital and Reserves & Surplus minus Miscellaneous Expenditure not written off excluding revaluation reserves, if any.

(c) Return on Net Worth = Restated Profits before Extraordinary Items/ Net Worth

(d) Net Asset Value includes Share Capital and Reserves & Surplus minus Miscellaneous Expenditure not written off excluding revaluation reserves, if any.

(e) Weighted Average number of Equity Shares are number of Equity Shares outstanding at any time during the financial year.

(f) Earnings Per Share is compute in accordance with AS-20 “ Earnings Per Share” issue by the Institute of Chartered Accountants of India.

(g) Basic Earnings Per Share = $\dfrac{\text{Profit after Tax attributable to equity shareholders}}{\text{Weighted Average number of Equity Shares}}$

Statement of Capitalization Statement

Annexure – V b

(Rs in Lacs)

Particulars	Pre-Issue as at March 31, 2007	As Adjusted For Public Issue
Short-term Debt	6,324.43	6,324.43
Long-Term Debt	7,369.68	7,369.68
Total Debt	13,694.11	13,694.11
Shareholders Funds :		
Share Capital	981.68	*
Free Reserves	12,264.82	*
Other Reserves	8.81	*
Total Shareholders Funds	**13,255.31**	*
Long Term Debt/Equity Ratio	**0.56**	*

Notes:

(a) Short- term debt represents debts, which are due within twelve months.

(b) Long Term debt Equity Ratio = Long Term Debt/Total Shareholders Funds

Statement of Related Party Transactions

Annexure – V c

Break-Up of Significant Transactions with Related Parties:

Name of Related Parties and Relationships:

Name	Relationship
Saluja Cotex Private Limited	Associate
S.E.Exports	Firm in which Company is Partner
Saluja International	Entities owned by Shareholders
Saluja Fabrics (Partnership Firm)	Entities owned by Shareholders
R.S.Saluja Hosiery (HUF)	Entities owned by Shareholders
Mr. R.S.Saluja	Key Management Personnel
Mr. Neeraj Saluja	Key Management Personnel
Mr. Dhiraj Saluja	Key Management Personnel
Mrs. Reema Saluja	Key Management Personnel
Mrs. Ritu Saluja	Relatives of KMP
Mrs. Sneh Lata Saluja	Relatives of KMP

FY 2007

(Rs. in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja Cotex Private Limited	1,839.94	
S.E.Exports	622.61	
Saluja International	14.72	2,477.27
Sales of Goods / Job Work:		
S.E.Exports (Sales)	1,649.30	
Saluja Fabrics	0.17	
Saluja International	13.62	1,663.09
LOAN TRANSACTION:		
Acceptance of Loans & Advances:		
Saluja Fabrics	802.89	
Saluja International	537.19	1,340.08

Repayment of Loans & Advances Taken:		
Saluja International	533.90	
Saluja Fabrics	805.34	1,339.24
Investments in SE Exports:		1766.00
Share of Profits from SE Exports:		1438.98
Purchase Consideration of Spinning Unit from Saluja Cotex Pvt. Ltd.		190.91
Payment of Remuneration:		
Mr. Neeraj Saluja	9.83	
Mr. Dhiraj Saluja	9.83	19.66
Payment of Rent:		
Mrs. Ritu Saluja	0.60	
Mrs. Sneh Lata Saluja	0.60	1.20

FY 2006

(Rs. in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja Cotex Private Limited	783.77	
S.E.Exports	1,653.00	
Saluja International	17.43	2,454.20
Sales of Goods / Job Work:		
Saluja Cotex Private Limited	0.81	
S.E.Exports (Sales)	840.46	
S.E.Exports (Job Work)	35.88	
Saluja International	5.82	882.97
LOAN TRANSACTION:		
Acceptance of Loans & Advances:		
Saluja International		483.44
Repayment of Loans & Advances Taken:		
Saluja International		512.94
Loans Granted:		
S.E.Exports	300.00	
Saluja Cotex Private Limited	464.66	764.66
Repayment of Loans Granted:		
S.E. Exports	2532.10	
Saluja Cotex Private Limited	464.66	2996.76
Investments in SE Exports:		1,678.78
Share of Profits from SE Exports:		1,102.73
Sale of Investments to Saluja Cotex Pvt. Ltd.		2,197.90
Payment of Rent:		
Mrs. Ritu Saluja	0.60	
Mrs. Sneh Lata Saluja	0.60	1.20

FY 2005

(Rs. in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja Fabrics	57.48	
S.E.Exports	117.64	
Saluja International	173.66	348.78
Sales of Goods / Job Work:		
S.E.Exports (Sales)	767.62	
S.E.Exports (Job Work)	45.47	813.09
LOAN TRANSACTION:		
Acceptance of Loans & Advances:		
Saluja International		35.35
Repayment of Loans & Advances Taken:		
Saluja International		35.35
Loans Granted:		
Saluja International	115.85	
Saluja Fabrics	0.50	
S.E.Exports	1,025.25	1,141.60
Repayment of Loans Granted:		
S.E. Exports	1,299.15	
Saluja International	115.85	
Saluja Fabrics	264.00	
R.S.Saluja Hosiery	3.00	1,769.20
Sale of Investments to Saluja Cotex Pvt. Ltd.		165.00
Payment of Rent:		
Mrs. Ritu Saluja	0.60	
Mr. Neeraj Saluja	0.24	
Mr R.S.Saluja	0.96	
Mrs. Sneh Lata Saluja	0.60	2.40

FY 2004

(Rs. in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja Processors Private Limited	1,094.57	
Saluja International	32.56	1,127.13
Sales of Goods:		
Saluja International		0.41
LOAN TRANSACTION:		
Loans Granted:		
Saluja International	440.80	
Saluja Fabrics	50.50	
Saluja Fabrics Private Limited	191.00	
Saluja Processors Private Limited	1,325.12	
Saluja Cotex Private Limited (Investments)	112.34	
S.E.Exports	2,559.00	4,678.76

Repayment of Loans Granted:		
Saluja International	453.00	
Saluja Fabrics	50.50	
Saluja Fabrics Private Limited	569.77	
Saluja Processors Private Limited	1,038.86	
R.S.Saluja Hosiery	1.50	
S.E. Exports	1,747.65	3,861.28
Payment of Rent:		
Mrs. Ritu Saluja		0.48

FY 2003

(Rs. in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja International		40.05
Purchase of Machinery:		
Saluja International		7.49
LOAN TRANSACTION:		
Acceptance of Loans & Advances:		
S.E.Exports		6.00
Repayment of Loans & Advances Taken:		
S.E.Exports		6.00
Loans Granted:		
Saluja International	558.76	
Saluja Fabrics	870.25	
Saluja Fabrics Private Limited	804.95	
Saluja Processors Private Limited	289.49	
R.S.Saluja Hosiery	84.00	
S.E.Exports	2,268.70	4,886.14
Repayment of Loans Granted:		
Saluja International	407.56	
Saluja Fabrics	404.68	
Saluja Fabrics Private Limited	175.15	
Saluja Processors Private Limited	289.00	
R.S.Saluja Hosiery	78.00	
S.E. Exports	574.88	1,929.27
Payment of Rent:		
Mrs. Ritu Saluja	0.48	
Mr. Neeraj Saluja	0.12	0.60

Statement of Segmental Accounting

Annexure – V d

(Rs in Lacs)

Particulars	Readymade Garments		Texturised Yarn		Knitted Cloth		Cotton Yarn		Unallocable		Total	Total
	FY 2007	FY2006	FY 2007	FY2006	FY 2007	FY2006	FY 2007	FY2006	FY 2007	FY2006	FY 2007	FY2006
Revenue												
External Sales	4,911.97	3,410.72	302.14	469.91	8,668.16	5,666.83	4,648.04	2,302.43	-	-	18,530.31	11,849.89
Inter Segment Sales	-	-	-	7.17	-	595.07	-	-	-	-	-	602.24
Other Income	192.33	229.89	(6.25)	3.18	8.89	66.84	23.85	6.85	-	-	218.82	306.76
Unallocated Income	-	-	-	-	-	-	-	-	1,438.99	1,114.51	1,438.99	1,114.51
Total Revenue	5,104.30	3,640.61	295.89	480.26	8,677.05	6,328.75	4,671.90	2,309.28	1,438.99	1,114.51	20,188.12	13,873.41
Results												
Segment Results	1,145.72	275.81	(70.61)	(77.33)	471.22	444.51	560.72	347.96	1,438.99	1,114.51	3,546.04	2,105.45
Unallocated Corporate Expenditure		-		-		-		-	24.91	2.06	24.91	2.06
Operating Profits	1,145.72	275.81	(70.61)	(77.33)	471.22	444.51	560.72	347.96	1,414.08	1,112.45	3,521.13	2,103.39
Interest Expense	-	-	-	-	-	-	-	-	671.16	301.64	671.16	301.64
Income Tax – Current	-	-	-	-	-	-	-	-	168.64	56.52	168.64	56.52
- Deferred	-	-	-	-	-	-	-	-	315.87	277.79	315.87	277.79
- FBT	-	-	-	-	-	-	-	-	4.03	2.98	4.03	2.98
Wealth Tax	-	-	-	-	-	-	-	-	0.28	-	0.28	-
Add: Previous Year Adj	-	-	-	-	-	-	-	-	1.10	0.94	1.10	0.94
Net Profit	1,145.72	275.81	(70.61)	(77.33)	471.22	444.51	560.72	347.96	252.98	472.58	2,360.03	1,463.52
Less : Adjustments	-	-	-	-	-	-	-	-	-	-	(9.27)	(24.25)
Restated Profits											2,369.30	1,487.77
Other Information	**Readymade Garments**		**Texturised Yarn**		**Knitted Cloth**		**Cotton Yarn**		**Unallocable**		**Total**	**Total**
	FY 2007	2005-06	FY 2007	2005-06	FY 2007	2005-06	FY 2007	2005-06	FY 2007	2005-06	FY 2007	2005-06
Assets												
Segment Assets	9,605.23	7,768.27	842.17	616.44	1,756.23	1,407.86	14,144.68	3,399.35	-	-	26,348.31	13,192.30
Unallocated Corporate Assets		-		-		-		-	3,304.82	2,808.06	3,304.82	2,808.06
Total Assets	9,605.23	7,768.27	842.17	616.44	1,756.23	1,407.86	14,144.68	3,399.35	3,304.82	2,808.06	29,653.13	16,000.36
Segment Liabilities	1,126.17	1,672.81	150.01	379.87	392.62	39.42	9,679.66	1,445.39	-	-	11,348.46	3,537.48
Unallocated Corporate Assets	-	-	-	-	-	-	-	-	5,049.35	1,581.49	5,049.35	1,581.49
Total Liabilities	1,126.17	1,672.81	150.01	379.87	392.62	39.42	9,679.66	1,445.39	5,049.35	1,581.49	16,397.80	5,18.97
Capital Expenditures	43.45	9.73	-	-	-	0.60	3,013.06	97.57	-	-	3,056.51	107.90
Depreciation	59.74	43.63	258.28	271.75	161.33	116.48	550.20	145.03	-	-	1,029.55	576.89
Non Cash Expenses other than depreciation	-	-	-	-	-	-	-	-	-	0.13	-	-

Notes:

(a) Segment Revenue & Expenses:

Segment revenue comprises sales to external customers and inter- segment sales. Segment expenses comprise expenses that are directly attributable to the segment and expenses relating to the transactions

With other segments of the enterprises

(b) Segment Assets & Liabilities:

Segment assets include all operating assets used by a segment and consist of cash & bank balances, debtors, inventories and fixed assets Segment liabilities include all operating liabilities and consist of creditors and other liabilities. Segment assets and liabilities do not include current and deferred taxes.

(c) Inter Segment Transfers:

Inter segment transfer are accounted for at prevailing market prices

(d) From FY 2002 to 2004, the Company was operating only in garment segment. Hence, segment information is not being provided for these financial years.

Statement of Tax Shelters
Annexure – V e

(Rs in Lacs)

Particulars	**FY 2007**	**FY 2006**	**FY 2005**	**FY 2004**	**FY 2003**
Profits before Tax as per books (Audited)	2849.96	1,801.75	324.73	1,068.26	3,955.98
Total Tax %	33.66	33.66	36.5925	35.88	36.75
Tax at actual rate on book profits	959.30	606.47	118.83	383.29	1,453.82
Adjustments :					
Timing Differences:					
Difference between Tax Depreciation & Book Depreciation	974.31	195.66	268.20	0.73	2.49
Other Adjustments	(22.37)	(1.93)	(2.09)	-	(0.14)
Total Timing Differences	**951.94**	**193.73**	**266.11**	**0.73**	**2.35**
Permanent Differences:					
Deduction u/s 80IB	627.64	146.92	74.58	747.28	1,981.13
Deduction u/s 80HHC	-	-	-	320.27	1,972.66
Other Adjustments	1270.38	1,114.31	(15.96)	(0.03)	(0.15)
Total Permanent Difference	**1898.02**	**1,261.23**	**58.62**	**1,067.52**	**3,953.64**
Net Adjustments	**2849.96**	**1,454.96**	**324.73**	**1,068.25**	**3,955.99**
Tax Savings thereon	959.29	489.74	118.83	383.29	1,453.83
Profits as per Income Tax Returns	**0.00**	**346.79**	**(0.00)**	**(0.00)**	**(0.00)**
Taxable Income u/s 115JB	1410.97	641.83	-	0.70	10.67
Tax as per Tax Returns	**168.64**	**56.52**	**(8.49)**	**0.04**	**0.95**

Notes:

(a) Figures relating to FY 2007 are provided on provisional basis as the company has not filed the return for the AY2006-07.

AUDITORS' REPORT As Required by Part II of Schedule II of the Companies Act, 1956

To,
The Board of Directors,
SEL Manufacturing Company Limited
706, Industrial Area A,
Ludhiana 141 003,
Punjab

Dear Sirs,

A. a) We have examined the annexed financial information of SEL Manufacturing Company Limited for the five financial years ended March 31, 2007 and its subsidiary M/s. S.E.Exports (99% share) for the Financial years ended March 31, 2006 and March 31, 2007 (together referred to as a group) being the last date to which the accounts of the Company have been made up and audited by us. The Consolidated financial statements for the year ended March 31, 2006 and March 31, 2007 are approved by the Board of Directors of the Company for the purpose of disclosure in the Red Herring Prospectus being issued by the Company in connection with the Public Issue of Equity Shares in the Company.

b) In accordance with the requirements of

1. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956;
2. The securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange of 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
3. Our terms of reference given vide the Company's letter dated May 1, 2006 requesting us to carry out work in connection with the Issue as aforesaid.
4. The Guidance Note on Reports in Company Prospectuses and Guidance Note on Audit Report/ Certificates on Financial information in Red Herring Prospectus issued by the institute of Chartered Accountants of India (ICAI).

We report that the restated Consolidated assets and liabilities of the Company as at March 31, 2006 and March31,2007, are as set out in Annexure II to this report after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Consolidated Accounting Policies and notes to account as appearing in Annexure V.

We report that the restated Consolidated profits of the Company for the financial years ended March 31, 2006 and March 31, 2007 are as set out in Annexure I 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 Consolidated Accounting Policies and notes to accounts as appearing in Annexure V to this report.

B. We have examined the following Consolidated financial information relating to the Group proposed to be included in the Red Herring Prospectus, as approved by you and annexed to this report:

1. Statement of Consolidated Operational Income in Annexure I a to this report;
2. Statement of Consolidated Other Income in Annexure I b to this report;
3. Statement of Consolidated Cash Flow as appearing in Annexure III to this report;
4. Statement of Consolidated Reconciliation of Net Profits with Cash Flow Statements as appearing in Annexure III a to this report;
5. Statement of Consolidated Unsecured Loans as appearing in Annexure IV a to this report;
6. Statement of Consolidated Secured Loans as appearing in Annexure IV b to this report;
7. Statement of Principal terms and conditions for Consolidated term loans outstanding as on March 31, 2007 as appearing in Annexure IV b-1 to this report;
8. Statement of Consolidated loans and advances as appearing in Annexure IV c to this report;
9. Statement of Consolidated Debtors enclosed as Annexure IV d to this report;
10. Statement of Consolidated Investments enclosed as Annexure IV e to this report;
11. Statement of Consolidated Current Liabilities & Provisions enclosed as Annexure IV f to this report;
12. Statement of Consolidated Accounting Ratios as appearing in Annexure V a to this Report;
13. Related Party Transactions as appearing in Annexure V b to this report;
14. Segmental Accounting as appearing in Annexure V c to this report;

C a) In our opinion the financial information of the Group as stated in Para A and B above read with Significant Consolidated Accounting Policies and Notes to Accounts enclosed in Annexure V 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 Act and the SEBI Guidelines.

b) This report is intended solely for your information and for inclusion in the Red Herring Prospectus 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.

Dass Khanna & Co

Chartered Accountants

Rakesh Soni

Partner

Membership No: 83142

Place: Ludhiana

Date: 18.06.2007

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Restated Profits

Annexure – 1

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Income:		
Operational Income (Gross)	20,656.93	14,624.67
Less: Excise Duty	28.13	4.55
Operational Income (Net)	20,628.80	14,620.12
Other Income	2.26	12.44
Increase / (Decrease) in Stocks	(1,132.61)	(6,302.94)
Total (A)	**19,498.45**	**8,329.62**
Expenditure:		
Cost of Raw Material	11,357.08	4,093.12
Manufacturing Expenses	1,759.03	845.70
Employees' Remuneration & Benefits	1,276.12	299.65
Administrative and Other Expenses	333.69	88.67
Interest and Financial Charges	785.24	379.12
Selling & Distribution Expenses	687.60	654.57
Loss / (Profit) on Sale of Assets	20.39	0.36
Miscellaneous Expenditure not written off	-	0.13
Total (B)	**16,219.15**	**6,361.32**
Profit before Depreciation, Tax and Extraordinary Items	**3,279.30**	**1,968.30**
Depreciation	508.67	282.75
Profit before Taxation	**2,770.63**	**1,685.55**
Previous Year Adjustments (Taxation & Others)	**1.14**	**-**
Provision for Taxation:		
- Current Tax	168.64	56.52
- Deferred Tax	315.87	277.79
Weatlh Tax	0.28	-
Fringe Benefit Tax	4.57	3.41
Profit After Tax before Minority Interest as per Audited Financial statements	**2,280.13**	**1,347.83**
- Less: Minority Interest	13.59	10.25
- Add: Depreciation Adjustments	-	(29.23)
Profit After Tax and Minority Interest as per Audited Financial statements	**2,266.54**	**1,366.81**
Adjustments:		
- Less/ (Add): Previous Year Adjustments	(1.14)	2.08
- Provision for Gratuity	(20.19)	6.29
Total Adjustments	(21.33)	8.37
Tax Impacts on Adjustments:		
- Current Tax	-	-
- Deferred Tax	6.04	(2.12)
Total Adjustments net of Tax Effects	(15.29)	6.25
Restated Profits before Extraordinary Items	**2,281.83**	**1,360.57**
- Less: Extraordinary Items	-	-
Restated Profits after Extraordinary Items	**2,281.83**	**1,360.57**
Profit available for appropriations	2,281.83	1,360.57
Add: Balance brought from previous year	9,797.04	8,727.03
Add: Balance in the profit & loss account of Transferor Companies	-	-
Less: Capitalization for Issue of Bonus Shares	-	290.56
Less: Deferred Tax Liability as on April 2002	-	-
Balance Carried over to Balance Sheet	**12,078.87**	**9,797.04**

Notes:

1. The Fixed Assets have not been revalued during any of the period under reporting
2. Extraordinary Items includes loss on Sale of Investments.
3. Employee's Remuneration and Benefits relating to current period includes Rs. 20.19 Lacs, provision made for gratuity relating to earlier years.
4. Deferred Tax Adjustment includes restatement / reversal on account of consideration of Section 80IB of the Income Tax Act in computing the provision for deferred tax.

Statement of Operational Income

Annexure – 1a

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Export Sales – Manufacturing	9,510.90	5,375.31
Export Sales – Trading	83.90	1,847.18
Domestic Sales - Manufacturing	8,533.68	1,359.89
Domestic Sales – Trading	2,218.95	5,673.41
Export Incentives	558.04	236.72
Foreign Exchange Fluctuation	(261.25)	108.53
Job Work Income	8.13	11.42
Commission Received	0.44	-
Rebate Discount	4.14	12.21
Sundry Balances written back	-	-
Operational Income	**20,656.93**	**14,624.67**

Statement of Other Income

Annexure – 1b

(Rs in Lacs)

Particulars	FY 2007	FY 2006	Remarks	Activity
Interest Received	2.26	12.20	Recurring	Non Business
Dividend Received	-	0.24	Recurring	Non Business
Miscellaneous Income	-	-	Non Recurring	Non Business
Other Income	**2.26**	**12.44**	Recurring	Business

Statement of Restated Assets & Liabilities

Annexure - II

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Fixed Assets(A) :		
Gross Block	9,912.45	3,936.40
Less: Accumulated Depreciation	1,049.76	592.12
Net Block	8,862.69	3,344.28
Capital Work in Progress	3,056.51	107.90
Total (A)	**11,919.20**	**3,452.18**
Investments (B)	**1.00**	**1.00**
Current Assets, Loans & Advances (C):		
Inventories	6,206.56	3,072.19
Sundry Debtors	9,650.34	8,206.57
Cash and Bank Balances	465.53	187.94
Loans and Advances	2,782.99	1,536.61
Total (C)	**19,105.42**	**13,003.31**
Liabilities and Provisions (D):		
Secured Loans	14,659.21	4,539.84
Unsecured Loans	291.74	279.92
Deferred Tax Liability (Net)	575.91	254.00
Current Liabilities & Provisions	2,448.04	558.86
Total (D)	**17,974.90**	**5,632.61**
Minority Interest	**29.37**	**38.98**
Net Worth (A+B+C-D-E) = F	**13,021.34**	**10,784.90**
Represented by:		
1 Share Capital	981.68	981.68
2 Share Application Money	-	-
3 Reserves & Surplus	12,089.68	9,803.22
Total	**13,071.35**	**10,784.90**
Less: Miscellaneous Expenditure not written off	50.01	-
Net Worth	**13,021.35**	**10,784.90**

Notes:

1. The Fixed Assets have not been revalued during any of the period under reporting

Statement of Cash Flows

Annexure - III

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Cash Flows from Operating Activities (A)		
Net Profit before Taxes & Extraordinary Items	**2790.82**	**1,679.26**
Adjustments for Non Cash Items:		
Miscellaneous Expenditure Written off	-	0.13
Previous Year Adjustments	-	(2.08)
Depreciation	508.67	282.75
Interest and Financial charges	785.24	379.12
Miscellaneous / Other Income	(2.26)	(12.44)
(Profit) / Loss on Sale of car	20.39	0.36
Operating Profit before Working Capital	**4102.86**	**2,328.24**
Changes :		
(Increase)/ Decrease in Inventories	(3134.37)	(302.81)
(Increase)/ Decrease in Sundry Debtors	(1443.76)	(3,020.33)
(Increase)/ Decrease in Loans & Advances	(1246.38)	2,317.74
Increase/ (Decrease) in Current Liabilities	1889.18	(28.75)
Cash Generation from Operations	**167.53**	**1,292.95**
Taxes Paid	173.49	59.93
Net Cash Flows from Operating Activities	**(5.96)**	**1,233.02**
Cash Flows from Investing Activities (B)		
(Purchase)/ Sales of Fixed Assets	(9040.78)	(788.12)
(Purchase) / Sales of Investments		1,836.90
Acquisition of Business	4.63	-
Miscellaneous / Other Income	2.26	12.44
Preliminary Expenses	(19.17)	
Proceeds on Disposal of Fixed Assets	44.70	5.10
Net Cash Flows from Investing Activities	**(9008.36)**	**1,066.32**
Cash Flows from Financing Activities (C)		
Proceeds from the Partners Capital	(23.19)	(231.72)
Proceeds/(Repayment) of Secured Loans	10119.36	829.78
Proceeds/(Repayment) of Unsecured Loans	11.82	(2,471.34)
Public Issue Expenses	(30.84)	
Interest and Financial charges	(785.24)	(379.12)
Net Cash Flows from Financing Activities	**9291.91**	**(2,252.40)**
Net Increase/(Decrease) in Cash & Cash Equivalent (A+B+C)	**277.59**	**46.94**
Cash & Cash Equivalents at beginning of the year	187.94	140.99
Cash & Cash Equivalents at end of the year	**465.53**	**187.94**

Statement of Reconciliation of Net Profits

Annexure – III a

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Net Profit before Taxes & Extra Ordinary Items	**2770.63**	**1,685.55**
Less: Decrease in Stocks	-	-
Less: Provision for Gratuity	(20.19)	6.29
Adjusted Net Profits for Cash Flow Statements	**2790.82**	**1,679.26**

Statement of Unsecured Loan

Annexure – IV a

(Rs in Lacs)

Particulars	FY 2007	FY 2006
From Promoters/ Promoters Group/ Group Companies	140.42	214.57
ICICI Bank Limited (Vehicle Finance) (Repayment as per EMIs)	151.32	65.35
Total	291.74	279.92

Note:

1. The Company has not created charge against the vehicles therefore loans are treated as unsecured loans.

Statement of Secured Loan

Annexure – IV b

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Term Loans	8494.36	2,254.80
Cash Credits	4309.23	1260.08
Export Packing Credits	1855.08	1023.39
ICICI Bank Limited (Vehicle Finance) (Repayment as per EMIs)	0.54	1.57
Secured Loans	**14659.21**	**4,539.84**

Statement of Principal Terms and Conditions of Secured Loans Outstanding As at March 31, 2007

Annexure – IV b-1

(Rs in Lacs)

Particular of Loan	Bank	Nature of Loan	Sanctioned Amount	Outstanding	Rate of Interest P.A.	Repayment Terms	Securities offered
Term Loans Under TUF	State Bank of Bikaner & Jaipur	Term Loan	1524.00	1153.72	9.25%	20 quarterly installments of Rs.76.20 lacs commencing from 31.12.2005	Charge on the entire fixed assets created out of the Term Loan and also other fixed assets of Spinning unit.
			233.00	108.81	11.50%	26 quarterly installments of Rs.8.85 lacs commencing from Sept-04	Charge of Fixed Assets of the Company (Except office premises)
			74.00	9.86	11.50%	8 quarterly installments of Rs.2.85 lacs &10 quarterly installments of Rs.2.84 lacs commencing from Mar-04	Charge of Fixed Assets of the Company (Except office premises)
			230.00	143.03	11.50%	26 quarterly installments of Rs.8.85 lacs commencing from April-05	Charge on the entire fixed assets created out of the Term Loan and also other fixed assets of Spinning
			2400.00	2420.47	9.25%	32 quarterly installments of Rs.75.00 lacs commencing from Sept-07.	First charge on entire fixed assets of the company including equitable mortgage of company land & building .
			1500.00	1387.71	9.50%	24 quarterly installments of Rs.62.50 lacs commencing from Sept-06	First charge on pari-passu basis on all fixed assets of the company excluding factory land and personal guarantee of its directors.

	State Bank of Patiala	Term Loan	400.00	314.19	9.25%	18 quarterly installments of Rs.22.23 lacs commencing from Aug-06.	First charge on entire fixed assets of the company on pari-passu basis with SBBJ.
			800.00	647.68	9.25%	32 quarterly installments of Rs.25.00 lacs commencing from Sept-07	First charge on entire fixed assets of the company on pari-passu basis with SBBJ.
			1000.00	924.56	9.50%	24 quarterly installments of Rs.42.00 lacs commencing from Sept-06	First Pari-passu charge with SBBJ on all the fixed assets of the company & 2nd charge on current assets & personal guarantee of its promoter directors.
			3300.00	568.39	10.25%	31 quarterly installments of Rs.197.00 lacs & 1 installments of Rs.193.00 lacs commencing from Dec-08.	Charge on entire current assets & hyp of fixed assets created out of the Term Loan & equitable mortgage of properties of its promoters & personal guarantee of Directors.
	State Bank of India	Term Loan	800.00	807.21	10.00%	32 quarterly installments of Rs.25.00 lacs commencing from Sept-07	First pari-passu charge on the entire fixed assets of the company, present and future including equitable mortgage of company land & building.
Term Loan without TUF	State Bank of Bikaner & Jaipur	Term Loan	66.00	8.74	11.00%	14 quarterly installments of Rs.2.54 lacs & 4 quarterly installments of Rs.2.53 lacs commencing from Mar-04	Charge of Fixed Assets of the Company (Except office premises)
Working Capital Facility	State Bank of Bikaner & Jaipur	Cash Credit	2303.00	2264.26	9.25%	N.A.	First pari passu charge with SBOP on entire current assets approved by the Bank and book debts of the Company.
	State Bank of Patiala	Cash Credit	2250.00	2044.97	9.50%	N.A.	Secured by hypothecation of the entire current assets of Spinning Unit of Company and collateral security of specified immovable assets of the Company and the promoters.
	State Bank of Bikaner & Jaipur	*EPC/PCFC	1700.00	1855.08	7.50%	N.A.	Hypothecation of raw materials, finished goods, stock in process, consumables store & spares, inward RR/MTRs/Bills of lading & other documents of title to goods covering raw material First Charge on entire current assets & specified immovable assets of the garment unit of the company located at Baddi.(H.P.)
		*SLC	190.00		7.50%	N.A.	
		*FBP/FBD	810.00	755.64	7.50%	N.A.	Specified immovable assets of the Garment unit of the Company located at Baddi(H.P.)

Note: Secured loans of FBP/FBD has being adjusted from Sundry Debtors

Statement of Loans & Advances

Annexure – IV c

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Advances Receivable in Cash or kind or for value to be received	2270.03	1,245.81
Securities Deposits	111.08	46.11
Prepaid Taxes	49.83	26.93
From Directors/ Promoters & Group Companies	352.05	217.76
Total	**2782.99**	**1,536.61**

Loans & Advances from Director/Promoters & Group Companies

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Saluja International	0.68	-
Saluja Cotex Private Limited	300.00	88.02
Ram Saran Saluja	0.47	
Neeraj Saluja	50.90	129.74
Total	**352.05**	**217.76**

Statement of Sundry Debtors

Annexure – IV d

(Rs in Lacs)

Particulars	FY 2007	FY 2006
From Others:		
Exceeding Six Months	4,559.94	2,702.55
Other Debts	6,223.06	5,238.35
From Promoters/ Director and Group Companies:		
Exceeding Six Months	200.90	-
Other Debts		1,586.31
Total	**10,983.90**	**9,527.21**
Less: Bills Discounted with Banks	1,333.57	1,320.64
Sundry Debtors (Net)	**9,650.34**	**8,206.57**

Sundry Debtors due from Director/Promoters & Group Companies

(Rs in Lacs)

Particulars	FY 2007	FY 2006
SE Exports	-	-
Saluja Cotex Private Limited	200.90	1,586.31
Total	**200.90**	**1,586.31**

Statement of Investments

Annexure – IV e

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Investments at Cost:		
Quoted:		
Investments in SBI MF Magnum Taxgain Scheme	1.00	1.00
Total	**1.00**	**1.00**
Aggregate Book Value of Quoted Investments	1.00	1.00
Market Value of Quoted Investments	0.67	0.75

Statement of Current Liabilities & Provision

Annexure – IV f

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Sundry Creditors	545.27	309.12
Other Liabilities	1,733.14	189.60
Provision for Taxation	168.64	57.61
Provision for Wealth Tax	0.28	
Provision for Fringe Benefit Tax	0.71	2.48
Provision for Gratuity	-	-
Total	**2,448.04**	**558.86**

Statement of Significant Accounting Policies & Notes to Accounts

Annexure – V

Critical Accounting Policies

1. **Accounting Convention**

The Financial Statements have been prepared under historical cost convention, in accordance with the generally accepted accounting principles. A summary of accounting policies, which have been applied consistently, is set out below. The Financial Statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956.

2. **Principles of Consolidation**

In Preparing consolidated financial statements; the financial statements of parent company and subsidiary are combined on line-by-line basis by adding together the like items of assets, liabilities, income and expenses. The inter group balances and transactions and unrealized profits and losses are fully eliminated.

Minority Interest's share of net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

Minority Interest's in the net assets of the consolidated subsidiary is identified and presented in the consolidated balance sheet separate from liabilities and equity of the company's shareholders.

As far as possible, the consolidate financial statements are prepared using uniform accounting policies for the like transactions and other events in similar circumstances and are presented in the same manner as Company's separate financial statements.

3. **Revenue Recognition**

Sales revenue is recognized as net of sales returns & excluding of sales tax but including of excise duty. Sales revenue is recognized on dispatch of goods.

4. **Investments**

Long term Investments are carried at cost less provision, if any, for diminution in value which is other than temporary and current investments are carried at lower of cost and fair value.

5. **Inventories**

Garment Division, Knitted Cloth Division & Cotton Yarn Division

- Inventories are valued at lower of cost or net realizable value.
- In respect of Raw Material & Consumables Stores cost is determined on FIFO basis.
- In respect of Work in process and Finished Goods, weighted average cost of raw material plus conversion cost.

Polyester Texturized Yarn Division

- Inventories are valued at lower of cost or net realizable value.
- In respect of Raw Material & Consumables Stores cost is determined on FIFO basis.
- In respect of Work in process and Finished Goods cost is determined on basis on raw material cost plus related overheads incurred in the normal course of business in bringing such inventories to its location & condition.

6. **Foreign Currency Transactions**

Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of transaction except sales that are recorded at rate notified by the customs for invoice purposes. Such rate notified in the last week of every month and is adopted for recording export sales of next month.

Monetary items denominated in foreign currencies at the year end are translated at closing rates and resulting foreign exchange fluctuation is recognized in profit & loss account.

7. Fixed Assets

Fixed Assets are stated at acquisition cost including inward freight, duties, taxes and incidental expenses relating to acquisition net of subsidy relating to specific fixed asset and accumulated depreciation. All costs including borrowing costs up to the date when such assets are ready for intended use are capitalized.

8. Excise Duty

Excise duty is accounted for as and when paid on the clearance of excisable goods from the factory and is included in sales.

9. Depreciation

Depreciation has been provided under Straight Line Value Method at the rates specified in Schedule XIV of Companies Act, 1956. Depreciation on assets costing Rs. 5000/- or below is charged @ 100% per annum on proportionate basis.

10. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets, up to the date when such assets are ready for intended use. Other borrowing costs are charged as expenditure in the year in which they are incurred.

11. Retirement Benefits

Contributions to defined contribution schemes such as Provident Fund and ESI are charged to profit & loss account as incurred. Leave wages are charged to profit & loss as and when it accrues to the Company. Gratuity is provided for in books of accounts on the basis of the actuarial valuation.

12. Expenditure incurred during construction period

In respect of new / major expansion, the indirect expenses incurred during construction period up to the date of commercial production are capitalized on various categories of fixed assets on proportionate basis.

13. Miscellaneous Expenditure

Preliminary Expenses are written off over a period of 5 years from the year in which the new unit commence production or operation.

Public Issue Expenses are written off over a period of 5 years.

14. Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the period after considering tax allowances & exemptions. Deferred Tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originates in one period and capable of reversal in one or more subsequent period.

15. Impairment of Assets

At each balance sheet date, an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of any asset exceeds its recoverable amount is provided in the books of accounts.

16. Provisions and Contingent Liabilities

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized in the books of accounts but are disclosed in the notes.

Notes To Accounts

1. Statement of Contingent Liability

(Rs in Lacs)

Particulars	**FY 2007**	**FY 2006**
Bills discounted with banks	1,333.57	1,320.64
Estimated Amounts of contracts pending to be executed on Capital Accounts	-	-
B-17 Bond with Excise Authorities	200.00	-
Demand as per Income Tax Act, 1961	94.93	-
Total	**1,628.50**	**1320.64**

2. **Statement of Deferred Taxation**

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Deferred Tax Liability / (Assets)		
On account of Depreciation	327.95	65.74
Carried forward Losses	-	41.63
Unabsorbed Depreciation	-	137.59
Disallowance u/s 40(a)(ia)	-	0.58
Disallowance u/s 36(1)(va)	-	0.19
Disallowance u/s 36(1)(v)	(6.70)	-
Loss on Sale of Fixed Assets	(6.86)	
Disallowance u/s 35D	0.32	(1.29)
Previous Year Adjustment	1.16	33.36
Debited / (Credited) to Profit / Loss Account	**315.87**	**277.79**
Add / Less: Opening balance of Deferred Tax	254.00	(21.67)
Add / Less: Deferred Tax Adjustment	6.04	(2.12)
Total Deferred Tax Liability / (Assets) as on Balance Sheet Date	**575.91**	**254.00**

3. The Company has purchased assets of Mangla Cotex Private Limited through auction by the Official Liquidator, for Rs. 670 lacs. However, the possession of the same would be taken only after the confirmation of auction is confirmed by the High Court. The Company has paid Rs. 167.50 Lacs as advance against it.

4. The Company has acquired by the way of slump purchase the spinning unit of Saluja Cotex Private Limited with effect from 1st June 2006 for the consideration of Rs. 190.91 Lacs. Details of Assets and Liabilities acquired under the agreement is as follows:

(Rs in Lacs)

Sr. No.	Particulars	Amounts
1	Fixed Assets:	
	Land	212.43
	Vehicles	17.82
	Computers	2.15
	Capital Work in Progress	2,103.95
	Sub Total	**2,336.35**
2	Current Assets:	
	Inventories	794.16
	Cash & Bank Balances	11.54
	Loans & Advances	1,993.96
	Sub Total	**2,799.66**
	Gross Total Assets	**5,136.01**
3	Current Liabilities & Provisions:	
	Sundry Creditors	727.36
	Other Liabilities	403.41
	Sub Total	**1,130.77**
4	Secured Loans	3,801.45
5	Unsecured Loans	8.25
	Gross Total Liabilities	**4,940.47**
	Net Assets	**195.54**
	Purchase Consideration	**190.91**
	Capital Reserve	**4.63**

5. For the purpose of consolidation and confirming the uniformity in accounting policies, the Company has changed the method of depreciation of subsidiary from Written Down Value to Straight Line Method. The resulting difference if Rs. 29.23 Lacs has been credited to profit & loss account of current financial year as required by Accounting Standard – 6 issued by Institute of Chartered Accountants of India.

6. Name of Subsidiary is Se Exports (Partnership Firm) and percentage of holding is 99% of the profits & losses.

7. The Company has discontinued the operations of Polyester Texturized Yarn segment which is reported as business segment. The company has sold one of the machines of this segment at a loss of Rs. 807,013/-. The disclosure

regarding the discounting operations has been made in accordance with Accounting Standard – 24 "Discontinuing Operations" issued by the Institute of Chartered Accountants of India. Monetary impact of Such Discontinued Operations is as under:

(Rs in Lacs)

Particulars	Amounts
Revenue	295.89
Expenses	372.83
Tax Expenses	-
Net Loss	(76.94)

Statement of Accounting Ratios

Annexure – V a

(Rs in Lacs)

Particulars	FY 2007	FY 2006
Earnings Per Share		
Restated Profits	2,281.83	1,360.57
Weighted Average Number of Equity Shares	9,816,790	9,816,790
Basic Earnings Per Share	**23.24**	**13.86**
Net Asset Value per Share		
Net worth	13,021.35	10,784.90
Number of Equity Shares	9,816,790	9,816,790
Net Asset Value Per Share	**132.64**	**109.86**
Return on Net Worth		
Restated Profit	2,281.83	1,360.57
Net worth	13,021.35	10,784.90
Return on Net Worth *	**17.52%**	**12.62%**
Face Value Per Share	**10.00**	**10.00**

*Annualized

Notes:

a) Return is defined to include Profit after Tax before extraordinary items

b) Net Worth includes Share Capital and Reserves & Surplus minus Miscellaneous Expenditure not written off excluding revaluation reserves, if any.

c) Return on Net Worth = Restated Profits before Extraordinary Items/ Net Worth

d) Net Asset Value includes Share Capital and Reserves & Surplus minus Miscellaneous Expenditure not written off excluding revaluation reserves, if any.

e) Weighted Average number of Equity Shares is number of Equity Shares outstanding at any time during the financial year.

f) Earnings Per Share is compute in accordance with AS-20 " Earnings Per Share" issue by the Institute of Chartered Accountants of India.

g) Basic Earnings Per Share = $\frac{\text{Profit after Tax attributable to equity shareholders}}{\text{Weighted Average number of Equity Shares}}$

Statement of Related Party Transactions

Annexure – Vb

Break-Up of Significant Transactions with Related Parties:

Name	Relationship
Saluja Cotex Private Limited	Associate
Saluja International	Entities owned by Shareholders
Saluja Fabrics (Partnership Firm)	Entities owned by Shareholders
R.S.Saluja Hosiery (HUF)	Entities owned by Shareholders
Mr. R.S.Saluja	Key Management Personnel
Mr. Neeraj Saluja	Key Management Personnel
Mr. Dhiraj Saluja	Key Management Personnel
Mrs. Reema Saluja	Key Management Personnel
Mrs. Ritu Saluja	Relatives of KMP
Mrs. Sneh Lata Saluja	Relatives of KMP

FY 2007

(Rs in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja Cotex Private Limited	1,839.94	
Saluja International	23.89	1,863.83
Sales of Goods / Job Work:		
Saluja Fabrics	0.25	
Saluja International	13.62	13.87
LOAN TRANSACTION:		
Acceptance of Loans & Advances:		
Saluja International	537.19	
Saluja Fabrics	1,898.30	
Ritu Saluja	10.10	
Sneh Lata Saluja	2.50	2,448.09
Repayment of Loans & Advances Taken:		
Saluja International	533.90	
Saluja Fabrics	1,896.89	
Ritu Saluja	59.76	
Sneh Lata Saluja	23.00	2,513.55
Loans & Advances Granted:		
Saluja International	429.37	
Saluja Cotex Pvt. Ltd.	1,518.70	1,948.07
Repayment of Loans & Advances Granted:		
Saluja International	428.70	
Saluja Cotex Pvt. Ltd.	1,218.70	1,647.40
Purchase Consideration of Spinning Unit from Saluja Cotex Pvt. Ltd.		190.91
Payment of Remuneration:		
Mr. Neeraj Saluja	9.83	
Mr. Dhiraj Saluja	9.83	19.66
Payment of Rent:		
Mrs. Ritu Saluja	0.60	
Mrs. Sneh Lata Saluja	0.60	1.20
Current Account Transaction with Neeraj Saluja (Retired Partner)		
Opening Balance – Credit / (Debit)		(129.74)
Credits Received during the year		206.52
Debits Raised		127.68
Closing Balance – Debit / (Credit)		(50.90)
Capital Account Transaction with Partners:		
Capital Raised - Dhiraj Saluja		248.76
Drawings – Dhiraj Saluja		265.41
- Reema Saluja		20.65
Acceptance of Loan- Dhiraj Saluja		131.00

FY 2006

(Rs. in Lacs)

Particulars	Amounts	Total
Purchase of Goods:		
Saluja Cotex Private Limited	783.77	
Saluja International	17.43	801.20
Sales of Goods / Job Work:		
Saluja Fabrics	0.00	
Saluja International	5.82	5.82
LOAN TRANSACTION:		
Acceptance of Loans & Advances:		
Saluja International	483.44	
Ritu Saluja	56.90	
Sneh Lata Saluja	22.68	590.02
Repayment of Loans & Advances Taken:		
Saluja International	512.94	
Ritu Saluja	0.00	
Sneh Lata Saluja	0.00	512.94
Loan & Advances Granted - Saluja Cotex Pvt Limited		697.68
Repayment of Loans & Advances – Saluja Cotex Private Limited		609.66
Payment of Rent:		
Mrs. Ritu Saluja	0.60	
Mrs. Sneh Lata Saluja	0.60	1.20
Current Account Transaction with Neeraj Saluja (Retired Partner)		
Opening Balance – Credit / (Debit)		204.12
Credits Received during the year		32.38
Debits Raised		366.24
Closing Balance – Debit / (Credit)		129.74
Capital Account Transaction with Partners		
Capital Raised - Dhiraj Saluja		200.00
Drawings – Dhiraj Saluja		307.63
- Reema Saluja		124.09
Sales of Investments to Saluja Cotex Private Limited		2197.90

Statement of Segmental Accounting
Annexure – Vc

(Rs. in Lacs)

Particulars	Readymade Garments		Texturized Yarn		Knitted Cloth		Cotton Yarn		Unallocable		Total	Total
	FY 2007	FY2006	FY 2007	FY2006	FY 2007	FY2006	FY 2007	FY2006	FY 2007	FY2006	FY 2007	FY2006
Revenue												
External Sales	8,208.35	6,099.81	297.52	469.91	7,165.38	5,379.10	4,648.04	2,302.43	-	-	20,319.29	14,251.25
Inter Segment Sales	764.43	760.00	4.62	7.17	1,502.78	1435.54	-	-	-	-	2,271.82	2202.71
Other Income	285.27	292.66	(6.25)	3.18	8.89	66.84	23.85	6.85	-	-	311.76	369.53
Unallocated Income	-	-	-	-	-	-	-	-	-	11.78	-	11.78
Total Revenue	9,258.05	7,152.47	295.89	480.26	8,677.05	6,881.48	4,671.89	2,309.28	-	11.78	22,902.88	16,835.27
Results												

Segment Results	2,552.45	1,311.25	(70.61)	(77.33)	471.20	444.51	560.66	347.96	-	11.78	3,513.70	2,036.24
Unallocated Corporate Expenditure		-		-		-		-	25.73	2.06	25.73	2.06
Operating Profits	2,552.45	1,311.25	(70.61)	(77.33)	471.20	444.51	560.66	347.96	(25.73)	9.72	3,487.97	2,036.11
Interest Expense	-	-	-	-	-	-	-	-	717.33	350.54	717.33	350.54
Income Tax – Current	-	-	-	-	-	-	-	-	168.64	56.52	168.64	56.52
- Deferred	-	-	-	-	-	-	-	-	315.87	277.79	315.87	277.79
- FBT	-	-	-	-	-	-	-	-	4.57	3.41	4.57	3.41
Wealth Tax									0.28		0.28	
Add: Previous Year Adj	-	-	-	-	-	-	-	-	1.14	0.94	1.14	0.94
Depreciation W/Back	-	-	-	-	-	-	-	-	-	29.23	-	29.23
Minority Interest	-	-	-	-	-	-	-	-	13.59	10.25	13.59	10.25
Net Profit	2,552.45	1,311.25	(70.61)	(77.33)	471.20	444.51	560.66	347.96			2,266.55	1,365.88
Less: Adjustments (Net)											(15.28)	5.31
Restated Profits											2,281.83	1,360.57
Other Information	**Readymade Garments**		**Texturized Yarn**		**Knitted Cloth**		**Cotton Yarn**		**Unallocable**		**Total**	**Total**
	FY 2007	2005-06	FY 2007	2005-06	FY 2007	2005-06	FY 2007	2005-06	FY 2007	2005-06	FY 2007	2005-06
Assets												
Segment Assets	14,231.72	11,067.61	842.17	612.76	1,756.23	1,348.82	14,144.68	3,399.35	-	-	30,974.79	16,428.54
Unallocated Corporate Assets		-		-		-		-	100.84	27.96	100.84	27.96
Total Assets	14,231.72	11,067.61	842.17	612.76	1,756.23	1,348.82	14,144.68	3,399.35	100.84	27.56	31.075.63	16,456.51
Segment Liabilities	2,710.57	2,140.58	150.01	376.20	392.62	89.94	9,679.66	1,445.39	-	-	12,932.86	4,052.10
Unallocated Corporate Liabilities	-	-	-	-	-	-	-	-	5,071.41	1,619.50	5,071.41	1,619.50
Total Liabilities	2,710.57	2,140.58	150.01	376.20	392.62	89.94	9,679.66	1,445.39	5,071.41	1,619.50	18,004.27	5,671.60
Capital Expenditures	43.45	9.73	-	-	-	0.60	3,013.06	97.57	-	-	3,056.51	107.90
Depreciation	79.79	58.87	258.28	271.75	161.34	116.48	550.34	145.03	-	-	1,049.76	592.12
Non Cash Expenses other than depreciation	-	-	-	-	-	-	-	-	-	0.13	-	0.13

Notes:

a) Segment Revenue & Expenses:
Segment revenue comprises sales to external customers and inter- segment sales. Segment expenses comprise expenses that are directly attributable to the segment and expenses relating to the transactions
With other segments of the enterprises

b) Segment Assets & Liabilities:
Segment assets include all operating assets used by a segment and consist of cash & bank balances, debtors, inventories and fixed assets Segment liabilities include all operating liabilities and consist of creditors and other liabilities. Segment assets and liabilities do not include current and deferred taxes.

c) Inter Segment Transfers:
Inter segment transfer are accounted for at prevailing market prices

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial conditions and results of operations should be read in conjunction with our audited financial statements for the years ended March 31, 2003,2004,2005, 2006,and 2007 along with our audited Consolidated financial statements for the year ended March 31, 2006, and 2007 including notes thereto and reports thereon. These Financial Statements are prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and other applicable provisions of the Companies Act and Indian Securities regulations.

Financials statements for the year ended March 31, 2005, 2006 and 2007 includes results of two group companies amalgamated with our Company.

The following discussion is also based on internally prepared statistical information and publicly available information. You are advised to read the section titled "Risk Factors" beginning on page x, which discusses a number of factors, and contingencies that could affect our financial conditions, results of operations and cash flows.

Certain industry, technical and financial terms with initial capitals used in this discussion shall have the meanings ascribed to them in the section entitled "Definitions and Abbreviations" beginning on page i of the Red Herring Prospectus.

OVERVIEW

We are a vertically integrated multi-product textile company, manufacturing and exporting cotton yarn, combed yarn knitted fabrics, having dyeing and washing facilities and knitted garments for domestic and international markets. Our operations and facilities enable us to span various aspects of the textile production value chain from producing cotton yarn to designing and manufacturing knitted garments.

Our total income increased from Rs. 6,434.44 lacs in FY2005 to Rs. 20,188.11 lacs in FY2007 i.e., at a CAGR of 77.13%. This has being due to change in our product mix from single product i.e. knitted garments in FY2004 to multi-product from FY2006. Our Consolidated total income has increased at a rate of 40.99% from Rs. 14,632.56 lacs in FY2006 to Rs. 20,631.06 lacs in FY2007.

Our Profitability has increased from Rs. 314.51 lacs in FY2005 to Rs. 2,369.60 lacs in FY2007 i.e., at a CAGR of 174.47%. Our Consolidated Restated Profits after tax had shown growth of 67.71% from Rs. 1,360.57 lacs in FY2006 to Rs. 2,281.83 lacs in FY2007.

Taking forward the consolidation process we had during the past fiscals made following Acquisitions:

- In FY2005 we had amalgamated two group Companies engaged in business of knitted fabrics.
- In FY2006 we had acquired a subsidiary partnership firm, i.e. M/s. S.E.Exports (in which our stake is 99%), which is engaged in production of value added knitted garments having capacity of 2 million pieces per annum. It has manufacturing facility located in Baddi, Himachal Pradesh and is eligible for Income tax and Indirect tax concessions.
- In FY 2007 we had acquired Spinning division of our group company having capacity of 14,400 spindles.
- In FY 2007 we had acquired garmenting unit having capacity to manufacture 1.5 million pieces per annum.

Also, during FY 2007 we have discontinued our loss making polyester business, having capacity to manufacture 4,950 tons per annum. In view of our management, business environment for polyester business was not conducive given relatively lower capacities of the Company. As the segment was not even making contribution to recover fixed costs, the closure was intended to improve overall profitability of the Company.

Capacities Post Expansion

Post expansion combined manufacturing capacity of our Company and our partnership firm would be as under:

Activity	Existing Capacity$	Capacity Expansion under IPO Project	Other Capacity Expansion [R]	Capacities Post Expansion
Spinning@				
No. of Spindles	49,056 Spindles	25,200 Spindles	75,600 Spindles	1,49,856 Spindles
Manufacturing	11,088 tons per annum**	6,552 tons per annum	20,195 tons per annum	37,835 tons per annum
Knitting	4,050 tons per annum	3,000 tons per annum	NIL	7,050 tons per annum
Processing/ Dyeing	3,000 tons per annum	Nil	NIL	3,000 tons per annum
Garment Manufacturing#	6.0 million pieces per annum	1.5 millions per annum	NIL	7.5 millions per annum

$Capacities per annum on the assumption of 300 working days in a year except in case of cotton yarn where it is on the basis of 360 working days. The capacities may vary depending on quality of the final product desired.

***Average Count ranging between 24 to 30s*

@ Spinning unit acquired from Saluja Cotex Private Limited w.e.f. May 31, 2006 through slump sale of its textile division having machine capacity of 14,400 spindles

 # Including 2 million capacity of M/s S. E. Exports, and 1.5 million from acquisition of garmenting unit during FY 2007.

[R] Expansion (including setting up of 10MW capacity of captive power plant) contemplated in two phases namely Phase V and VI to be funded through secured debts of up toRs.27,350 lacs, under the TUFS Scheme and internal accruals of Rs. 13,650 lacs.

As of June 30, 2007 our work force consisted of 1,295 full-time employees. (Including 60 full-time employees of M/s S.E.Exports) We believe our sophisticated equipment and skilled employee resources, together with our strong management and design capabilities, enable us to successfully implement modern spinning facility and maintain expand existing facilities.

We have been awarded an NSIC-CRISIL rating of CRISIL SE 2A, indicating high performance capability and high financial strength

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Our business, results of operations and financial condition are affected by a number of factors, including:

Growth in the textile industry. Our business is significantly dependent on general economic conditions and textile sector activity in India and in international market. The Indian government has in recent years introduced a number of policies and incentives aimed at encouraging the domestic textile sector, while the removal of textile quotas internationally has created potentially significant market opportunities for textile manufacturers from countries with relatively lower production costs. Our ability to anticipate and respond to the expected rapid growth, and consequent competition, in the Indian and international textile industry will be critical to our results of operations in the coming years.

Demand and supply. Our products sales realizations are influenced by the demand for and supply of these products in the Indian and international markets. Demand and supply is influenced by factors such as fashion trends, consumer preferences, perception of prospective demand, competition, tax and manufacturing incentives, the Indian and international macroeconomic and retail environment and the cost of raw materials, principally cotton.

Raw material cost. Raw material costs comprises largest part of our total operating expenditure. Raw material cost accounted for 86.91 %, 34.88 %, 26.01 % and 67.19% of our total operating expenditure in fiscal 2004, 2005, 2006 and 2007 respectively. Raw material cost accounted for 33.32 % and 68.64% of our total operating expenditure in consolidated fiscal 2006 and 2007. Cotton prices constitute significant portion of our raw material cost. There have been periodic rise in cotton costs; we have covered our cotton requirements up to January 2008 at a rate of approximately Rs 47 per kg. Further it has being our past practice to procure cotton for entire calendar year by end of December.

Fluctuations in currency exchange rates. To the extent that our income and expenditure are not denominated in the same currency, exchange rate fluctuations could cause some of our costs to grow higher than the proportionate revenues. For the year ended March 31, 2007 we had total income of Rs 6,246.50 lacs and expenses of Rs 769.41 lacs and consolidated total income of Rs 9,333.55 lacs and consolidated expenses of Rs 769.41 lacs denominated in currencies other than Indian rupees, most significantly the US dollars.

We also had receivables aggregating to Rs 5,561.90 lacs and consolidated receivables aggregating to Rs 8,898.49 lacs denominated in foreign currency as on March 31, 2007

Our further capital expenditure includes purchasing equipment and machinery denominated in foreign currency amounting to Rs. 2,127.48 lacs.

Taxation. The Government of India has provided textile producers with the option to adopt a zero-excise duty option with effect from July 2004. At present we do not pay excise-duty and value-added tax on manufacture and sale of hosiery garments from units located in Baddi, but we do pay value-added tax at a rate of 4 % on cotton purchased from domestic market.

OVERVIEW OF OUR STAND ALONE RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our revenues, expenditure and profits, for the periods indicated

	FY2007		FY2006		FY2005	
Particulars	**Amount in Rs Lacs.**	**% of Total Income**	**Amount in Rs Lacs.**	**% of Total Income**	**Amount in Rs Lacs.**	**% of Total Income**
Income						
Net Turnover	18,530.31	91.79	11,849.89	89.29	5,974.43	92.85
Operational Income	216.75	1.07	306.11	2.31	456.99	7.10
Share of Profit in partnership firm	1,438.99	7.13	1,102.72	8.31	0.00	0.00
Other Income	2.06	0.01	12.44	0.09	3.02	0.05
Total Income	**20,188.11**	100.00	**13,271.16**	100.00	**6,434.44**	100.00
Expenditure						
Raw Material Consumed	10,804.61	53.52	2,826.14	21.30	2,039.58	31.70
(Increase)/ Decrease in Work in Process and Finished Goods	1,924.35	9.53	6,494.21	48.93	2,515.09	39.09
Manufacturing Expenses	1,663.06	8.24	799.34	6.02	445.51	6.92
Personnel Expenses	856.76	4.24	210.69	1.59	223.91	3.48
Administrative and Other Charges	303.27	1.50	76.60	0.58	108.87	1.69
Selling and Distribution Expenses	529.46	2.62	457.93	3.45	514.40	7.99
Total Expenditure	**16,081.50**	**79.66**	**10,864.91**	**81.87**	**5,847.36**	**90.88**
EBIDTA	**4,106.61**	**20.34**	**2,406.25**	**18.13**	**587.08**	**9.12**
Depreciation/Amortization	503.70	2.50	278.00	2.09	105.54	1.64
Loss On Sale Of Assets	20.39	0.10	0.36	0.00	(0.18)	(0.00)
Financial Charges	732.56	3.63	326.13	2.46	156.98	2.44
Profit Before Tax	**2,849.96**	**14.12**	**1,801.75**	**13.58**	**324.73**	**5.05**
Current Tax	170.02	0.84	56.52	0.43	0.00	0.00
Deferred Tax	315.87	1.56	277.79	2.09	(8.66)	(0.13)
Fringe Benefit Tax	4.03	0.02	2.98	0.02	0.00	0.00
Profit After Tax	**2,360.03**	**11.69**	**1,464.46**	**11.03**	**333.39**	**5.18**
Less: Adjustments	(9.27)	(0.05)	(23.31)	(0.18)	18.88	0.29
Restated Profits After Tax	**2,369.30**	**11.74**	**1,487.77**	**11.21**	**314.51**	**4.89**
Extra-Ordinary Items	0.00	0.00	0.00	0.00	1,610.00	25.02
Adjusted Profits After Extra-ordinary Items	**2,369.30**	**11.74**	**1,487.77**	**11.21**	**(1,295.49)**	**(20.13)**

The following table sets forth certain information with respect to our segmental revenues for the periods indicated

	FY2007		FY2006		FY2005	
Particulars	**Amount in Rs Lacs.**	**% of Total Revenue**	**Amount in Rs Lacs.**	**% of Total Revenue**	**Amount in Rs Lacs.**	**% of Total Revenue**
Revenues:						
Garments						
Exports	4,706.79	25.40	3,331.83	28.12	4,139.60	69.29
Domestic	205.18	1.11	78.90	0.67	87.84	1.47
Total	**4,911.97**	**26.51**	**3,410.72**	**28.78**	**4,227.44**	**70.76**
Yarn						
Exports	1,680.88	9.07	1,230.36	10.38	0.00	0.00
Domestic	2,967.17	16.01	1,072.07	9.05	0.00	0.00
Total	**4,648.05**	**25.08**	**2,302.43**	**19.43**	**0.00**	**0.00**
Fabrics						
Exports	0.00	0.00	0.00	0.00	0.00	0.00
Domestic	8,668.16	46.78	5,666.83	47.82	769.08	12.87
Total	**8,668.16**	**46.78**	**5,666.83**	**47.82**	**769.08**	**12.87**
Polyester						
Exports	0.00	0.00	0.00	0.00	0.00	0.00
Domestic	302.14	1.63	469.91	3.97	977.91	16.37
Total	**302.14**	**1.63**	**469.91**	**3.97**	**977.91**	**16.37**
Total Revenue	**18,530.31**	**100.00**	**11,849.89**	**100.00**	**5,974.43**	**100.00**

Total Income Comparison

Year ended March 31, 2007 compared to year ended March 31, 2006

Net Turnover: Net Turnover had increased by 56.38 % from Rs 11,849.89 lacs in FY 2006 to Rs 18,530.31 lacs in FY2007. This increased was due to.101.88% increase in yarn sales, from Rs 2,302.43 lacs in FY2006 to Rs 4,648.05 lacs in FY2007, 44.02% increase in garment sales from Rs 3,410.72 lacs in FY2006 to Rs 4,911.97 lacs in FY2007, 52.96% increase in fabric sales from Rs 5,666.83 lacs in FY2006 to Rs 8,668.16 lacs in FY2007. This was partly offset by 35.70% decline in turnover of Polyester yarn. During current year we have consciously decided to discontinue polyester operations, as it was not even making contribution to recover fixed costs, the closure was intended to improve overall profitability of the Company.

Further in order to meet the high demand received during FY 2006 and on account of capacity constraints in our garmenting capacities we were forced to outsource the part production to some outside parties and certain production to M/s S E Exports, as a result of which during the said period there was an exceptional export trading income of Rs.1,847.18 lacs, which consists of purchase and export of ready-made garments. By way of the present IPO we are proposing to expand our capacities in garmenting and hence do not foresee any repetition of such incident going forward.

Operational Income: Operational income had declined by 29.19% from Rs 306.11 lacs in FY2006 to Rs 216.75 Lacs in FY2007, on account of exchange loss of Rs 141.17 lacs in FY2007, as against exchange gain of Rs 73.61 lacs in FY2006.

Other Income: Other income had increased from Rs 1,102.72 lacs in FY2006 to Rs 1,438.99 lacs, in FY2007 on account of increase in share of profit in partnership firm (M/s. S.E.Exports), engaged in manufacture and export of knitted garments.

Total Income: Due to reasons discussed above, total income for FY2007 was Rs 20,188.11 lacs, compared to total income of Rs 13,271.16 lacs for FY2006, showing growth of 52.12 %.

Year ended March 31, 2006 compared to year ended March 31, 2005

Net Turnover: Net Turnover had increased by 98.34 % from Rs 5,974.43 lacs in FY 2005 to Rs 11,849.89 lacs in FY2006. This increased was due to commencement of yarn manufacturing in FY06 resulting in net turnover of Rs 2,302.43 lacs. Turnover from fabrics trading and manufacturing had increased by 636.83% from Rs 769.08 lacs in FY2005 to Rs 5,666.83 lacs in FY2006. The decrease in turnover from garments by 19.32% from Rs 4,227.44 lacs in FY2005 to Rs 3,410.73 lacs was on account of conscious decision of management to de-risk business model by exploring garment sales in geographies, other than Russia, where per piece realization are approximately 50% higher than other markets.

During FY2006 turnover of polyester de-grew by 51.95% from Rs 977.91 lacs in FY05 to Rs 469.91 lacs, mainly due to sluggish market conditions impacted by increase in crude oil prices.

Operational Income: Operational income had declined by 33.02% from Rs 456.99 lacs in FY2005 to Rs 306.11 Lacs in FY2006, as there was decline in garment exports and increase in yarn exports. Due to above, Exports incentives had reduced from Rs 453.06 lacs in FY2005 to Rs 174.17 lacs in FY2006, primarily due to change in export mix as average rate of duty entitlement pass book scheme for yarn was 3.5% and for garments was 6%. This decline was partly offset by foreign exchange gain of Rs 73.61 lacs in FY06 as against foreign exchange loss of Rs 60.12 lacs.

Other Income: Other income had increased from Rs 3.02 lacs in FY2005 to Rs 1,115.16 lacs, mainly on account of share of profit in partnership firm (M/s. S.E.Exports) amounting to Rs 1,102.72 lacs. S.E.Exports is engaged in manufacturing knitted garments.

Total Income: Due to reasons discussed above, total income for FY2006 was Rs 13,271.16 lacs, compared to total income of Rs 6,434.44 lacs for FY2005, showing an increase of 106.25 %.

Comparison of Total operating expenses and EBIDTA

Year ended March 31, 2007 compared to year ended March 31, 2006

Raw material consumed: In FY2007 we had consumed raw materials worth Rs 10,804.61 lacs, or 53.52 % of total income, compared to Rs 2,826.14 lacs, or 21.30 % of total income in FY2006. Further decrease in stock of work in process and finished goods was Rs 1,924.35 lacs i.e. 9.53% of total income in FY2007, compared with Rs 6,494.21 lacs i.e. 48.93% of total income in FY2006. This had being driven by shift in composition of sales from trading to manufacturing, resulting in reduction in purchase of finished goods included in Increase / decrease in stock of finished goods.

Manufacturing Expenses: Our manufacturing expenses stood at Rs 1,663.06 lacs, or 9.53 % of total income in FY2007, compared to Rs 799.34 lacs, or 6.02 % of total income in FY2006. Manufacturing expenses had increased by 108.05% mainly on account increase in power & fuel expenses by 91.70% from Rs 572.57 lacs in FY2006 to Rs 1,097.60 lacs in FY2007 and 223.83% and increase in consumable & other materials from Rs 142.31 lacs in FY2006 to Rs 460.86 lacs in FY2007.

Personnel Expenses: Personnel expenses increased to Rs 856.76 lacs, or 4.24 % of total income in FY2007, compared to Rs 210.69 lacs, or 1.59 % of total income in FY2006. This increase of 306.64% is on account of increase in number of personnel & increase in overall wage rate.

Administrative and Other Charges: Administrative and other charges increased to Rs 303.27 lacs, or 1.50% of total income, in FY2007 from Rs 76.60 lacs, or 0.58 % of total income in FY2006. This increase of 295.91% was primarily attributable to increase in Insurance expenses by 289.67% from Rs 10.53 lacs in FY2006 to Rs 41.04 lacs in FY2007. Further during FY2007 we had also paid managerial remuneration to our Directors amounting to Rs 19.65, as against Nil remuneration paid in FY2006 and during FY2007 we had disposed off assets pertaining to Polyester division, resulting in loss of Rs 20.39 lacs.

Selling and Distribution Expenses: Selling and distribution expenses amounted to Rs 529.46 lacs, or 2.62% of total income, in FY2007 compared to Rs 457.93 lacs, or 3.45 % of total income in FY2006. This increase of 15.62% was mainly on Increase in overall selling expenses, compensated by reduction in selling commission resulting from opening overseas representative office in Dubai, UAE.

Earnings before Interest, Deprecation, Taxation and Amortization (EBIDTA): During FY2007 EBIDTA was Rs 4,106.61 lacs i.e. 20.34 % of total income, compared to EBIDTA during FY2006 of Rs 2,406.25 lacs i.e. 18.13 % of total income. The total year-on-year growth was 70.66 %. This was driven by 56.38% increase in net turnover further our total operating expenditure in FY2007 was 79.66% of total income, as compared to 81.87% of total income in FY2006.

Year ended March 31, 2006 compared to year ended March 31, 2005

Raw material consumed: In FY2006 we had consumed raw materials worth Rs 2,826.14 lacs, or 21.30 % of total income, compared to Rs 2,039.58 lacs, or 31.70 % of total income in FY2005. This was driven by 10.51% decline in average per kg cotton cost, 11.64% decline in average per kg yarn cost, 42.03% decline in average per kg cloth cost. This reduction was mainly on account of achieving better integration amongst various segments and overall reduction in outsourced yarn. However above gains were partly offset by 3.7% increase in average per kg polyester filament yarn cost.

Manufacturing Expenses: Our manufacturing expenses stood at Rs 799.34 lacs, or 6.02 % of total income in FY2006, compared to Rs 445.51 lacs, or 6.92 % of total income in FY2006. Manufacturing expenses had increased by 79.42% mainly on account of increase in Power & fuel expenses of Rs 572.57 lacs in FY2006, compared to Rs 161.06 lacs in FY2005. This increase of 255.50% was mainly due to increased power consumption resulting from operations of our newly commissioned spinning equipment for manufacturing cotton yarn. We also experienced increase in cost of consumable and other materials from Rs 43.20 lacs in FY2005 to Rs 78.97 lacs in FY2006. These increases were partly offset by reduction in cost of dyes and chemicals of Rs 56.15 lacs in FY2006 compared to Rs 123.53 lacs in FY2005, partially resulting from lower per unit cost of dyes and chemicals.

Personnel Expenses: Personnel expenses decreased to Rs 210.69 lacs, or 1.59 % of total income in FY2006, compared to Rs 223.91 lacs, or 3.48 % of total income in FY2005. This reduction of 5.90% is on account of reduction of wages, mainly driven by higher utilization rates.

Administrative and Other Charges: Administrative and other charges decreased to Rs 76.60 lacs, or 0.58% of total income, in FY2006 from Rs 108.87 lacs, or 1.69 % of total income in FY2005. This decrease of 29.64% was primarily attributable to decrease in travelling and conveyances cost as exports share in overall turnover had reduced, driven by our strategy to develop domestic market. This was partially offset by increase in legal and consultancy charges associated with the retention of specialist advisers in our business.

Selling and Distribution Expenses: Selling and distribution expenses amounted to Rs 457.93 lacs, or 3.45% of total income, in FY2006 compared to Rs 514.40 lacs, or 7.99 % of total income in FY2005. This decrease of 10.98% was mainly on account of reduction in commission on export sales of Rs 211.80 lacs in FY2006, compared to Rs 360.96 lacs in FY2005. This reduction was offset by increase in freight expenses of Rs 73.84 lacs in FY2006, compared to Rs 14 lacs in FY2005.

Earnings before Interest, Depreciation, Taxation and Amortization (EBIDTA): During FY2006 EBIDTA was Rs 2,406.25 lacs i.e. 18.13 % of total income, compared to EBIDTA during FY2005 of Rs 587.08 lacs i.e. 9.12 % of total income. The total year-on-year growth was 309.87 %. This was driven by 98.34% increase in net turnover, earning income from share of profit from partnership firm of Rs 1,102.72 lacs in FY2006. Further our total operating expenditure in FY2006 was 81.87% of total income, as compared to 90.88% of total income in FY2005. This was on account of lower raw-material prices improving our raw-material consumed at Rs 2,826.14 lacs inFY2006 i.e. 21.30% of total income, compared to Rs 2,039.58 lacs in FY2005 i.e. 31.70% of total income.

Comparison of Profitability and other Expenses

Year ended March 31, 2007 compared to year ended March 31, 2006

Depreciation: Depreciation expenses amounted to Rs 503.70 lacs, in FY2007 compared to Rs 278.00 lacs in FY2006. This increase of 81.19% was on account of purchase of fixed assets amounting to Rs 9,035.67 lacs.

Financial Expenses: Interest and financial expense costs increased to Rs 732.56 lacs, in FY2007 compared to Rs 326.13lacs in FY2006. This increase of 124.62% was mainly on account of increase in loans by 218.52 % from Rs 4,299.29 lacs in FY2006 to Rs 13,694.11 lacs in FY2007

Profit Before Tax: Due to reasons discussed above, during FY2007 Profit before tax was Rs 2,849.96 lacs i.e. 14.12 % of total income, compared to Profit before tax during FY2006 of Rs1, 801.75 lacs i.e. 13.58 % of total income. The total year-on-year growth was 58.18 %.

Provision For Taxation: Provision for taxation amounted to Rs 489.92 lacs in FY2007, or 17.19 % of Profit before tax, compared to Rs 337.29 lacs, or 18.72 % of Profit before tax in FY2006.

Restated Profit After Tax: Due to reasons discussed above, during FY2007 Restated Profit After Tax, Rs 2,369.30 lacs i.e. 11.74 % of total income, compared to Restated Profit After Tax, during FY2006 of Rs 1,487.77 lacs i.e. 11.21% of total income. The total year-on-year growth was 59.25 %.

Year ended March 31, 2006 compared to year ended March 31, 2005

Depreciation: Depreciation expenses amounted to Rs 278 lacs, in FY2006 compared to Rs 105.54 lacs in FY2005. This increase of 163.41 % was mainly on account of purchase of fixed assets amounting to Rs 782.90 lacs and conversion of capital work in progress into fixed assets of Rs 139.22 lacs.

Financial Expenses: Interest and financial expense costs increased to Rs 326.13 lacs, in FY2006 compared to Rs 156.98 lacs in FY2005. This increase of 107.75 % was mainly on account of incurrence of secured and unsecured indebtedness of Rs 882.36 lacs and Rs 33.67 lacs respectively.

Profit Before Tax: Due to reasons discussed above, during FY2006 Profit before tax was Rs 1,801.75 lacs i.e. 13.58 % of total income, compared to Profit before tax during FY2005 of Rs324.74 lacs i.e. 5.05 % of total income. The total year-on-year growth was 454.83 %.

Provision For Taxation: Provision for taxation amounted to Rs 337.29 lacs in FY2006, or 2.54 % of Profit before tax, compared to Rs (8.66) lacs, or (0.13) % of Profit before tax in FY2005.

Restated Profit After Tax: Due to reasons discussed above, during FY2006 Restated Profit After Tax, before Extra-ordinary items was Rs 1,487.77 lacs i.e. 11.21 % of total income, compared to Restated Profit After Tax, before Extra-ordinary items during FY2005 of Rs 314.51 lacs i.e. 4.89% of total income. The total year-on-year growth was 373.39 %. During FY2005 there was extra-ordinary loss of Rs 1,610 lacs on account of sale of investments.

Comparison of Assets & Liabilities (Rs. in Lacs)

	FY2007	% Increase FY2007 – FY2006	FY2006	% Increase FY2006 – FY2005	FY2005
Assets					
Fixed Assets (Net Block)	8,764.58	169.99	3,246.31	24.74	2,602.42
Capital Work in Progress	3,056.51	2,732.72	107.90	(56.34)	247.12
Fixed Assets (Net)	**11,821.09**	252.43	**3,354.21**	17.71	**2,849.54**
Investments	**3,204.98**	15.22	**2,781.51**	51.34	**1,837.90**
Inventories	5,839.98	103.14	2,874.82	46.43	1,963.28
Sundry Debtors	6,387.42	9.66	5,824.56	97.29	2,952.31
Cash & Bank Balances	461.40	281.92	120.81	(2.16)	123.48
Loans & Advances	1,888.25	80.79	1,044.44	(69.18)	3,388.41
Less: Current Liabilities & Provisions	2,137.23	269.21	578.86	70.04	340.43
Less: Deferred Tax Liability	566.48	135.22	240.83	(10,851.34)	(2.24)
Net Working Capital	**11,873.34**	31.27	**9,044.94**	11.81	**8,089.29**
Total Assets	**26,899.42**	77.20	**15,180.68**	18.81	**12,776.74**
EBIT	**3,582.52**	68.36	**2,127.89**	341.73	**481.72**
ROCE %	**13.32**		**14.02**		**3.77**
Liabilities					
Net worth	13,205.31	21.36	10,881.39	15.84	9,393.48
Total Debt	13,694.11	218.52	4,299.29	27.08	3,383.26
Total Liabilities	**26,899.42**	77.20	**15,180.68**	18.81	**12,776.74**
Restated Profit After Tax	2,369.30	59.25	1,487.77	373.04	314.51
RONW%	**17.94**		**13.67**		**3.35**

Comparison of Fixed Assets (Net)

FY 2007 & FY 2006: Fixed Assets (Net) had increased by 252.43% from Rs 3,354.21 lacs in FY2006 to Rs 11,821.09 lacs in FY2007 on account of purchase of fixed assets (net) amounting to Rs 8,990.97 lacs, including Capital Work in Progress as part of expansion plan

FY2006 & FY2005: Fixed Assets (Net) had increased by 17.71% from Rs 2,849.54 lacs in FY2005 to Rs 3,354.21 lacs in FY06 on account of purchase of fixed assets (net) amounting to Rs 788.00 lacs, including Capital Work in Progress

Comparison of Net Working Capital

FY 2007 & FY 2006: Net working capital for FY 2007 was Rs 11,873.34 lacs, compared with Rs 9,044.94 lacs for FY2006 resulting in jump of 31.27%, compared with growth of 56.38% in net revenues. Main drivers for increase in working capital were increase in inventories by 103.14%, mainly on account of increase in stock of raw-material

FY 2006 & FY 2005: Net working capital for FY 2006 was Rs 9,044.94 lacs, compared with Rs 8,089.29 lacs for FY2005 resulting in jump of only 11.81%, compared with growth of 98.34% in net revenues. Main drivers for increase in working capital were increase in inventories by 46.43%, mainly on account of increase in stock of raw-material and increase in Sundry Debtors by 97.29%, driven by increase in sales, coupled with increase in credit period for overseas garment buyers.

LIQUIDITY & CAPITAL RESOURCES

Liquidity

Our primary liquidity requirements are to finance our working capital needs and our capital expenditures. We require working capital to finance the purchase of raw materials, make necessary advances to suppliers. To fund these costs, we have relied on short-term and long-term borrowings, including working capital financing and term loan and cash flows from operating activities.

As at March 31, 2007 we had cash and cash equivalents of Rs 461.40lacs. Till date we have funded our growth principally from internal accruals, affiliate loans and bank borrowings.

Cash Flows

The following table summarizes our cash flow for the years ended March 31, , 2005, 2006 and 2007

(Rs in Lacs)

	FY 2007	FY 2006	FY 2005
Net Cash Flow from Operating activities	**(302.90)**	**18.77**	**456.89**
Net Cash Flow from Investing activities	(7,987.93)	(611.35)	(3,193.13)
Net Cash Flow from Financing activities	8,631.42	589.90	2,722.88
Net Cash Flows	**340.60**	**(2.68)**	**(13.37)**
Cash and cash equivalents at the year-end.	**461.40**	**120.81**	**123.48**

Operating activities

Cash flow from operating activities mainly depends on our operating profits and changes in net working capital. The table below summarizes our cash flow from operations for the years ended March 31, 2005, 2006 and 2007.

(Rs in Lacs)

	FY 2007	FY 2006	FY 2005
Operating Profits before working capital changes	**2,683.51**	**1,279.67**	**576.28**
Cash Flow from taxes paid	(172.95)	(59.50)	0.00
Changes in working capital	(2,813.46)	(1,201.40)	(119.39)
Net Cash From Operating activities.	**(302.90)**	**18.77**	**456.89**

Net cash generated from our operations for FY07 was Rs (302.90) lacs, although our profit before tax was Rs 2,849.96 lacs. After adjusting depreciation of Rs 503.70 lacs, interest expenses of Rs 732.56 lacs, investments income of Rs 1,441.05 lacs and other items of Rs 20.39 lacs, we were able to generate operating profit before working capital changes of Rs 2,683.51 lacs. Changes in working capital of Rs (2,813.46) lacs were due to increase of debtors, inventories and loans & advances amounting to Rs 562.86 lacs, Rs 2,965.16 lacs and Rs 843.81 lacs respectively. This was setoff on account of increase in current liabilities of Rs 1,558.37 Lacs. As a result we were able to generate cash from operations of Rs (129.95) lacs, which was reduced by payment of taxes of Rs 172.95 lacs, resulting in Net Cash Flow from operating activities of Rs (302.90) lacs.

Net cash generated from our operations for FY2006 was Rs 18.77lacs, although our profit before tax was Rs 1,801.75 lacs. After adjusting depreciation of Rs 277.87lacs, interest expenses of Rs 326.13 lacs, investments income of Rs 1,115.16 lacs and other items of Rs 6.87 lacs, we were able to generate operating profit before working capital changes of Rs 1,284.83 lacs. Changes in working capital of Rs (1,201.40) lacs were due to increase of debtors and inventories amounting to Rs 2,872.25 lacs and Rs 911.53 lacs respectively. This was setoff on account of reduction in Loans & Advances and increase in current liabilities of Rs 2,343.96 Lacs and Rs 238.47 Lacs. As a result we were able to generate cash from operations of Rs 78.27 lacs, which was reduced by payment of taxes of Rs 59.50 lacs, resulting in Net Cash Flow from operating activities of Rs 18.77 lacs.

Net cash generated from our operations for FY2005 was Rs 456.89lacs, although our profit before tax was Rs 324.73 lacs. After adjusting depreciation of Rs 105.41lacs, interest expenses of Rs 156.98 lacs, investments income of Rs 3.02 lacs and other items of Rs 3.8 lacs, we were able to generate operating profit before working capital changes of Rs 576.28 lacs. Changes in working capital of Rs (119.39) lacs were due to increase of debtors and reduction in current liabilities amounting to Rs 1,783.75 lacs and Rs 74.49 lacs respectively. This was setoff on account of reduction in Loans & Advances and inventories of Rs 1,495.97 Lacs and Rs 242.88 Lacs. As a result we were able to generate Net Cash Flow from operating activities of Rs 456.89 lacs,

Investing activities

Cash flow from investing activities mainly depends on income from investments; sale of investments and above funds was deployed for acquiring fixed assets. The table below summarizes our cash flow from operations for the years ended March 31, 2005, 2006 and 2007

(Rs in Lacs)

	FY 2007	FY 2006	FY 2005
(Purchase)/ Sale Of Fixed Assets	(8,990.97)	(782.90)	(2,819.91)
(Purchase)/ Sale Of Investments	(423.47)	(943.61)	(958.93)
Business Acquisition	4.63	-	582.68
Preliminary Expenses	(19.17)	-	-
Investment Income	1,441.05	1,115.16	3.02
Net Cash From Investing activities.	**(7,987.93)**	**(611.35)**	**(3,193.14)**

2007: Our net cash used in investing activities was Rs 7,987.93 Lacs, which was due to acquisition of fixed assets (net) amounting to Rs 8,990.97 lacs and infusing further capital in Partnership firm M/s. S.E. Exports, of Rs 423.47 lacs partly offset by earning investment income of Rs 1,441.05 lacs, mainly comprising of Rs 1,438.99 lacs from share of profit in partnership firm.

2006: Our net cash used in investing activities was Rs 611.35 Lacs, which was due to acquisition of fixed assets (net) amounting to Rs 782.90 lacs and acquisition of 99% stake in Partnership firm M/s. S.E. Exports, partly offset by sale of investments amounting to Rs 943.61 lacs. This was offset by earning investment income of Rs 1,115.16 lacs, mainly comprising of Rs 1,102.72 lacs from share of profit in partnership firm. and other investment income of Rs 18.00 lacs.

2005: Our net cash used in investing activities was Rs 3,193.14 Lacs, which was due to acquisition of fixed assets (net) amounting to Rs 2,819.91 lacs and movement of investments of 958.93 lacs. This was offset by acquisition of cash and cash equivalent of erstwhile amalgamated companies amounting to Rs 582.68 and by earning of investment income of Rs 3.02 lacs.

Financing activities

(Rs in Lacs)

	FY 2007	FY 2006	FY 2005
Proceeds From Capital	-	-	0.60
Incurrence of secured indebtedness	9,308.85	882.36	2,851.37
Incurrence of unsecured indebtedness	85.97	33.67	27.89
Public Issue Expenses	(30.84)	-	-
Interest Paid	(732.56)	(326.13)	(156.98)
Net Cash From Financing Activities	**8,631.42**	**589.90**	**2,722.88**

2007: Net cash generated from financing activities was Rs 8,631.42 Lacs, which comprised of secured debt incurrence of Rs 9,308.85 lacs and unsecured indebtedness of Rs 85.97 lacs reduced by interest and financial expenses of Rs 732.56 lacs and public issue expenses of Rs 30.84 lacs.

2006: Net cash generated from financing activities was Rs 589.90 Lacs, which comprised of secured debt incurrence of Rs 882.36 lacs and unsecured indebtedness of Rs 33.67 lacs reduced by interest and financial expenses of Rs 326.13 lacs.

2005: Net cash generated from financing activities was Rs 2,722.88 Lacs, which comprises of secured debt incurrence of Rs 2,851.37 lacs, unsecured indebtedness of Rs 27.89 lacs and reduced by interest and financial expenses of Rs 156.98 lacs.

INDEBTEDNESS

The following table and description summarizes our secured long-term indebtedness as of September 30, 2006.

Indebtedness				
	Outstanding amount as on March 31, 2007 (Rs in Lacs)	Payment due by March 31, (Rs in Lacs)		
		2007	2008	2009
Secured Long Term Debt	8,494.36	1,276.12	1,776.52	2,170.52
Secured Short Term Debt	5,048.43	---------------- N.A----------------		
Unsecured Debt	151.32			

HISTORICAL AND PLANNED CAPITAL EXPENDITURE

Our capital expenditure for the year ended March 31, 2007 was 8,990.97 lacs. Our capital expenditure in each of the years ended March 31, 2006, 2005 and 2004 was Rs 920.08 lacs, Rs 2,997.26 lacs and Rs 2.47 lacs respectively

We plan to expand our capacities at an estimated cost of Rs 18,457 lacs, which we intend to fund through borrowings, internal accruals and the proceeds of this issue.

Further we are planning concurrent expansion to our spinning capacities, commencement of green field project for manufacturing terry towels with capacities of 3,500 tons per annum and setting up of Captive power plant having capacity of 10MW. These expansions will be funded through secured debts of Rs.27,350 lacs, under the TUFS Scheme and internal accruals of Rs.13,650 lacs.

OVERVIEW OF OUR CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our consolidated revenues, expenditure and profits, for the years ended March 31,2006.and March 31, 2007.

	FY2007		FY2006	
Particulars	**Amount in Rs Lacs.**	**% of Total Income**	**Amount in Rs Lacs.**	**% of Total Income**
Income				
Net Turnover	20,319.30	98.49	14,251.24	97.39
Operational Income	309.50	1.50	368.88	2.52
Share of Profit in partnership firm	0.00	0.00	0.00	0.00
Other Income	2.26	0.01	12.44	0.09
Total Income	**20,631.06**	**100.00**	**14,632.56**	**100.00**
Expenditure				
Raw Material Consumed	11,357.08	55.05	4,093.12	27.97
(Increase)/ Decrease in Work in Process and Finished Goods	1,132.61	5.49	6,302.94	43.07
Manufacturing Expenses	1,759.03	8.53	845.70	5.78
Personnel Expenses	1,276.12	6.19	299.65	2.05
Administrative and Other Charges	333.69	1.62	88.67	0.61
Selling and Distribution Expenses	687.60	3.33	654.57	4.47
Total Expenditure	**16,546.13**	**80.20**	**12,284.65**	**83.95**
EBIDTA	**4,084.93**	**19.80**	**2,347.91**	**16.05**
Depreciation/Amortization	508.67	2.47	282.88	1.93
Loss On Sale Of Assets	20.39	0.10	0.36	0.00
Financial Charges	785.24	3.81	379.12	2.59
Profit Before Tax	**2,770.63**	**13.43**	**1,685.55**	**11.52**
Current Tax	170.06	0.82	56.52	0.39
Deferred Tax	315.87	1.53	277.79	1.90
Fringe Benefit Tax	4.57	0.02	3.41	0.02
Profit After Tax	**2,280.13**	**11.05**	**1,347.83**	**9.21**
Minority Interest	13.59	0.07	10.25	0.07
Less: Adjustments	(15.29)	(0.07)	(22.98)	(0.16)
Restated Profits After Tax	**2,281.83**	**11.06**	**1,360.57**	**9.30**
Extra-Ordinary Items	0.00	0.00	0.00	0.00
Adjusted Profits After Extra-ordinary Items	**2,281.83**	**11.06**	**1,360.57**	**9.30**

The following table sets forth certain information with respect to our consolidated segmental revenues for years ended March 31,2006 and March 31, 2007.

	FY2007		FY2006	
Particulars	**Amount in Rs Lacs.**	**% of Total Income**	**Amount in Rs Lacs.**	**% of Total Income**
Revenues:				
Garments				
Exports	7,913.92	38.95	5,944.52	41.71
Domestic	294.43	1.45	107.67	0.76
Total	**8,208.35**	**40.40**	**6,052.19**	**42.47**
Yarn				
Exports	1,680.88	8.27	1,277.97	8.97
Domestic	2,967.17	14.60	1,072.07	7.52
Total	**4,648.05**	**22.88**	**2,350.04**	**16.49**
Fabrics				
Exports	0.00	0.00	0.00	0.00
Domestic	7,165.38	35.26	5,379.10	37.74
Total	**7,165.38**	**35.26**	**5,379.10**	**37.74**
Polyester				
Exports	0.00	0.00	0.00	0.00
Domestic	297.52	1.46	469.91	3.30
Total	**297.52**	**1.46**	**469.91**	**3.30**
Total Revenue	**20,319.30**	**100.00**	**14,251.24**	**100.00**

Year ended March 31, 2007 compared to year ended March 31, 2006

Total Income Comparison

Net Turnover: Net Turnover had increased by 42.58 % from Rs 14,251.24 lacs in FY 2006 to Rs 20,319.30 lacs in FY2007. This increase was on account of 97.79% increase in yarn sales, from Rs 2,350.04 lacs in FY2006 to Rs 4,648.05 lacs in FY2007, 35.63% increase in garment sales from Rs 6,052.19 lacs in FY2006 to Rs 8,208.38 lacs in FY2007, 33.21% increase in fabric sales from Rs 5,379.10 lacs in FY2006 to Rs 7,165.38 lacs in FY2007. Further during this fiscal Company has discontinued polyester business resulting in 36.69% decline in turnover.

Operational Income: Operational income had declined by 16.10% from Rs 368.88 lacs in FY2006 to Rs 309.50 Lacs in FY2007, as there was exchange loss of Rs 261.25 lacs in FY2007, as against exchange gain of Rs 108.53 lacs in FY2006.

Total Income: Due to reasons discussed above, total income for FY2007 was Rs 20,631.06 lacs, compared to total income of Rs 14,632.56 lacs for FY2006, showing an increase of 40.99 %.

Expenses & Profitability Comparisons

Raw material consumed: In FY2007 we had consumed raw materials worth Rs 11,357.08 lacs, or 55.05 % of total income, compared to Rs 4,093.12 lacs, or 27.97 % of total income in FY2006. Further decrease in stock of work in process and finished goods was Rs 1,132.61 lacs i.e. 5.49% of total income in FY2007, compared with Rs 6,302.94 lacs i.e. 43.07% of total income in FY2006. This had being driven by shift in composition of sales from trading to manufacturing, resulting in reduction in purchase of finished goods included in Increase / decrease in stock of finished goods.

Manufacturing Expenses: Our manufacturing expenses stood at Rs 1,759.03 lacs, or 8.53 % of total income in FY2007, compared to Rs 845.70 lacs, or 5.78 % of total income in FY2006. Manufacturing expenses had increased by 108.00% mainly on account increase in power & fuel expenses by 103.32% from Rs 574.07 lacs in FY2006 to Rs 1,167.22 lacs in FY2007 and 223.73% increase in Consumable & other materials from Rs 142.36 lacs in FY2006 to Rs 460.86 lacs in FY2007.

Personnel Expenses: Personnel expenses increased to Rs 1,276.12 lacs, or 6.19 % of total income in FY2007, compared to Rs 299.65 lacs, or 2.05 % of total income in FY2006. This increase of 325.87% is on account of increase in number of personnel & increase in wage rate.

Administrative and Other Charges: Administrative and other charges increased to Rs 333.69 lacs, or 1.62% of total income, in FY2007 from Rs 88.67 lacs, or 0.61 % of total income in FY2006. This increase of 276.33% was primarily attributable to increase in Insurance expenses by 253.02% from Rs 12.12 lacs in FY2006 to Rs 42.77 lacs in FY2007. Further during FY2007 we had also paid managerial remuneration to our Directors amounting to Rs 19.65, as against Nil remuneration paid in FY2006 and during FY2007 we had disposed off assets pertaining to Polyester division, resulting in loss of Rs 20.39 lacs.

Selling and Distribution Expenses: Selling and distribution expenses amounted to Rs 687.60 lacs, or 3.33% of total income, in FY2007 compared to Rs 654.57 lacs, or 4.47 % of total income in FY2006. This increase of 5.05% was mainly on

Increase in overall selling expenses, compensated by reduction in selling commission resulting from opening overseas representative office in Dubai, UAE.

Earnings before Interest, Deprecation, Taxation and Amortization (EBIDTA): During FY2007 EBIDTA was Rs 4,084.93 lacs i.e. 19.80 % of total income, compared to EBIDTA during FY2006 of Rs 2,347.91 lacs i.e. 16.05 % of total income. The total year-on-year growth was 73.98 %. This was driven by 42.58% increase in net turnover Further our total operating expenditure in FY2007 was 80.20% of total income, as compared to 83.95% of total income in FY2006.

Depreciation: Depreciation expenses amounted to Rs 508.67 lacs, in FY2007 compared to Rs 282.88 lacs in FY2006. This increase of 79.82% was on account of purchase of fixed assets of Rs 9,040.78 lacs .

Financial Expenses: Interest and financial expense costs increased to Rs 785.24 lacs, in FY2007 compared to Rs 379.12lacs in FY2006. This increase of 107.12% was mainly on account of increase in loans by 210.20 % from Rs 4,819.76 lacs in FY2006 to Rs 14,950.95 lacs in FY2007

Profit Before Tax: Due to reasons discussed above, during FY2007 Profit before tax was Rs 2,770.63 lacs i.e. 13.43 % of total income, compared to Profit before tax during FY2006 of Rs1, 685.55 lacs i.e. 11.52 % of total income. The total year-on-year growth was 64.38 %.

Provision For Taxation: Provision for taxation amounted to Rs 490.50 lacs in FY2007, or 17.70 % of Profit before tax, compared to Rs 337.72 lacs, or 20.04 % of Profit before tax in FY2006.

Restated Profit After Tax: Due to reasons discussed above, during FY2007 Restated Profit After Tax, Rs 2,281.83 lacs i.e. 11.06 % of total income, compared to Restated Profit After Tax, during FY2006 of Rs 1,360.57 lacs i.e. 9.30% of total income. The total year-on-year growth was 67.71 %.

Comparison of Assets & Liabilities

	FY2007	% Increase FY2007 / FY2006	FY2006
Assets			
Fixed Assets (Net Block)	8,862.69	165.01	3,344.28
Capital Work in Progress	3,056.51	2,732.72	107.90
Fixed Assets (Net)	**11,919.20**	245.27	**3,452.18**
Investments	**1.00**	0.00	**1.00**
Inventories	6,206.56	102.02	3,072.19
Sundry Debtors	9,650.34	17.59	8,206.57
Cash & Bank Balances	465.53	147.70	187.94
Loans & Advances	2,782.99	81.11	1,536.61
Less: Current Liabilities & Provisions	2,448.04	338.04	558.86
Less: Deferred Tax Liability	575.91	126.74	254.00
Net Working Capital	**16,081.47**	31.92	**12,190.44**
Total Assets	**28,001.68**	79.00	**15,643.64**
EBIT	**3,555.87**	72.22	**2,064.67**
ROCE %	**12.70**		**13.20**
Liabilities			
Networth	13,021.35	20.74	10,784.90
Total Debt	14,950.95	210.20	4,819.76
Minority Interest	29.37	(24.65)	38.98
Total Liabilities	**28,001.67**	79.00	**15,643.64**
Restated Profit After Tax	2,281.83	67.71	1,360.57
RONW%	**17.52**		**12.62**

Comparison of Fixed Assets (Net)

FY 2007 & FY 2006: Fixed Assets (Net) had increased by 245.27% from Rs 3,452.18 lacs in FY2006 to Rs 11,919.20 lacs in FY2007 on account of purchase of fixed assets (net) amounting to Rs 8,996.08 lacs, including Capital Work in Progress as part of expansion plan

Comparison of Net Working Capital

FY 2007 & FY 2006: Net working capital for FY 2007 was Rs 16,081.47 lacs, compared with Rs 12,190.44 lacs for FY2006 resulting in jump of 31.92%, compared with growth of 42.58% in net revenues. Main drivers for increase in working capital were increase in inventories by 102.02%, mainly on account of increase in stock of raw-material

LIQUIDITY & CAPITAL RESOURCES (Consolidated)

Liquidity

As at March 31,2007 we had consolidated cash and cash equivalents of Rs 465.53 lacs. To date we have funded our growth principally from internal accruals, affiliate loans and bank borrowings.

Cash Flows

The following table summarizes our cash flow for the years ended March 31, 2006. and March 31, 2007.

(Rs in Lacs)

	FY 2007	FY 2006
Net Cash Flow from Operating activities	**(5.96)**	**1,233.02**
Net Cash Flow from Investing activities	(9,088.36)	1,066.32
Net Cash Flow from Financing activities	9,291.91	(2,252.40)
Net Cash Flows	**277.59**	**46.94**
Cash and cash equivalents at the year-end.	**465.53**	**187.94**

Operating activities

Cash flow from operating activities mainly depends on our operating profits and changes in net working capital. The table below summarizes our cash flow from operations for the years ended March 31, 2006 and March 31, 2007.

(Rs in Lacs)

	FY 2007	FY 2006
Operating Profits before working capital changes	**4,102.86**	**2,328.24**
Cash Flow from taxes paid	(173.49)	(59.93)
Changes in working capital	(3,935.33)	(1,035.29)
Net Cash From Operating activities.	**(5.96)**	**1,233.02**

Net cash generated from our operations for FY2007 was Rs (5.96) lacs, although our profit before tax was Rs 2,770.63 lacs. After adjusting depreciation of Rs 508.67 lacs, interest expenses of Rs 785.24 lacs, and other items of Rs 18.13 lacs, we were able to generate operating profit before working capital changes of Rs 4,102.86 lacs. Changes in working capital of Rs (3,935.33) lacs were due to increase of debtors, inventories and Loans & Advances amounting to Rs 1,443.76 lacs, Rs 3,134.37 lacs and Rs 1,246.38 lacs respectively. This was setoff on account of increase in current liabilities of Rs 1,889.18 Lacs. As a result we were able to generate cash from operations of Rs 167.53 lacs, which was reduced by payment of taxes of Rs 173.49 lacs, resulting in Net Cash Flow from operating activities of Rs (5.96) lacs.

Net cash generated from our operations for FY2006 was Rs 1,233.02lacs, although our profit before tax was Rs 1,685.55 lacs. After adjusting depreciation of Rs 282.75lacs, interest expenses of Rs 379.12 lacs, investments income of Rs 12.44lacs and other items of Rs 1.59 lacs, we were able to generate operating profit before working capital changes of Rs 2,328.24 lacs. Changes in working capital of Rs (1,035.29) lacs were due to increase of debtors, inventories and reduction in current liabilities amounting to Rs 3,020.33 lacs, Rs 302.81 lacs and Rs 28.75 lacs respectively. This was setoff on account of reduction in Loans & Advances of Rs 2,317.74 Lacs. As a result we were able to generate cash from operations of Rs 1,292.95 lacs, which was reduced by payment of taxes of Rs 59.93 lacs, resulting in Net Cash Flow from operating activities of Rs 1,233.02 lacs.

Investing activities

Cash flow from investing activities mainly depends on income from investments, sale of investments and above funds was deployed for acquiring fixed assets. The table below summarizes our consolidated cash flow from investing activities for the years ended March 31, 2006. and March 31, 2007

(Rs in Lacs)

	FY 2007	FY 2006
(Purchase)/ Sale Of Fixed Assets	(8,996.08)	(783.02)
(Purchase)/ Sale Of Investments	-	1,836.90
Business Acquisition	4.63	0.00
Preliminary Expenses	(19.17)	-
Investment Income	2.26	12.44
Net Cash From Investing activities.	**(9,008.36)**	**1,066.32**

2007: Our net cash invested in investing activities was Rs 9,008.36 Lacs, which was driven by purchase of fixed assets (net) amounting to Rs 8,996.08 lacs and incurrence of preliminary expenses for concurrent expansion programme.

2006: Our net cash generated from investing activities was Rs 1,066.32 Lacs, which was due to sale of investments amounting to Rs 1,836.90 lacs and earning investment income of Rs 12.44 lacs, offset by acquisition of fixed assets (net) amounting to Rs 783.02 lacs

Financing activities

(Rs in Lacs)

	FY 2007	FY 2006
Proceeds From Capital	(23.19)	(231.72)
Incurrence of secured indebtedness	10,119.36	829.78
Incurrence of unsecured indebtedness	11.82	(2,471.34)
Public Issue Expenses	(30.84)	-
Interest Paid	(785.24)	(379.12)
Net Cash From Financing Activities	**9,291.91**	**(2,252.40)**

2007: Net cash generated from financing activities was Rs 9,291.91 Lacs, which comprised of incurrence of Secured debt and unsecured debt of Rs 10,119.36 lacs, and Rs 11.82 lacs respectively.. This was offset by interest and financial expenses of Rs 785.24 lacs, Public issue expenses of Rs 30.84 lacs and repayment of partner's capital of Rs 23.19 lacs.

2006: Net cash utilized in financing activities was Rs 2,252.40 Lacs, which comprised of repayment unsecured indebtedness of Rs 2,471.34 lacs, repayment of partner's capital of Rs 231.72 lacs and interest and financial expenses of Rs 379.12 lacs. This was offset by incurrence of secured indebtedness of Rs 829.78 lacs.

CRITICAL ACCOUNTING POLICIES

1. **Accounting Convention**

   The Financial Statements have been prepared under historical cost convention, in accordance with the generally accepted accounting principles. A summary of accounting policies, which have been applied consistently, is set out below. The Financial Statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956.

2. **Principles of Consolidation**

   In Preparing consolidated financial statements; the financial statements of parent company and subsidiary are combined on line-by-line basis by adding together the like items of assets, liabilities, income and expenses. The inter group balances and transactions and unrealized profits and losses are fully eliminated.

   Minority Interest's share of net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

   Minority Interest's in the net assets of the consolidated subsidiary is identified and presented in the consolidated balance sheet separate from liabilities and equity of the company's shareholders.

   As far as possible, the consolidate financial statements are prepared using uniform accounting policies for the like transactions and other events in similar circumstances and are presented in the same manner as Company's separate financial statements.

3. **Revenue Recognition**

   Sales revenue is recognized as net of sales returns & excluding of sales tax but including of excise duty. Sales revenue is recognized on dispatch of goods.

4. **Investments**

   Long term Investments are carried at cost less provision, if any, for diminution in value which is other than temporary and current investments are carried at lower of cost and fair value.

5. Inventories

Garment Division, Knitted Cloth Division & Cotton Yarn Division

- Inventories are valued at lower of cost or net realizable value.
- In respect of Raw Material & Consumables Stores cost is determined on FIFO basis.
- In respect of Work in process and Finished Goods, weighted average cost of raw material plus conversion cost.

Polyester Texturised Yarn Division

- Inventories are valued at lower of cost or net realizable value.
- In respect of Raw Material & Consumables Stores cost is determined on FIFO basis.
- In respect of Work in process and Finished Goods cost is determined on basis on raw material cost plus related overheads incurred in the normal course of business in bringing such inventories to its location & condition.

6. Foreign Currency Transactions

Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of transaction except sales that are recorded at rate notified by the customs for invoice purposes. Such rate notified in the last week of every month and is adopted for recording export sales of next month.

Monetary items denominated in foreign currencies at the year end are translated at closing rates and resulting foreign exchange fluctuation is recognized in profit & loss account.

7. Fixed Assets

Fixed Assets are stated at acquisition cost including inward freight, duties, taxes and incidental expenses relating to acquisition net of subsidy relating to specific fixed asset and accumulated depreciation. All costs including borrowing costs up to the date when such assets are ready for intended use are capitalized.

8. Excise Duty

Excise duty is accounted for as and when paid on the clearance of excisable goods from the factory and is included in sales. The value of closing stock of finished goods includes excise duty payable on such stocks.

9. Depreciation

Depreciation has been provided under Straight Line Value Method at the rates specified in Schedule XIV of Companies Act, 1956. Depreciation on assets costing Rs. 5000/- or below is charged @ 100% per annum on proportionate basis.

10. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets, up to the date when such assets are ready for intended use. Other borrowing costs are charged as expenditure in the year in which they are incurred.

11. Retirement Benefits

Contributions to defined contribution schemes such as Provident Fund and ESI are charged to profit & loss account as incurred. Leave with wages are charged to profit & loss as and when it accrues to the Company. Gratuity is provided for in books of accounts on the basis of the actuarial valuation.

12. Expenditure incurred during construction period

In respect of new / major expansion, the indirect expenses incurred during construction period up to the date of commercial production are capitalized on various categories of fixed assets on proportionate basis.

13. Miscellaneous Expenditure

Preliminary Expenses are written off over a period of 5 years from the year in which the new unit commences production or operation.

Public Issue Expenses are written off over a period of 5 years.

14. Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the period after considering tax allowances & exemptions. Deferred Tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originates in one period and capable of reversal in one or more subsequent period.

15. Impairment of Assets

At each balance sheet date, an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of any asset exceeds its recoverable amount is provided in the books of accounts.

16. Provisions and Contingent Liabilities

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized in the books of accounts but are disclosed in the notes.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

Except as described in this Red Herring Prospectus, there have been no events or transactions to our knowledge which may be described as "unusual" or "infrequent".

SIGNIFICANT ECONOMIC CHANGES THAT MATERIALLY AFFECT OR LIKELY TO AFFECT INCOME FROM CONTINUING OPERATIONS:

Other than as mentioned under paragraph of 'Factors affecting our results of operations and financial condition' in the section "Management Discussion and Analysis of Financial Condition & Results of operations", to our knowledge, there are no other significant economic changes that materially affected or are likely to affect income from continuing operations.

KNOWN TRENDS OR UNCERTAINTIES

Other than as described in the section entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Result of Operations", to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our company from continuing operations.

BUSINESS SEGMENT

Other than as described in this Red Herring Prospectus, there are no new business segments in which we operate.

ANY SIGNIFICANT DEPENDENCE ON A SINGLE OR FEW SUPPLIERS OR CUSTOMERS

Customer concentration has been disclosed under the section "Business" and "Risk" in this Red Herring Prospectus.

COMPETITIVE CONDITIONS

For details please refer to the discussion of our competition in the sections entitled "Risk Factors" and "Business" in this Red Herring Prospectus.

SIGNIFICANT DEVELOPMENTS AFTER March 31, 2007 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS.

Except as stated in this Red Herring Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this prospectus which materially and adversely affects or is likely to affect, the operations or profitability of our company, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

Except as stated in this prospectus, there is no subsequent development after the date of the Auditors Report, which we believe, is excepted to have a material impact on the reserves, profits, earnings per share and book value of our Company.

SECTION VII: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, over-dues to banks/ financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issue by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company (the subsidiary of the Company has no material litigation pending against it) and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiary, its Promoters or Directors.

Cases filed by our Company

Tax related litigation

Our Company has filed an appeal no. C501-504/06 dated August 3, 2006 before the Customs Tribunal in relation to the assessment year 2003-04 against an order dated May 1, 2006 passed by the Additional Joint Commissioner of Customs with regard to duty payable on classification of goods exported by our Company under which an amount of Rs. 150.00 lacs is to be paid. Our Company has deposited a sum of Rs. 150.00 lacs under protest. The appeal is pending before the said authority and no date of hearing has been communicated to us.

Amounts owed to Small Scale Undertakings

As on March 31, 2007 we owe a sum of Rs. 33.04 lacs, which is outstanding for a period of more than 30 days to the following list of small-scale undertakings/other creditors:

- Davindra Industrial Corporation,
- Haryana Paper Cone Industry,
- Ishan Packers,
- Raja Labels,
- Rohit Plastic Industries,
- SN Packagings,
- Shri Atam Vallabh Poly Plastics,
- Shri Om Fabrics,
- Shri Vijay Inder Plastic,
- Thapar Textiles Pvt Ltd.

Cases filed by our Subsidiary

M/s S E Exports

Tax related litigation

Our subsidiary has filed an appeal no.175 dated January 29, 2007 before CIT-Appeals-I, Ludhiana in relation to the assessment year 2004-05 against an order of ACIT dated December 29, 2006 passed by the Assessing Officer, Income Tax with regard to disallowing the deduction claimed by our subsidiary under section 80HHC and 80IB of the Income Tax Act, 1961, and thereby raising a demand of Rs. 99.93 lacs. Our subsidiary has deposited a sum of Rs.5 lacs under protest. The appeal is pending before the said authority.

Material Developments

Except as mentioned herein under, in the opinion of our Board of Directors, there have not arisen, since the date of the last financial statements disclosed in the Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or our ability to pay material liabilities within the next twelve months.

a) In terms of Shareholders' Agreement dated July 4, 2007 Export- Import Bank of India has made an equity investment in our Company. We have allotted on July 6, 2007, 7,60,800 Equity Shares of Rs. 10 (constituting 6.87 % of the pre-Issue Capital) each at a premium of Rs. 55/- per equity shares aggregating to Rs. 494.52 lacs on preferential basis to EXIM Bank. Further we have also allotted 5,00,000 Equity Shares of Rs. 10 (constituting 4.51 % of the pre-Issue Capital) each at a premium of Rs.65/- per equity share, aggregating to Rs. 375 lacs to Mr. Nirmal Kotecha.

b) During FY 2007 we have discontinued our loss making polyester business, having capacity to manufacture 4,500 tons per annum, upto March 31, 2007 we had sold one of the machinery of our polyester texturised division at a loss of Rs. 8.07 lacs and the balance three machineries were sold in the current fiscal at a loss of Rs.16.78 lacs. Thus the consolidated loss on sale of entire plant and machineries for the said polyester texturised division amounts to Rs.24.85 lacs.

GOVERNMENT APPROVALS/LICENSING ARRANGEMENTS

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business and except as mentioned below, no further approvals are required for carrying on our present business. Further we have certain approvals and/or licenses in the name of Saluja Processors Private Limited an entity that was merged with our Company vide court order dated February 23, 2006. In respect of those approvals and/or license we have made proper applications with the relevant authorities for effecting the change of name. The details of which are disclosed herein below:

Approvals for the Issue

1. Approval from the Bombay Stock Exchange Limited dated December 13, 2006
2. Approval from the National Stock Exchange of India Limited dated January 22, 2007

Approvals to carry on our Business

Certifications

1. Fresh certificate of incorporation dated March 16, 2006 with CIN U51909PB2000PLC23679 granted by the Registrar of Companies, Punjab, H.P. & Chandigarh, Jalandhar consequent to change of name to SEL Manufacturing Company Limited.
2. Certificate of Commencement of Business dated June 2, 2000 issued by the Registrar of Companies, Punjab, H.P. & Chandigarh, Jalandhar.
3. Industrial Entrepreneur Memorandum (IEM) bearing Registration No./Industrial License Number 4507/SIA/IM0/2000 dated August 17, 2006 to manufacture garments and accessories under the Industries (Development & Regulation) Act, 1951 issued by the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, New Delhi.
4. Certificate of Importer-Exporter Code No. 3003013963 ("IEC Code no.") issued on March 12, 2004 by Director General of Foreign Trade. This certificate is valid until cancelled.

Factory/Units Approvals

Unit 1: Spinning, Knitting, Dyeing & Yarn Unit, at Village Lal Kalan, Near Neelon Kanal, Ludhiana, Punjab

1. Factory license number LDH/SAMRALA/S-21/405 dated December 31, 2005 issued by the Director of Factories, Punjab under the Factories Act, 1948
2. Sanction letter bearing Ref No. R-52-KK01-00011 dated September 16, 2005 issued by Punjab State Electricity Board for sanction of load clearance of 1697.819 KW.
3. Inspection Report and Approval Memo bearing no. 11637 dated August 29, 2005 for two generators from Chief Electricity Inspector, Government of Punjab.
4. Registration No. PB/LD/25305 consequent to effecting the change of name vide letter No. PN/25304/O-21/2266 dated July 10, 2006 issued by the Regional Provident Fund Commissioner, Ludhiana under Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
5. Fresh certificate of registration no.12/44187/11 consequent to effecting the change of name vide Letter No. Ref. No. 12/44187/150 dated August 8, 2006 issued by regional office of the Employee State Insurance Corporation, Chandigarh under the Employee State Insurance Act, 1948.
6. Authorization for operating a facility for collection and storage of hazardous waste vide letter No. HMC/LDH-III/2006-2008/R-386 issued by Punjab Pollution Control Board, Patiala dated July 3, 2006 under the Hazardous Wastes (Management and Handling) Amendment Rules, 2003 to operate a facility for collection and storage of hazardous waste on the premises at Village Lal Kalan, Tehsil: Samrala, Ludhiana. The authorization is valid till June 22, 2008.
7. Consent under Section 25 & 26 of Water (Prevention and Control of Pollution) Act, 1974 vide consent No. LDH-III/WPC/2006/R-2191 dated May 9, 2006, from the Punjab Pollution Control Board for discharge of effluents arising out of the premises situated at Near Neelon Bridge, Chandigarh Road, Ludhiana. This certificate is in the name of Saluja Processors Private Limited and is valid until May 30, 2007. However we have applied for renewal of this certificate by depositing the renewal fees on May 30, 2007. The certificate post renewal is still awaited.
8. Registration of weights and measurements used by the Company under the Standards Weights and Measurement Act, 1976. Our Company is having the requisite inspection certificate no.182 from the Controller of Weights and Measurement. We have also paid the requisite fees for registration of the weights and measurement owned by it under the Punjab Weights and Measurement (Applicable) Act, 1985.
9. Fresh registration consequent to effecting the change of name under the Indian Boilers Act, 1923 for use of multitable water type boiler no. 180 M vide Certificate No. 1495 dated November 15, 2006 issued by Punjab Boiler Inspection Department. The registration is valid until January 4, 2008.

10. Consent under Section 21 of Air (Prevention and Control of Pollution) Act, 1981 vide consent LDH-III/APC/2006/R-1520, dated May 9, 2006 from the Punjab Pollution Control Board to operate an industrial plant and discharge emissions arising out of premises Near Neelon Bridge, Chandigarh Road, Ludhiana. This certificate is in the name of Saluja Processors Private Limited was valid until April 30, 2007. However we have applied for renewal of this certificate by depositing the renewal fees on May 30, 2007. The certificate post renewal is still awaited.
11. Registration cum Membership Certificate no AEPC/REG/MAF/51391/N/03 dated March 29,2004 under the category of manufacturer exporter of ready garments issued by Apparel Export Promotion Council. This certificate is in the name of Saluja Processors Private Limited and is valid until March 31,2008.

Unit 2: Garments Unit at 106, Industrial Area Baddi, Himachal Pradesh

1. Certificate of Registration bearing no. 060703803 dated August 28, 2001 granting Small Scale Industries status to the Company, issued by the S.W.C.A, Ministry of Industries, Baddi.
2. Registration No PN/SM/HP-2177 vide letter No. Ref No. PN/SM/ENFI/HP-2177/25896 dated February 28, 2002 issued by the Regional Provident Fund Commissioner, Shimla under Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
3. Factory license no. 9-57/01/(FAC)(LAB) dated March 27, 2002 under the Factories Act, 1948 issued by Labour Commissioner, Directorate of Labour & Employment, Himachal Pradesh. The said license is in the name of Saluja Exim Limited erst while name of our Company.
4. Sanction letter bearing Ref No. 8905570 dated September 7, 2000 issued by Himachal Pradesh State Electricity Board for sanction of load clearance of 17.99 KW.
5. Inspection Report and Approval Memo bearing number 2001-11056-57 dated October 31, 2001 of generator from Chief Electricity Inspector, Government of Himachal Pradesh.

Pending Applications

Unit 1: Spinning, Knitting, Dyeing & Yarn Unit, at Village Lal Kalan, Near Neelon Kanal, Ludhiana, Punjab

1. In respect of the consent under Section 25 & 26 of Water (Prevention and Control of Pollution) Act, 1974 granted by the Punjab Pollution Control Board which is in the name of Saluja Processors Private Limited, our Company has filed an application dated June 12, 2006 with the Punjab Pollution Control Board, Vatavaran Bhawan, Patiala for effecting the change of name in the said certificate. The said certificate was valid till April 30, 2007, however we have applied for renewal of the said certificate.
2. In respect of the consent under Section 21 of Air (Prevention and Control of Pollution) Act, 1981 granted by the Punjab Pollution Control Board which is in the name of Saluja Processors Private Limited, our Company has filed an application dated June 12, 2006 with the Punjab Pollution Control Board, Vatavaran Bhawan, Patiala for effecting the change of name in the said certificate. The said certificate was valid till May 30, 2007, however we have applied for renewal of the said certificate.
3. In respect of Registration cum Membership Certificate no AEPC/REG/MAF/51391/N/03 dated 29.3.2004 issued by Apparel Export Promotion Council we are yet to make an application for registering the change of name in the certificate.

Unit 2: Garments Unit at 106, Industrial Area Baddi, Himachal Pradesh

1. Our Company has made an application dated October 12, 2001 to Employee's State Insurance Corporation in the prescribed Employer's Registration Form under regulation 10B for registering the unit under ESIC Act. We are yet to receive any communication from the Office of Employee's State Insurance Corporation.
2. In respect of the factory license no. 9-57/01/(FAC)(LAB) dated March 27, 2002 issued by Labour Commissioner, Directorate of Labour & Employment, Himachal Pradesh which is in the name of Saluja Exim Limited our Company has filed an application dated September 28, 2006 with the Office of Labour Commissioner requesting for change of name in the certificate to SEL Manufacturing Company Limited. The Labour Commissioner had directed our Company to deposit the late fees along with the fees for registering the change of name in the certificate. We have deposited the said fees and are awaiting communication from the Office of the Labour Commissioner.

Unit 3: Garments Unit at Bajra Road, Ludhiana, Punjab

1. Our Company has submitted an application dated September 28, 2006 with the Labour Commissioner, Directorate of Labour & Employment, Punjab along with the requisite fees for grant of registration of factory license. We are yet to receive any communication from the office of the Labour Commissioner.

Direct and Indirect Taxation

1. Permanent Account No. AAHCS9189E issued on May 8, 2000 by the Commissioner of Income Tax under the Income Tax Act, 1961.
2. Tax Deduction Account No. JDS03011B issued on April 30, 2004 by Income Tax Department under the Income Tax Act, 1961.

3. Certificate of Registration bearing No. AAHCS9189EXM002 dated July 20, 2006, under Rule 9 of the Central Excise Rules, 2001 in relation to manufacture of dyed woven fabrics, cotton yarn, articles of apparel not knitted or crocheted etc. The certificate is valid until it is revoked/suspended or activity for which it is issued is stopped.
4. Certificate of Registration bearing No. STC/R-V/DIV-III/GTA/312/06-07 dated May 4, 2006 issued under Section 69 of the Finance Act, 1994 ("Service Tax") to collect service tax on goods transportation. The certificate is valid until it is revoked/ suspended or activity for which it is issued is stopped.
5. Certificate of Registration bearing No. CST-6093 dated June 22, 2000 issued under Sections 7(1)/ 7(2) of the Central Sales Tax Act, 1958 for State of Punjab. The certificate is valid until cancelled.
6. Certificate of Registration bearing No. SOL-III-6236 dated April 13, 2006 issued under Punjab Value Added Tax Act, 2005. The certificate is valid until cancelled.

Permission /Registration not obtained by our Company

Our Company is yet to make application(s) with the relevant authorities grant of following permissions/certificates.

1. Standing Order in terms of the requirement of Industrial Employment (Standing Orders) Act, 1946 (ESOA).
2. Registration under Employee State Insurance Corporation, Chandigarh under the Employee State Insurance Act, 1948 for employees employed at unit 3 & 4.
3. Registration with Regional Provident Fund Commissioner, Ludhiana under Employees' Provident Funds and Miscellaneous Provisions Act, 1952 for employees employed at unit 3 & 4.
4. Industrial Entrepreneur Memorandum (IEM) with Secretariat of Industrial Assistance (SIA), Ministry of Commerce and Industry for our unit 2 and 3.
5. Certificate of Registration bearing Registration No LDH/2/1784 dated June 8, 2006 registering the Company's unit at 706, Industrial Area, Ludhiana, under Punjab Shops and Commercial Establishments Act, 1958. This certificate was valid upto March 31, 2007. In view of the fact that we have shifted our registered office from 706, Industrial Area, Ludhiana to 274, G.T.Road, Dhandhari Khurd, Ludhiana, we have not applied for renewal of the said certificate.
6. Certificate of Registration under Punjab Shops and Commercial Establishments Act, 1958 for our unit at 274, G.T.Road, Dhandhari Khurd, Ludhiana.
7. Factory License for our unit at 274 G.T.Road, Dhandhari Khurd, Ludhiana.

Intellectual Property

Our Company has been granted or has made applications for the grant of the following intellectual property:

1. Certificate of Registration of Trade Mark in class 23 (for polyester yarn) for the mark 'RAMTEX'.
2. Certificate of Registration of Trade Mark in class 25 (for hosiery and ready made garments) for the mark 'HE'.
3. Certificate of Registration of Trade Mark in class 25 (for hosiery and ready made garments) for the mark 'TOO GOOD'.
4. Certificate of Registration of Trade Mark in class 25 (for hosiery and ready made garments) for the mark 'LYON'.
5. Certificate of Registration of Trade Mark in class 25 (for hosiery and ready made garments) for the mark 'HIS PLUS'.
6. Trademark Application in class 25 (for hosiery and ready made garments) for the mark "R S SALUJA GROUP".

Notes:

The certificate mentioned in point no. 1 above is in the name of Saluja Fabrics Limited one of the companies merged with our entity. We have applied to the trademark authority for incorporating the change of name in the said certificate.

The certificates mentioned in point nos. 2 to 5 above are in the name of Saluja Exim Limited, erstwhile name of our Company. We have applied to the trademark authority for incorporating the change of name in the said certificate.

SECTION VIII: OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by a resolution of the Board of Directors passed at their meeting held on May 1, 2006, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act. The shareholders approved the Issue at the general meeting of shareholders of the Company held on May 26, 2006.

Prohibition by SEBI

Neither we, nor our Directors/Promoters or the companies/persons forming part of the Promoter group, or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Neither we, nor our Directors/Promoters or the companies/persons forming part of the Promoter group, or companies with which our Directors are associated with as directors or promoters, have been declared as willful defaulters by the RBI or government authorities.

Eligibility for the Issue

As per clause 2.2.1 of SEBI (DIP) Guidelines an unlisted company may make an initial public offering (IPO) of equity shares or any other security, which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

1. The company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets.

   Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

2. The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years.

   Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;

3. The company has a net worth of at least Rs. 1crore in each of the preceding 3 full years (of 12 months each);
4. In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and
5. The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue net worth as per the audited balance sheet of the last financial year.

We are eligible for the Issue as per Clause 2.2.1 of the SEBI (DIP) Guidelines as explained under:

1. We have net tangible assets of at least Rs. 3 crores in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
2. We have a pre-Issue net worth of not less than Rs.1 crore in each of the three preceding full years;
3. We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of immediately preceding five years;
4. During the previous year there has been no change in the name of the company except conversion of the status from private limited to public limited w.e.f. March 14, 2006 and
5. The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the financial year ended March 31, 2007.

In terms of a certificate issued by M/s Dass Khanna & Co., our Statutory Auditor dated June 18, 2007 the Company satisfies the above eligibility criteria as follows:

(Rs in lacs)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Net Tangible Assets (1)	27,465.89	15,442.60	12,774.50	10,604.42	9,527.36
Monetary Assets (2)	476.55	135.78	126.95	137.06	56.71
Monetary Assets as percentage of Tangible Assets	1.73	0.88	0.99	1.29	0.59
Pre-Issue Net Worth (3)	13,205.31	10,882.48	9,393.48	10,090.94	9,164.45
Distributable Profits (4)	2,369.30	1,488.87	314.51	1,071.17	3,957.77

1. Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by ICAI.
2. Monetary Assets comprise cash and bank balances; public deposit account with the Government and interest accrued thereon.

3. Net worth have been computed as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.
4. Distributable profits have been computed in terms of section 205 of the Companies Act.

During the last previous year, our Company was converted into a public limited company and the word private was deleted from the name. Other than this there was no change in the name of the company during the previous years.

In addition, we shall ensure that the number of allottees getting Equity Shares is not less than one thousand in number.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER UTI BANK LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES 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 DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER 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 MANAGER, UTI BANK LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 28, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

WE CONFIRM THAT:

1. **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
2. **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;**
3. **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**

   WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

   WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

   WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY."

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES 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 MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Disclaimer of the Company, the BRLM and the Co-BRLM

Our Company, our Directors, the BRLM and the Co-BRLM accept no responsibility for statements made otherwise than in the 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.salujafabrics.com would be doing so at his or her own risk.

The BRLM and the Co-BRLM accepts no responsibility, save to the limited extent as provided in the memorandum of understanding entered into among the BRLM and the Co-BRLM and us dated July 10, 2007 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and the BRLM and the Co-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

The 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 (subject to RBI permission), 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 NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI. The Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or purchase 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 the Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of the Issue will be subject to the jurisdiction of appropriate court(s) in Ludhiana, 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 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 the 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 the 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 US SECURITIES ACT OF 1933 (THE 'SECURITIES ACT') OR ANY STATE SECURITIES LAWS IN THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, "U.S. PERSONS" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE EQUITY SHARES ARE 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

BSE Limited ("**BSE**") has vide its letter number DCS/IPO/MT/IPO-IPI/171/2006 dated December 13, 2006 given permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:-

(i) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or

(ii) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or

(iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document 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 Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Offer Document has been submitted to the National Stock Exchange of India Limited ("**NSE**"). NSE has vide its letter number NSE/LIST/37818 dated January 22, 2007 given permission to the Issuer to use the Exchange's name in this Offer Document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No.C4-A,'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400 050

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. Bombay Stock Exchange Limited will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company and every Director of the Company who is an officer in default shall, on and from such expiry of eight 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 all the Stock Exchanges mentioned above are taken within seven working days of finalization of the basis of allocation for the Issue.

Consents

Consents in writing of: (a) the Promoters, the Directors, the Company Secretary, the Compliance Officer, the Auditors; and (b) the Book Running Lead Manager, the Co-Book Running Lead Manager, Syndicate Members, Escrow Collection Bank(s), Banker to the Issue, Registrar to the Issue, Legal Advisors to the Issue and the Monitoring Agency, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the ROC and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the ROC.

M/s. Dass Khanna & Co., Chartered Accountants, our Statutory Auditors and SBI-Project Uptech, the financial appraiser of the Project have given their written consent for naming them as experts and to the inclusion of their report in the form and context in which they appear in the Red Herring Prospectus and such consent and report have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except for the Financial Appraisal Report by for the Project by SBI-Project Uptech and the report of M/s. Dass Khanna & Co, Chartered Accountants, our Statutory Auditors on the Financial Information and Statement of Tax Benefits no other expert opinion have been obtained. For details of these expert opinions kindly refer to the sections titled 'Objects of the Issue', 'Statement of Tax Benefits' and 'Financial Information' on pages 22, 36 and 90 respectively of the Red Herring Prospectus.

Expenses of the Issues

The expenses of the Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Expense (Rs. in lacs) *	% of total Issue expenses*
Lead management fees and underwriting commissions	[•]	[•]
Advertising and Marketing expenses	[•]	[•]
Printing and stationery	[•]	[•]
Registrars fee	[•]	[•]
Bankers to the Issue	[•]	[•]
Others	[•]	[•]
Total estimated Issue expenses	[•]	[•]

** Will be incorporated after finalization of the Issue Price*

Fees Payable to the BRLM and the Co-BRLM and Brokerage and Selling Commission

The total fees payable to the BRLM and the Co-BRLM including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between the Company and the BRLM and the Co-BRLM dated July 11, 2007, a copy of which is available for inspection at our registered office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar's memorandum of understanding dated November 4 2006 copy of which is available for inspection at our Registered Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post or speed post or under certificate of posting.

Underwriting commission, brokerage and selling commission on Previous Issues

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Particulars Regarding Public/ Rights Issues during the Last Five Years

We have not made any public or rights issue during the last five years.

Issues otherwise than for cash

We have made following allotments of Equity Shares for consideration other than cash.

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Nature of Allotment
March 11, 2006	5,990	10	As per Scheme of Amalgamation
March 30, 2006	94,78,280	10	Bonus in the ratio of 28:1

Companies under the Same Management

We do not have any companies under the same management within the meaning of section 370(1) (B) of the Companies Act, which has made any capital issue during the last three years.

Servicing Behavior

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Promise v/s Performance

The company has not made any public issue of shares since its incorporation. There is no group company, which has made any public issue.

Outstanding Debentures or Bonds or Redeemable Preference Shares

There are no outstanding debentures or bonds or redeemable preference shares issued by us as of the date of the Red Herring Prospectus.

Remuneration Payable to the Directors

Please refer to the section titled 'Our Management-Remuneration of our Directors' beginning on page 66 of the Red Herring Prospectus.

Stock Market Data for our Equity Shares

This being the first public issue by the Company, no stock market data is available.

Mechanism for Redressal of Investor Grievances

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period as specified under the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 from the last date of dispatch of letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the respective Syndicate Member or collection 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. Navneet Gupta, Chief Financial Officer as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems at the following address:

Mr. Navneet Gupta
SEL Manufacturing Company Limited
274, G.T.Road, Dhandari Khurd,
Ludhiana- 141 010 Punjab
Telephone: +91 161 2510270;
Fax: +91 161 2510268
Email: navneet@rssalujagroup.co.in,
Website: www.salujafabrics.com

Changes in Auditors

There has been no change in the auditors of our Company in the past three years.

Capitalisation of Reserves or Profits

We have capitalized our reserves the, details of which are given as under:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Nature of Allotment
March 30, 2006	94,78,280	10	Bonus in the ratio of 28:1

Revaluation of Assets

We have not revalued our assets in the past five years.

SECTION IX: ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of the Company, the terms of the Red Herring Prospectus, Red Herring Prospectus , the Prospectus, the Bid cum Application Form and 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, RBI, 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, the Memorandum and the Articles of Association of the Company and shall rank pari passu in all respects with the existing Equity Shares of the Company, including rights in respect of dividends. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment. See the section titled "Main Provisions of the Articles of Association" on page 174 of the Red Herring Prospectus.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being offered in terms of the 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 8 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 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 174 of the 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 dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through the Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of 75 Equity Share. For details of allocation and allotment, see the section titled "Issue Procedure- Basis for Allocation" on page 165 of the Red Herring Prospectus.

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, 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 be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of 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 Net Issue, including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

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 Regulations 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 Regulations 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.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of Equity Shares

There are no restrictions on transfers and transmission of Equity Shares and on their consolidation/splitting except as provided in our Articles.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Ludhiana, India.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue to Public shall be available for allocation on a proportionate basis to QIB Bidders. Further at least 35% of the Issue to Public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and at least 15% of the Net Issue to Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received on or above the Issue Price within the Price Band.

Bidders are required to submit their Bids through the Syndicate. However, the Bids by QIBs shall be submitted only to the BRLM, the Co-BRLM or Syndicate Member(s) duly appointed by them in this regard. In case of QIB Bidders, our Company in consultation with BRLM and the Co-BRLM may reject Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds listed in the Red Herring Prospectus.

INVESTORS SHOULD NOTE THAT THE EQUITY SHARES WOULD BE ALLOTTED TO ALL SUCCESSFUL BIDDERS ONLY IN THE 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 specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public including resident QIBs, Non Institutional Bidders, Retail Individual Bidders and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs or FIIs applying on a repatriation basis	Blue
Eligible Employees	Red

Who can Bid?

1. Indian nationals resident in India who are majors in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies registered under the applicable laws in India and authorized to invest in equity shares;
4. Eligible Employees of our Company;
5. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
6. Scientific and/or industrial research organizations in India authorized to invest in equity shares;
7. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
8. Mutual Funds registered with SEBI;
9. Venture Capital Funds registered with SEBI;
10. Foreign Venture Capital Investors registered with SEBI;
11. State Industrial Development Corporations;
12. Insurance Companies registered with the Insurance Regulatory and Development Authority, India;
13. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 2500 lacs and who are authorized under their constitution to invest in equity shares; and

14. Pension funds with a minimum corpus of Rs. 2500 lacs and who are authorized under their constitution to invest in equity shares.
15. Non-residents including NRIs and FIIs on a repatriation basis or on a non-repatriation basis subject to applicable laws.
16. Multilateral and Bilateral Development Financial Institutions.

Participation by Associates of the BRLM, the Co-BRLM and Syndicate Members

Associates of BRLM, the Co-BRLM and Syndicate Members may bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates of BRLM, the Co-BRLM and Syndicate Members shall be on a proportionate basis.

UTI Bank Limited, the BRLM, in it's capacity as a QIB, may apply in the Issue. Save and except as above, the BRLM, the Co-BRLM and the Syndicate Members shall not be entitled to subscribe to the Issue in any manner except towards fulfilling their underwriting obligation.

BIDDERS ARE ADVISED TO ENSURE THAT ANY SINGLE BID FROM THEM DOES NOT EXCEED THE INVESTMENT LIMITS OR MAXIMUM NUMBER OF EQUITY SHARES THAT CAN BE HELD BY THEM UNDER APPLICABLE LAW.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

(b) For Non-Institutional Bidders and QIB Bidders: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 75 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws.

Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid /Issue Closing Date and is required to pay QIB Margin upon submission of Bid.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

(c) For Employee Reservation Portion: The Bid must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs.100,000 may bid at Cut-off Price. The allotment in the Employee Reservation Portion will be on a proportionate basis.

Information for the Bidders

(a) Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Eligible investors who are interested in subscribing for the Equity Shares of our Company should approach any of the BRLM, the Co-BRLM or Syndicate member or their authorised agents(s) to register their Bids.

(d) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Registered Office or from any of the members of the Syndicate.

(e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

(a) Our Company, the BRLM and the Co-BRLM shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with ROC and also publish the same in two widely circulated newspapers (one each in English & Hindi) and a regional language newspaper. This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. 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. Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.

(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 language newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 days.

(c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details, see the section titled "Issue Procedure - Bids at Different Price Levels" beginning on page 151 of the Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(d) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to a 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 the Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure - Build up of the Book and Revision of Bids" beginning on page 151 of the Red Herring Prospectus.

(e) The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("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.

(f) During the Bidding Period, Bidders may approach a member of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure - Terms of Payment" beginning on page 151 of the Red Herring Prospectus.

Bids at different price levels

(a) The Price Band has been fixed at Rs. 80 to Rs. 90 per Equity Share of Rs. 10 each, Rs. 80 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.

(b) In accordance with the SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to 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.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and a regional newspaper and also by indicating the change on the websites of the BRLM, the Co-BRLM and at the terminals of the members of the Syndicate.

(d) We, in consultation with the BRLM and the Co-BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Eligible Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**

(f) Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the

Bid Price is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs.1,00,000 for Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Members to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 75 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Application in the Issue

Equity Shares being issued through the Red Herring Prospectus can be applied for in the dematerialized form only.

Bids by Mutual Funds

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 98,287 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 custodians 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 equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

Application by NRIs

1. Bid cum Application Forms have been made available for NRIs at our registered /corporate office, members of the Syndicate and the Registrar to the Issue.
2. NRI applicants may please note that only such applications 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 form meant for Resident Indians.

Application by FIIs

The issue of Equity Shares to a single FII should not exceed 10% of our Post-Issue issued capital (i.e. 10% of 1,52,16,000 Equity Shares of Rs. 10 each) Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in us cannot exceed 24 % of our total issued capital.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory

Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding in the Company by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor.

The above information is given for the benefit of the Bidders. Our Company, the BRLM and the Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Escrow Mechanism

We shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders shall write 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 would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account and the Refund Account as per the terms of the Escrow Agreement.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form by way of a cheque or demand draft in favour of the Escrow Account (for details please see the section titled "Issue Procedure - Payment Instructions" beginning on page 151 of the Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds. Not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. Non Institutional Bidders, Retail Individual Bidders and Eligible Employees, would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the chapter titled "Issue Structure" beginning on page 171 of the Red Herring Prospectus.

In case of QIBs, each QIB shall along with submission of the Bid Cum Application form, draw a cheque or demand draft for 10% of the maximum amount of his Bid in favour of the Escrow account of the Escrow Collection Bank. The balance amount shall be payable by the Bidder for Equity Shares allocated at the Issue Price, 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 members of the Syndicate by the BRLM and the Co-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 rejected and the margin money will be refunded.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/ Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic registration of Bids

(a) The members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/ Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid /Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be displayed on-line at all bidding centres and at the websites of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

(a) Name of the Bidder(s),

(b) Investor category – Individual, Corporate, FII, NRI or Mutual Fund etc.,

(c) Numbers of Equity Shares bid for,

(d) Bid price,

(e) Bid cum Application Form number,

(f) Margin Amount paid upon submission of Bid cum Application Form,

(g) Depository participant identification no. and client identification no. of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, the members of the Syndicate also have the right to accept the Bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed in the section titled "Issue Procedure" on page 151 of the Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM and the Co-BRLM is cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of 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 the BSE and the NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

Build up of the book and revision of Bids

(a) Bids registered through the members of the Syndicate shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM and the Co-BRLM on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding/Issue Period 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. 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) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**

(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 the 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 members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM and the Co-BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid /Issue Closing Date, the BRLM and the Co-BRLM will analyse the demand generated at various price levels.

(b) We, in consultation with the BRLM and the Co-BRLM, shall finalise the “Issue Price” and the number of Equity Shares to be allocated in each investor category.

(c) The allocation under the Issue shall be on proportionate basis, in the manner specified in the SEBI Guidelines and the Red Herring Prospectus, 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 category of the Issue would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM, the Co-BRLM and the Designated Stock Exchange. However, if the aggregate demand by Mutual Funds is less than 98,287 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.

(e) Undersubscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the public and the ratio amongst the investor categories will be at the discretion of the Company, the BRLM and the Co-BRLM. In case of undersubscription in the Net Issue spill over to the extent of undersubscription shall be permitted from the Employee Reservation Portion.

(f) Allocation to Eligible NRIs, FIIs and Foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

(g) The BRLM and the Co-BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(h) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

(i) In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

(j) The allotment details shall be put on the website of the Registrar of the Issue.

Notice to QIBs: Allotment Reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Signing of Underwriting Agreement and RoC Filing

(a) We, the BRLM, the Co-BRLM and the Syndicate Members shall enter into an Underwriting Agreement upon finalisation of the Issue Price

(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 and Issue size and would be complete in all material respects.

Filing of the Prospectus with the RoC

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, 1956

Announcement of Pre-issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Prospectus from SEBI, publish an advertisement, in the from prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation, one Hindi National newspaper and a regional language newspaper with wide circulation.

Advertisement regarding Issue Price and Prospectus

After filing of the Prospectus with the RoC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper a Hindi national newspaper of wide circulation and a regional newspaper. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM, the Co-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. Investors should note that the Company shall ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in the Issue.

(b) The BRLM, the Co-BRLM or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of 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.

(c) Such Bidders who have been allocated Equity Shares and who have already paid the Margin Amount for the said Equity Shares into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

(d) The Issuance of CAN is subject to "Notice to QIBs: Allotment Reconciliation" as set forth under the chapter "Issue Procedure" of the Red Herring Prospectus.

Designated Date and Allotment of Equity Shares

(a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/ Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Public Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account allotment of the Equity Shares to the allottees shall be within 15 days from the Bid/Issue Closing Date.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to rematerialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their depository participant to accept the Equity Shares that may be allotted to them pursuant to the Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus.

(b) Read all the instructions carefully and complete the Bid cum Application Form (white, blue or red in colour) as the case may be.

(c) Ensure that the details about your Depository Participant and Beneficiary Account are correct and the Beneficiary Account is activated, as Equity Shares will be allotted in the dematerialized form only.

(d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate.

(e) Ensure that you have been given a TRS for all your Bid options.

(f) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.

(g) Irrespective of bid amount each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN card should be submitted with the Bid cum Application Form.

(h) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

(i) Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size.

(b) Do not Bid/revise Bid price to less than Floor Price or higher than the Cap Price.

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.

(d) Do not pay the Bid amount in cash, by money order or by postal order or by stockinvest.

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only.

(f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders) and Bidders bidding under the Employee Reservation Portion, for whom the Bid Amount exceeds Rs. 100,000).

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of the Red Herring Prospectus.

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

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, blue or red colour)

(b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details)

(c) 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

(d) The Bids from the Retail Individual Bidders must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000

(e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 75 Equity Shares. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations

(f) For Eligible Employees, the Bid must be for a minimum of 75 Equity Shares and shall be in multiples of 75 Equity Shares thereafter.

(g) 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

Bids by Employees

(a) Bids by Eligible Employees shall be made only in the prescribed Bid cum Application Form or Revision Form, (i.e., red colour form).

(b) Eligible Employees should mention their Employee ID at the relevant place in the Bid cum Application Form.

(c) Only Eligible Employees, who are Indian Nationals based in India and are physically present in India on the date of submission of the Bid-cum-Application Form and such person is an employee or Director during the period commencing from the date of filing of the Red Herring Prospectus with the RoC upto the Bid/Issue Closing Date would be eligible to apply in this Issue under the Employee Reservation portion on a competitive basis.

(d) The sole/first Bidder should be an Eligible Employee. 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 in the same sequence in which they appear in the Bid cum Application Form.

(e) Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under this category.

(f) Eligible Employees who apply or bid for Equity Shares of or for a value of not more than Rs. 1 Lac in any of the bidding options can apply at Cut-Off.

(g) If the aggregate demand in this category is less than or equal to 2,06,920 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Any under-subscription in Equity Shares reserved for Eligible Employees would be treated as part of the Net Offer to the Public and allotment shall be in accordance with the basis of allotment described in the paragraph titled "Basis of Allocation" on page 165 of the Red Herring Prospectus.

(h) If the aggregate demand in this category is greater than 2,06,920 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum allocation being equal to the minimum Bid/Application size of 75 Equity Shares. For the method of proportionate basis of allotment, refer to paragraph titled "Basis of Allocation" on page 165 of the Red Herring Prospectus.

(i) Bid/Application by Eligible Employees can be made also in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids

Bidder's depository account details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or give credit through ECS, NEFT, Direct Credit or RTGS and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ECS credit or credit through NEFT, Direct Credit or RTGS for refunds/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLM and the Co-BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and the beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the details of the Bidder's bank account. **These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through ECS, NEFT,**

Direct Credit or RTGS. 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 and the Co-BRLM nor the Company shall have any responsibility and undertake any liability for the same.

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, our Company reserves the right to reject such Bids in whole or in part, in either case without assigning any reason therefor.

In case of the Bids made pursuant to a power of attorney by FII, 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 reject such Bid in whole or in part, in either case without assigning any reason therefor.

In case of the 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 therefor.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 2500 lacs and pension funds with minimum corpus of Rs. 2500 lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by Mutual Funds, venture capital funds registered with SEBI and FVCIs registered with SEBI, a certified copy of their SEBI registration certificate must be submitted 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 therefor.

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 and conditions that we/the BRLM and the Co-BRLM may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar to the Issue that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/ allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by Eligible NRIs/ FIIs registered with SEBI / FVCIs registered with SEBI on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (Blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. By Eligible NRIs – Bids 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.
4. By other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 75 thereafter that the Bid Price exceeds Rs. 100,000. For further details, please refer to the section titled 'Issue Structure' on page 171 of the Red Herring Prospectus.
5. In the names of individuals, or in the names of FIIs or FVCIs, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into 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 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.

Our Company do not require any approval for the Issue of Equity Shares to Eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and other Eligible NRIs. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in the Issue.

PAYMENT INSTRUCTIONS

We shall open Escrow Accounts 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 favour of the Escrow Account and submit the same to the members of the Syndicate.

(b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and the Co-BRLM.

(c) The payment instruments for payment into the Escrow Account should be drawn in favour of:

   i) In case of Resident QIB Bidders: **"Escrow Account - SEL IPO-QIB"**

   ii) In case of FII Bidders: **"Escrow Account - SEL IPO – FII"**

   iii) In case of Resident Retail and Non-Institutional Bidders: **"Escrow Account - SEL IPO - Resident"**

   iv) In case of Non Resident Retail and Non – Institutional Bidders: other Bidders: **"Escrow Account - SEL IPO - NRI"**

   v) In case of Eligible Employees: **"Escrow Account – SEL IPO – Employees"**

(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 Non-Resident Ordinary (NRO) Account of Non- Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of NRO account.

(e) In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

(f) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.

(g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

(i) On the Designated Date and not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

(j) Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub member of the banker's clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Accordingly, payment through stockinvest will not be accepted in the Issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bids/Application by Eligible Employees can be made also in the "Net Issue to the Public" and such bids shall not be treated as multiple bids. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple master.
2. In this master, a check will be carried out for the same PAN numbers. In cases where the PAN numbers are different, the same will be deleted from this master.
3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names.
4. The applications will be scanned for similar DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.
5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also fathers/husbands names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

OUR COMPANY RESERVES THE RIGHT TO REJECT, IN OUR ABSOLUTE DISCRETION, ALL OR ANY MULTIPLE BIDS IN ANY OR ALL CATEGORIES.

Permanent Account Number ("PAN") With effect from July 2, 2007, SEBI vide its circular no. MRD/DoP/Cir-05/2007 dated April 27, 2007 has decided to make Permanent Account Number (PAN) to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction. The Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card 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.

Unique Identification Number ("UIN")

SEBI vide its circular no. MRD/DoP/Cir-08/2007 dated June 25, 2007 has decided to discontinue with the requirement of Unique Identification Number (UIN) under the SEBI (Central Database of Market Participants Regulations), 2005.

Right to Reject Bids

In case of QIB Bidders, the Company in consultation with the BRLM and the Co-BRLM may reject Bids provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, we have the right to reject Bids based on technical grounds only. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply;
4. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
5. **PAN not stated and/or PAN copy not attached. See the section titled "Issue Procedure – Permanent Account Number ("PAN")" beginning on page 151 of the Red Herring Prospectus;**
6. Bank account details for refund are not given;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders and Bidders in the Employee Reservation Portion bidding in excess of Rs.1 Lac;
11. Bids for number of Equity Shares, which are not in multiples of 75 Equity Shares;
12. Category not ticked;
13. Multiple Bids as defined in the Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLM, the Co-BRLM or the Syndicate Members;
18. Bid cum Application Form does not have the Bidder's depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure – Bids at Different Price Levels" beginning on page 151 of the Red Herring Prospectus;
22. Bids by OCBs;
23. Bids by QIBs not submitted through members of the Syndicate;
24. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act; and
25. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in the Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

a) an agreement dated March 14, 2007 between NSDL, us and Registrar to the Issue;

b) an agreement dated February 5, 2007 between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with 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 with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected

(f) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrars to the Issue.

(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 would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges

COMMUNICATIONS

All future communication in connection with Bids made in the 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, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

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 Allocation

A) For Retail Individual Bidders

1. 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 successful Retail Individual Bidders will be made at the Issue Price

2. The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price

3. If the valid Bids in this category is for less than or equal to 13,76,025 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids

4. If the valid Bids in this category are for more than 13,76,025 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 75 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B) For Non-Institutional Bidders

1. 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.
2. The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
3. If the valid Bids in this category is for less than or equal to 5,89,725 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.
4. In case the valid Bids in this category are for more than 5,89,725 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 75 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer below

C) For QIB Bidders

1. Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price
2. The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price
3. However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of upto 98,287 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled “Illustration of Allotment to QIBs” appearing below. If the valid Bids by Mutual Funds are for less than 98,287 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue is up to 50% of the Net Issue size, i.e. 19,65,740 Equity Shares
4. Allotment shall be undertaken in the following manner:
   (a) In the first instance allocation to Mutual Funds for 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 to all QIB Bidders as set out in (b) below;
   (b) In the second instance allocation to all QIBs shall be determined as follows:
      i. In the event that the over subscription in the QIB Portion, all QIB Bidders who have submitted Bids at or 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.

D) For Employee Reservation Portion

1. The Bid must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares thereafter. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs.1,00,000 may bid at Cut-Off.
   a. Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
   b. If the aggregate demand in this category is less than or equal to 2,06,920 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

c. If the aggregate demand in this category is greater than 2,06,920 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to minimum allocation being equal to the minimum Bid/Application size of 75 Equity Shares For the method of proportionate basis of allocation, refer below..

d. Only Eligible Employees may apply under the Employee Reservation Portion.

e. Under-subscription, if any, in any category would be allowed to be met with spill over from any other category at the sole discretion of the Company, the BRLM and the Co-BRLM.

For the method of proportionate basis of allocation refer below.

Method of Proportionate basis of allocation in the Issue

In the event of the Issue being over-subscribed, the Company shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Co-BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

Bidders will be categorized according to the number of Equity Shares applied for by them.

(a) 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.

(b) 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.

(c) If the proportionate Allotment to a Bidder is a number that is more than 75 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

In all Bids where the proportionate allotment is less than 75 Equity Shares per Bidder, the allotment shall be made as follows:

1. Each successful Bidder shall be allotted a minimum of 75 Equity Shares; and
2. 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 Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. The basis of allocation on a proportionate basis shall be finalised in consultation with the Designated Stock Exchange.

Illustration of Allotment to QIBs and Mutual Funds

A. Issue Details

Sr. No.	Particulars	Issue details
1	Net Issue to the Public	200 million equity shares
2	Allocation to QIB (50%) *of which:*	100 million equity shares
	a. Reservation to MF (5%)	5 million equity shares
	b. Balance for all QIBs including MFs	95 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of shares bid for (in millions)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	**5**	**95**	**42.42**

Please note:

1. The illustration presumes compliance with the requirements specified in the Red Herring Prospectus in the section titled "Issue Structure" beginning on page 171 of the Red Herring Prospectus.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
3. The balance 95 million Equity Shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:

For QIBs other than Mutual Funds (A1 to A5) = No. of shares bid for (i.e. in column II of the table above) X 95 / 495

For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495

The numerator and denominator for arriving at allocation of 95 million shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Disposal of Applications and Application Moneys and Refund Orders

We shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Issue/Closing Date.

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of Allotment.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days of finalisation of the basis of allotment.

Applicants residing at 15 centres where clearing houses are managed by the RBI will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where applicant is otherwise disclosed as eligible to get refunds through NEFT, Direct Credit or RTGS. In case of other applicants, the Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue. The applicable refund orders shall be sent only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except for Bidders who have opted to receive refunds through ECS, NEFT, Direct Credit or RTGS. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders

Mode of making refunds

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM and the Co-BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference

1. **NEFT**

   Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

2. **ECS**

   Payment of refund shall be undertaken through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, 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 MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned fifteen centers.

3. **Direct Credit**

   Applicants applying through the web/internet whose service providers opt to have the refund amounts for such applicants being by way of direct disbursement by the service provider through their internal networks, the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.

4. **RTGS**

   Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

1. Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
2. Dispatch of refund orders (including through ECS, NEFT, Direct Credit or RTGS) will be done within 15 days from the Bid/Issue Closing Date; and
3. We shall pay interest at 15% per annum (for any delay beyond the 15-day time as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above or if, in a case where the refund or portion thereof is made in electronic manner through ECS, NEFT, Direct Credit or RTGS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue Closing Date.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Undertaking by our Company

We undertake as follows:

- that the complaints received in respect of the Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us; and
- that other than the Pre-IPO Placement, no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

ISSUE STRUCTURE

The present Issue of 41,38,410 Equity Shares comprising of a Net Issue of 39,31,490 Equity Shares and an Employee Reservation Portion of up to 2,06,920 Equity Shares, at a price of Rs. [•] for cash aggregating Rs. [•] lacs is being made through a 100% Book Building Process. Details of the Issue structure are tabulated below:

Particulars	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees/Employee Reservation Portion
Number of Equity Shares	Upto 19,65,740 Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	At least 5,89,725 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders	At least 13,76,025 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders	Upto 2,06,920 Equity Shares.
Percentage of Issue Size available for allocation	Upto 50% of Net Issue to Public or Net Issue to Public less allocation to Non-Institutional Bidders and Retail Individual Bidders	At least 15% of Net Issue to Public or Net Issue to Public less allocation to QIB Bidders and Retail Individual Bidders	At least 35% of Net Issue to Public or Net Issue to Public less allocation to QIB Bidders and Non-Institutional Bidders	Upto 4.99% of the Issue Size
Size of Allocation	Minimum 75 Equity Shares and in multiples of one Equity Share thereafter	Minimum 75 Equity Shares and in multiples of one Equity Share thereafter	Minimum 75 Equity Shares and in multiples of one Equity Share thereafter	Minimum 75 Equity Shares and in multiples of one Equity Share thereafter
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 75 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 75 Equity Shares thereafter	75 Equity Shares and in multiples of 75 Equity Share thereafter	75 Equity shares and thereafter in multiple of 75 equity shares
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits	Such number of Equity Shares not exceeding the Issue subject to applicable limits	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 1,00,000	Such number of Equity Shares that the number of Equity Shares Bid for should not exceed 2,06,920 Equity Shares
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 bi-lateral development financial institutions, 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 (IRDA), provident funds with minimum corpus of Rs. 2500 lacs and pension funds with minimum corpus of Rs. 2500 lacs in accordance with applicable law	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts	Individuals (including HUFs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value	Eligible Employees
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Members	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members	Margin amount applicable to employees at the time of submission of bid cum application form to the member of syndicate
Margin Amount	10% of Bid Amount	100% of Bid Amount	100% of Bid Amount	100% of Bid Amount

Notes:

1. Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any portion of the Issue, would be allowed to be met with spillover from any other category or combination of categories at the discretion of the Company in consultation with the BRLM, the Co-BRLM and the Designated Stock Exchange;
2. Out of size of the Issue available for allocation to QIBs, 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds;
3. Allocation will be proportionate if any category is over subscribed and will be made compulsorily in dematerialized form;
4. Trading lot is one Equity Share.

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.

Withdrawal of the Issue

Our Company, in consultation with the BRLM and the Co-BRLM, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason thereof.

Bid/Issue Programme

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period (being a working day of the Stock Exchange) as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date.

Revision of Price Band

Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the price band in the Red Herring Prospectus and the Cap Price will not be more than 20% of such floor price.

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM, the Co-BRLM and at the terminals of the Syndicate.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Under the current foreign investment policy, foreign equity participation up to 100% is permissible under the automatic route in the textile sector.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In our Company, as of date the aggregate FII holding cannot exceed 24% of the total post-Issue share capital.

As per the RBI regulations, OCBs cannot participate in the Issue.

Subscription by foreign investors (NRIs/ FIIs)

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 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 our Company (i.e., 10% of 1,52,16,000 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With approval of our Board and that of the shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however as of the date of the Red Herring Prospectus no such resolution has been recommended to our shareholders for approval.

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.

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.

The above information is given for the benefit of the Bidders. Our Company, the BRLM and the Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

SECTION X

DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of Association of the Company. Pursuant to Schedule II of the Companies Act, 1956 and the SEBI (DIP) Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and/or their consolidation/splitting are detailed below.

No regulations contained in Table 'A' of Schedule I to the Companies Act shall apply to the Company but the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration or of addition to, its regulations by special resolution, as prescribed by the Companies Act be such as are contained in these Articles of Association.

CAPITAL AND SHARES

SHARE CAPITAL:

Article 5 provides as follows:

The Authorised Share capital of the Company shall be such as mentioned in clause V of the Memorandum of Association of the Company which can be sub-divided, consolidated and increased or decreased with power from time to time to issue any shares of original capital, with and subject to any preferential, deferred, qualified or special rights, privileges or conditions as may be thought fit, and upon the sub-division of shares, to apportion the right to participate in profits, in any manner, as between the shares resulting from sub-division provided however, that the aforesaid Preference Shares shall not participate in profits, reserves or surplus beyond the stipulated rate of dividend.

REDEEMABLE PREFERENCE SHARES:

Article 6 provides as follows:

Subject to the provisions of these Articles, the Company shall have power to issue Preference shares which may at the option of the Company be liable to be redeemed out of profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption and the Board may subject to the provisions of Section 80 and 80A of the Act, exercise such power, in such manner as it may think fit.

POWER TO CONVERT AND/OR ISSUE SHARES:

Article 7 provides as follows:

The Directors shall have power, at their discretion, to convert the unissued Equity share into Redeemable Preference Shares and vice-versa and Company may, subject to sanction of three-fourth of the existing share holders, issue any parts of the unissued shares either equity or preference carrying a right to redemption out of the profits or liable to be so redeemed at the option of Company upon such terms and conditions and with such rights and privileges annexed thereto as the directors at their discretion may think fit and proper but subject to the provisions of sections 86, 87 and 88 of the Act.

SHARES AT A DISCOUNT:

Article 8 provides as follows:

With the previous authority of the Company in General Meeting and with sanction of the Company Law Board and upon otherwise complying with the provisions of Section 79 of the Act, the Board may issue at a discount shares of a class already issued.

INSTALMENT ON SHARES TO BE FULLY PAID:

Article 9 provides as follows:

If by the conditions of allotment of any share, the whole or part of the amount of issue price thereof shall be payable by installment, every such installment shall, when due, be paid to the Company be the person who, for the time being shall be the registered holder of the share or by his executor or administrator.

LIABILITY OF JOINT HOLDERS OF SHARES:

Article 10 provides as follows:

The joint holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such share.

TRUSTS NOT RECOGNISED:

Article 11 provides as follows:

Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not except as ordered by a Court of competent jurisdiction or as by statute required, be bound to recognize any equitable or other claim to or interest in such share on the part of any other person.

COMMISSION AND BROKERAGE:

Article 12 provides as follows:

The Company may exercise the power of paying commissions conferred by Section 76 of the Act and in such case shall comply with the requirements of that section, such commission may be satisfied by the payment in cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.

FURTHER ISSUE OF SHARES:

Article 13(A) provides as follows:

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 then:

a) 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 those shares at that date;

b) The offer aforesaid 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;

c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (ii) shall contain a statement of this right;

d) 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 of directors may dispose of them in such manner as they think most beneficial to the company.

Article 13(B) provides as follows:

Notwithstanding anything contained in clause (A) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in sub clause (i) of clause (A) hereof) in any manner whatsoever.

a) If a special resolution to that effect is passed by the company in general meeting, or

b) Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the company.

Article 13(C) provides as follows:

Nothing in sub clause (iii) of (A) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

Article 13(D) provides as follows:

Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued by the company:

(i) To convert such debentures or loans into shares in the company; or

(ii) To subscribe for shares in the company

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) Either has been approved by the Central Government before the issue of debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the company in General Meeting before the issue of the loans.

HOW FAR NEW SHARES TO RANK WITH EXISTING SHARES:

Article 14 provides as follows:

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 part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, voting, surrender and otherwise. Such new shares shall rank pari passu with the existing shares in all respect except for the purposes of dividend that shall be pro rated to the period for which such newly issued shares are in existence.

SHARES AT THE DISPOSAL OF THE DIRECTORS:

Article 17 provides as follows:

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the company in the General meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted , may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares.. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

REDUCTION OF CAPITAL:

Article 18 provides as follows:

Subject to the provisions of Section 100 to 104 of the Act the Company may from time to time, by Special Resolution reduce its capital in any manner for the time being authorized by law and in particular, by paying off capital or canceling capital which has been lost or is unrepresented by available assets, or is superfluous by reducing the liability on the shares or otherwise as may be expedient, and capital may be paid off upon the footing that it may be called up again or otherwise; and the Board may, subject to the provisions of the Act accept surrender of shares.

SUB-DIVISION AND CONSOLIDATION OF SHARES:

Article 19 provides as follows:

The Company in general meeting may, from time to time, sub-divide or consolidate the shares under powers conferred by Section 94 of the Act and shall file with the Registrar such notice of exercise of any such powers as may be required by the Act. Provided however that the provision relating to progressive numbering shall not apply to the shares of the Company, which have been dematerialized.

BUY BACK OF SHARES:

Article 20 provides as follows:

Notwithstanding anything contained in these Articles, the Board of Directors may, when and if thought fit, buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, by such of the method, and subject to such approvals, as may be permitted by the law.

ISSUE OF SHARES WITH DIFFERENTIAL VOTING RIGHTS:

Article 21 provides as follows:

The Directors may issue shares with differential rights as to dividend, voting or otherwise, upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law, on obtaining approval of the shareholders.

MODIFICATION OF RIGHTS:

Article 22 provides as follows:

If at any time, the capital of the Company by reason of the issue of preference shares or otherwise, is divided into different classes of shares, all or any of the rights attached to the shares of each class may, subject to the provisions of Section 106 and 107 of Act be varied with the consent in writing of the holders of at least three-fourth of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of issued shares of that class and all the provisions hereinafter contained as to general meeting shall, mutatis mutandis, apply to every such meeting.

INSTALLMENTS OF SHARES TO BE DULY PAID:

Article 23 provides as follows:

If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who, for the time being, shall be the registered holder of the shares or by his executor or administrator

LIABILITY OF JOINT-HOLDERS OF SHARES:

Article 24 provides as follows:

The Joint Holders of a share be severally as well as jointly liable for the payment of all installments and calls due in respect of such share.

WHO MAY BE REGISTERED:

Article 25 provides as follows:

Shares may be registered in the name of any person, Company or other body corporate. Not more than four persons shall be registered as joint-holders of any share.

SHARE CERTIFICATES:

Article 26 provides as follows:

Every member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so may determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holders.

Article 27 provides as follows:

The certificate of title to shares and duplicate thereof when necessary shall be issued under the seal of the Company which shall be affixed in the presence of :

(a) two Directors or a Director and person acting on behalf of another director under a duly registered power of attorney or two persons acting as attorney for two Directors as aforesaid; and

(b) the Secretary or some other person appointed by the Board for the purpose, all of whom shall sign such share certificate, provided that if composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a Managing or whole time Director or a Director to whom section 261 of the Act applies.

ISSUE OF NEW CERTIFICATE IN PLACE OF ONE DEFACED, LOST OR DESTROYED:

Article 28 provides as follows:

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, and then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall mutatis mutandis apply to debentures of the company.

DEMATERIALISATION OF SECURITIES:

Article 29 provides as follows:

For the purpose of this Article, unless the context otherwise requires:

a. Definitions:

Beneficial owner: 'Beneficial Owner' means the beneficial owner as defined in clause (a) of sub section (1) of Section 2 of the Depositories Act, 1996.

Bye-laws: 'Bye–laws' means bye-laws made by a Depository under Section 26 of the Depositories Act, 1996;

Depository Act: 'Depository Act' means the Depositories Act, 1996 and any statutory modification or re-enactment thereof for the time being in force.

Depository: 'Depository' means a Depository as defined under clause (e) of sub section (1) of Section 2 of the depositories Act, 1996.

Record: 'Record' includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by the regulations made by SEBI;

Regulations: 'Regulations' means the regulations made by SEBI;

SEBI: 'SEBI' means the Securities and Exchange Board of India;

Security: 'Security' means such security as may be specified by SEBI from time to time.

Shareholder or Member: 'Shareholder' or 'Member' means the duly registered holder, from time to time of the shares of the Company and includes the subscribers to the Memorandum of Association of the Company and also every person holding Equity Shares and/or Preference Shares of the Company as also one whose name is entered as a beneficial owner of the shares in the records of a Depository.

b. Dematerialization of Securities:

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize or rematerialize its shares, debentures and other securities (both existing and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialized form pursuant to the Depositories Act, 1996 and the rules framed there under, if any;

c. Option for Investors:

Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a Depository. Such a person, who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed issue to the beneficial owner the required certificates of securities.

Whereas in case of a person who 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 such information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

d. Securities in Depositories to be in fungible form:

All securities held by a Depository shall be dematerialised and shall be in a fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B and 187C of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners;

e. Rights of Depositories and Beneficial owner;

(i) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

(ii) Save as otherwise provided in (i) above, the Depository as a registered owner of the securities shall not have any voting rights or any other right in respect of the securities held by it;

(iii) Every person holding securities of the company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities held by a Depository.

f. Depository to furnish information;

Notwithstanding anything to the contrary in the Act or these Articles, where the securities are 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 and discs.

g. Option to opt out in respect of any security;

If a beneficial owner seeks to opt out of a Depository in respect of any security, the beneficial owner shall inform the Depository accordingly. The Depository shall on receipt of the intimation as above, make appropriate entries in its record and shall inform the Company accordingly;

The Company shall within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fee as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be;

h. Section 83 and 108 of the Act not to apply:

Notwithstanding anything to the contrary contained in the Articles

(i) Section 83 of the Act shall not apply to the shares with a Depository.

(ii) Section 108 of the Act shall not apply to transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a Depository.

i. Register and Index of Beneficial Owners;

The Register and Index of Beneficial Owners, maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Members and Security holders, as the case may be for the purposes of these Articles.

j. Intimation to Depository;

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with in a Depository, the company shall intimate the details of allotment of securities hereof to the Depository immediately on allotment of such securities.

k. Stamp duty on securities held in dematerialised form;

No stamp duty would be payable on shares and securities held in dematerialized form in any medium as may be permitted by law including any form of electronic medium.

l. Applicability of the Depositories Act;

In case of transfer of shares, debentures and other marketable securities, where the company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

m. Company to recognize the rights of Registered Holders as also the Beneficial Owners in the records of the Depository;

Save as herein otherwise provided, the company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as also the Beneficial Owner of the shares in records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the company and accordingly the company shall not except as ordered by a court of competent jurisdiction or as by law required, be bound to recognize any benami trust or equity or equitable contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

CALL ON SHARES

BOARD OF DIRECTORS TO MAKE CALLS:

Article 30 (1) provides as follows:

The Board of Directors, may from time to time, by a resolution passed at a meeting of the Board, make such call as it thinks fit upon the members in respect of moneys unpaid on the shares held by them respectively, by giving not less than 15 days notice for payment and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. The Board may, at their discretion, extend the time for payment of such calls.

CALLS TO CARRY INTEREST

Article 30 (2) provides as follows:

If any member fails to pay any call due from him on the day appointed for payment thereof or any such extension thereof as aforesaid, he shall be liable to pay interest on the same; from the day appointed for the payment thereof to the time of actual payment, at such rate as shall from time to time be fixed by the Board of Directors, but nothing in this Article shall render it compulsory for the Board of Directors to demand or recover any interest from any such member.

SUMS PAYABLE ON ALLOTMENT OR AT FIXED DATE TO BE PAID ON DUE DATES:

Article 31 provides as follows:

Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these regulations be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.

PAYMENT IN ANTICIPATION OF CALL MAY CARRY INTEREST:

Article 32 provides as follows:

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutates mutandis apply to the calls on debentures of the company.

CALLS TO DATE FROM RESOLUTION:

Article 33 provides as follows:

A call shall be deemed to have been made at the time when the resolution authorizing such call was passed at a meeting of the Board of Directors.

REVOCATIONS OF CALLS:

Article 34 provides as follows:

A call may be revoked or postponed at the discretion of the Board.

FORFEITURE OF SHARES:

Article 35(1) provides as follows:

If a member fails to pay any call, or installment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid together with any interest which may have accrued.

Article 35(2) provides as follows:

The notice aforesaid shall :(a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and (b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made will be liable to be forfeited.

Article 35(3) provides as follows:

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

Article 35(4) provides as follows:

A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

Article 35(5) provides as follows:

At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

Article 36(1) provides as follows:

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys, which at the date of forfeiture were presently payable by him to the Company in respect of the shares.

Article 36(2) provides as follows:

The liability of such persons shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.

Article 37(1) provides as follows:

A duly verified declaration in writing that the declarant is a Director, the Manager or the Secretary, of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

Article 37(2) provides as follows:

The Company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.

Article 37(3) provides as follows:

The transferee shall thereupon be registered as the holder of the share.

Article 37(4) provides as follows:

The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share, be affected by any irregularity or invalidity in the proceedings in reference to or disposal of the share.

FORFEITED SHARE TO BECOME PROPERTY OF THE COMPANY:

Article 38 provides as follows:

Any share so forfeited shall be deemed to be the property of the Company, and the Board may sell, re-allot or otherwise dispose of the same in such manner as it thinks fit. The forfeited shares shall be disposed of in accordance with the provisions of listing Agreement.

PROVISIONS REGARDING FORFEITURE TO APPLY IN THE CASE OF NON-PAYMENT OF SUMS PAYABLE AT A FIXED TIME:

Article 39 provides as follows:

The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the shares or by way of premium, as if the same had been payable by virtue of a call duly made and noticed.

BOARD MAY ISSUE NEW CERTIFICATE:

Article 40 provides as follows:

Where any share under the power in that behalf herein contained is sold by the Board and the certificate in respect thereof has not been delivered to the Company by the former holder of such share, the Board may issue new certificate for such share, distinguish it in such manner as it may think fit from the certificate not so delivered up.

DIRECTORS MAY ACCEPT SURRENDER OF SHARES:

Article 41 provides as follows:

The Directors may at any time, subject to the provisions of the Act, accept the surrender of any share from or by any member desirous of surrendering on such terms as the Directors may think fit.

COMPANY'S LIEN ON SHARES/DEBENTURES:

Article 42 provides as follows:

The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/ debentures i.e. the fully paid shares/debentures shall be free from all lien and that in the case of partly paid shares the Issuer's lien shall be restricted to moneys called or payable at a fixed time in respect of such chares) 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/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

ENFORCEMENT OF LIEN ON SALE OF SHARES:

Article 43 provides as follows:

The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable or until the expiration of fourteen days after a notice in writing stating and demanding payment of 'such part of amount in respect of which lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or insolvency.

APPLICATION OF PROCEEDS OF SALES:

Article 44 provides as follows:

The proceeds of the sale shall be received by the Company and shall be applied in payment of such part of the amount in respect of which lien exists as is presently payable and the residue shall (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) be paid to the persons entitled to the shares at the date of the sale. The purchaser shall he registered as the holder of the share and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

TRANSFER AND TRANSMISSION OF SHARES

INSTRUMENT OF TRANSFER:

Article 45 provides as follows:

The instrument of transfer shall be in writing and a common form of transfer will be used and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

EXECUTION OF TRANSFER:

Article 46 provides as follows:

The instrument of transfer of any share in the Company shall be executed both by the transferor and transferee and the transferor shall be deemed to remain holder of the share until the name of the transferee is entered in the register of members in respect thereof

TRANSFER BY LEGAL REPRESENTATIVE:

Article 47 provides as follows:

A transfer of the share in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member, be as valid as if he had been a member at the time of the execution of the instrument of transfer.

INSTRUMENT OF TRANSFER TO BE LEFT AT OFFICE AND EVIDENCE OF TITLES TO BE GIVEN:

Article 48 provides as follows:

Every instrument of transfer shall be delivered to the Company at the office for registration accompanied by any certificate of the shares to be transferred and such evidence as the Company may require to prove the title of the transferor, or his right to transfer the shares. All instruments of transfer shall be retained by the Company, but any instrument of transfer which the Board may decline to register shall on demand be returned to the person depositing the same.

DIRECTORS MAY REFUSE TO REGISTER TRANSFER:

Article 49 provides as follows:

Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a member in or debentures 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 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. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the company has a lien on shares.

NO FEE ON TRANSFER OR TRANSMISSION:

Article 50 provides as follows:

No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

REGISTER OF TRANSFERS:

Article 51 provides as follows:

The Company shall keep a book, to be called the “Register of Transfers and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.

CLOSING OF REGISTERS OF MEMBERS AND DEBENTURE HOLDERS:

Article 52 provides as follows:

The Register of Members or the Register of Debenture-holders may be closed for any period or periods not exceeding 45 (forty five) days in each year but not exceeding 30 (thirty) days at any onetime after giving not less than 7 (seven) days previous notice by advertisement in some newspaper circulating in the district in which the Registered Office of the Company is situated.

TITLE TO SHARE OF DECEASED HOLDER:

Article 53 provides as follows:

The executor or administrator of a deceased member (not being one of two or more joint holders) shall be the only person recognized by the Company as having any title to his shares, and the Company shall not be bound to recognize such executor or administrator unless such executor or administrator shall have first obtained Probate or Letters of Administration, as the case may be, from a duly constituted Court in India; Provided that in any case where the Board in their absolute discretion think tit, the Board may dispense with production of Probate or Letters of Administration, and, under the next Article, register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member as a member.

REGISTRATION OF PERSONS ENTITLED TO SHARES OTHERWISE THAN BY TRANSFER:

Article 54 provides as follows:

Subject to the provisions of the Act and these Articles, any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of any member, or by an lawful means other than by a transfer in accordance with these presents, may, with the consent of the Directors (which they shall not be under any obligation to give), upon producing such evidence as the Board think sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him, and approved by the Board, registered as such holder. Provided, nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing to his nominee an instrument of transfer of the share in accordance with the provisions herein contained, and, until he does so, he shall not be freed from any liability in respect of the share.

BOARD MAY REQUIRE EVIDENCE OF TRANSMISSION:

Article 55 provides as follows:

Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified, or until or unless an indemnity be given to the Company with regard to such registration which the Board at their discretion shall consider sufficient; Provided nevertheless, that there shall not be any obligation on the Company or the Board to accept any indemnity.

NOMINATION FACILITY:

Article 56(i) provides as follows:

Every holder of shares in or holder of debentures of the Company may, at any time nominate, in the prescribed manner, a person to whom his shares in or debentures of the company shall vest in the event of his death.

Article 56(ii) provides as follows:

Where the shares in or debentures of the company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the company shall vest in the event of death of all the joint holders.

Article 56(iii) provides as follows:

Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in, or debentures of the company, the nominee shall, on the death of the shareholder or holder of debentures of the company or as the case may be on the death of the joint holder becomes entitled to all the rights in the shares or debentures of the company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

Article 56(iv) provides as follows:

Where the nominee is a minor, it shall be lawful for the holder of the shares or holder of the debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the company, in the event of his death, during the minority.

BORROWING POWERS:

Article 60 provides as follows:

Subject to the provisions of the Companies Act, 1956 the Directors for the time being of the company may, from time to time at their discretion guarantee or borrow any sum or sums of money or make any arrangement for finance for the purpose of the company and secure the payment of such sum or sums of financial arrangement in such a manner and upon such terms and conditions in all respects as they think fit and in particular by making, drawing or accepting on behalf of the company promissory notes or bills of exchange or giving or issuing any other receipts of the company or of the issue of debenture or debentures stock of the company charged upon all any part of the property of the company both present and future including as uncalled for the time being.

TERM OF ISSUE OF DEBENTURE

Article 60A provides as follows:

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the company in the General Meeting by a Special Resolution.

CONDITIONS ON WHICH MONEY MAY BE BORROWED:

Article 61 provides as follows:

The Board may raise or secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular, by the issue of bonds, perpetual or redeemable, debentures or debenture-stock or any mortgage, or other tangible security on the under-taking of the whole or any part of the property of the Company (both present and future), but shall not create a charge on its uncalled capital for the time being without the sanction of the Company in the General Meeting.

GENERAL MEETING

WHEN ANNUAL GENERAL MEETING TO BE HELD

Article 65 provides as follows:

In addition to any other Meetings, General Meeting of the Company shall be held within such intervals as are specified in Section 166 (1) of the Act and subject to the provisions of Section 166(2) of the Act, at such times and places as may be determined by the Board. Each such General Meeting shall be called an “Annual General Meeting” and shall be specified as such in the notice convening the Meeting. Any other meeting of the Company shall be called as ‘’Extra-ordinary General Meeting”

WHEN EXTRA-ORDINARY GENERAL MEETING TO BE CALLED

Article 66 provides as follows:

The Board may whenever it thinks fit call an Extra-Ordinary General Meeting and it shall on the requisition of the members in accordance with Section l69 of the Act proceed to call an Extra-Ordinary General Meeting The requisitionists may, in default of the Board convening the same, convene the Extra-Ordinary General Meeting as provided by Section 169 of the Act.

CIRCULATION OF MEMBER’S RESOLUTION

Article 67 provides as follows:

The Company shall comply with provisions of Section 168 of the Act. as to giving notice of resolution and circulating statements on the requisition of members.

NOTICE OF MEETING

Article 68 provides as follows:

Save as provided in sub section (2) of Section 172 of the Act not less than twenty one days notice of a meeting shall specify the place and the hour of the meeting and shall contain a statement of the business to be transacted thereat and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company. Where any such business consists of “Special Business”, as hereinafter defined there shall be annexed to the notice a statement complying with Section 173(2)&(3) of the Act.

Notice of every meeting of the Company shall be given to every member of the Company, to the Auditors of the

Company and to person or persons entitled to a share in consequence of the death or insolvency of a member in any manner hereinafter authorised for the giving of notices to such persons. Provided that where notice of a General Meeting is given by advertising the same in a newspaper circulating in the neighbourhood of the office under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173(2) of the Act need not be annexed to the notice as required by that section but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the Company.

The accidental omission to give any such notice to or its non-receipt by any members or other person to whom it should be given shall not invalidate the proceedings of the meeting.

PROCEEDINGS OF THE GENERAL MEETING

BUSINESS OF MEETING

Article 69 provides as follows:

The ordinary business of an Annual General Meeting shall be to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and the Auditors, to elect Directors in the place of those retiring by rotation, to appoint Auditors and fix their remuneration and declare dividends. All other business transacted at Annual General Meeting shall be deemed Special Business.

QUORUM TO PRESENT WHEN BUSINESS COMMENCED

Article 70 provides as follows:

No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided five members present in person shall be quorum.

WHEN, IF QUORUM NOT PRESENT, MEETING TO BE DISSOLVED AND WHEN TO BE ADJOURNED

Article 71 provides as follows:

If within half–an-hour from the time appointed for the meeting a quorum be not present, the meeting, if convened on such requisition as aforesaid, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and at such time and place as the Board may by notice appoint and if at such adjourned meeting a quorum be not present within half-an-hour from the time appointed for holding the meeting those members, who are present and not being less than two shall be a quorum and may transact the business for which the meeting was called.

CHAIRMAN OF GENERAL MEETING

Article 73 provides as follows:

The Chairman of the Board shall be entitled to take the Chair at every General Meeting. If there be no such chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting, or is unwilling to act, the members present shall choose another Director as Chairman, and if no director be present, or if all the Directors present decline to take the Chair, then the members present shall on a show of hands or on a poll if properly demanded, elect one of their member being a member entitled to vote, to be the chairman.

HOW QUESTION TO BE DECIDED AT MEETING

Article 74 provides as follows:

Every question submitted to a meeting shall be decided, in the first instance by a show of hands, and in case of an equality of votes, both on show of hands and on a poll. The Chairman of the meeting shall have a casting vote in addition to the vote to which he may be entitled to as a member.

WHAT IS THE EVIDENCE OF THE PASSING OF A RESOLUTION WHERE DEMANDED

Article 75 provides as follows:

At any General Meeting unless a poll is (before declaration of the result of voting on any Resolution on show of hands), ordered to be taken by the Chairman of the meeting on his own motion or on a demand made in that behalf by member present in person or by proxy and holding shares in the company which confer a power to vote on the resolution, not being less than one tenth of the total voting power in respect of the Resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up, a declaration by the Chairman that a Resolution has or had not been carried, or has or has not been carried either unanimously, or by particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the general meetings of the company shall be conclusive evidence of the fact, without proof of the number of the proportion of the votes cast in favour of or against the resolution.

POLL

Article 76 provides as follows:

(i) If a poll be demanded as aforesaid it shall be taken forthwith on a question of adjournment or election of a Chairman and in any other case in such manner and at such time, not being later than forty-eight hours from the time, when the demand was made and at such place as the chairman of the meeting directs and subject as aforesaid, said either at once or after an interval or adjournment or otherwise, and the results of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was demanded.

(ii) The demand of a poll may be withdrawn at any time.

(iii) Where a poll is to be taken the Chairman of the meeting shall appoint the scrutineers.

(iv) On a poll 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 the votes or cast in the same way the votes he uses.

(v) The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which poll has been demanded.

POWER TO ADJOURN GENERAL MEETING

Article 77 provides as follows:

(i) The Chairman of General Meeting may adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than business left unfinished at the meeting from which the adjournment took place.

(ii) When a meeting is adjourned it shall be necessary to give a notice of adjournment or of the business to be transacted at an adjourned meeting.

VOTES OF MEMBERS

Article 78 provides as follows:

(i) Save as hereinafter provided on a show of hands every member present in person and being a holder shall have one vote and every person present either as General Proxy (as defined in article 84) on behalf of a holder of Equity shares, if he is not entitled to vote in is own right or as a duly authorised representative or body corporate, being a holder of equity shares, shall have one vote.

(ii) Save as hereinafter provided on a poll the voting right of a holder of equity shares shall be as specified in section 87 of the Act.

(iii) The holder of preference shares shall have a right to vote on a resolution placed before the Company which directly affects the rights attached to their preference shares and subject as aforesaid the holder of preference shares shall in respect of such capital be entitled to vote on every resolution placed before the Company at a meeting if the dividend due on such capital or any part of such dividend remains unpaid in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting and where the holders of any preference shares have a right to vote as aforesaid on any resolution every such member personally present shall have one vote and on a poll his voting right in respect of such preference shares to the total of the capital paid up on the equity shares.

(iv) Provided that no body corporate shall vote by proxy so long as resolution of its board of directors under the provision of section 187 of the act is in force and the representative named in such resolution is present at the General Meeting at which the vote by proxy is tendered.

PROXIES PERMITTED

Article 82 provides as follows:

Votes may be given either personally, or in the case of a body corporate, by a representative duly authorised as aforesaid, or by proxy.

ADMISSION OR REJECTION OF VOTES

Article 88 provides as follows:

(i) Any objection as to the admission or rejection of a vote either, on a show of hands or on a poll made in due time, shall be referred to the Chairman who shall forthwith determine the same, and such determination made in good faith shall be final and conclusive.

(ii) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote not disallowed at such meeting shall be valid for all purposes.

DIRECTORS

NUMBER OF DIRECTORS

Article 90 provides as follows:

The number of Directors of the Company shall not be less than three and not more than eighteen.

SHARE QUALIFICATION OF DIRECTORS

Article 93 provides as follows:

A Director shall not be required to hold any shares qualification.

POWER TO APPOINT MANAGING DIRECTOR

Article 94 provides as follows:

Subject to the provision of section 269, 316 and 317 of the Act, the Board may from time lo time appoint one or more Directors to be Managing Directors of the Company either for a fixed tern or without any limitation as to period for which to hold such office and may form time to time (subject to the provision of any contract between him and Company) remove or dismiss him from office and appoint another in his place.

CHAIRMAN

Article 95 provides as follows:

The Board shall appoint a Chairman of its meeting and determine the period for which he is to hold office. If such Chairman is appointed or if at any meeting of the Board, the Chairman be not present within five minutes after the time appointed for holding the same, the Directors present shall choose some one of their member to be Chairman of such meeting.

CONDITIONS UNDER WHICH DIRECTORS MAY CONTRACT WITH COMPANY

Article 102 provides as follows:

Subject to the provision of Sections 297 of the Act neither shall Director be disqualified from contracting with the Company whether as vendor, purchaser or otherwise for goods materials or services or for underwriting the subscription of any shares in or debenture of the Company nor shall any such contract or agreement entered by or on behalf of the Company with the relative of such Director or a firm in which such Director or relative is a partner or with any other partner in such firm or with a private company of which such Director is a member or Director be void nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by such any contract or arrangement by reason of such Director holding 0ffice or of the fiduciary relation thereby established.

DISCLOSURE OF A DIRECTORS INTEREST

Article 103 provides as follows:

Every Director who is any way whether directly or indirectly, concerned or interested in a contract or arrangement, entered into, or to be entered into by or on behalf of the Company not being a contract or arrangement entered into or be entered into or to be entered into between the Company and any other company where any of the Director of the Company or two or more of them together holds or hold not more than two per cent of the paid up share capital in the other company shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act. A general notice renewable in the last month of each financial year of the Company that a Director is a Director or a member of any specified body corporate or is a member of any specified firm and is to be regarded as concerned or interested in relation; to any contract or arrangement so made and after such general notice it shall not be necessary to give special notice relating to any particular contract or arrangement with such body corporate or firm provided such general notice is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given. Every Director shall be bound to give and from time to time renew a general notice as aforesaid in respect of all bodies corporate of which he is Director or member and of all firms of which he is a member.

DISCUSSION AND VOTING BY ANY DIRECTOR INTERESTED

Article 104 provides as follows:

No Director shall, as a Director take any part in the discussion of or any contract or arrangement in which he is in any way, whether directly or indirectly concerned or interested nor shall his presence count for the purpose of forming a quorum at the time of such discussion or vote This prohibition shall not apply to:

(a) Any contract of indemnity against loss which the Directors or any of them may suffer by reason of becoming or being sureties or sure to for the Company; or

(b) Any contract or arrangement entered into or to be entered into by the Company with a public company, or with private company, which is subsidiary of a public company, in which the interest of the Director consists solely in his being a Director of such company and holder of shares not exceeding a number of value the amount requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company or in his being a member of the Company holding not more than two percent of the paid up share capital of the Company.

POWER OF THE BOARD

GENERAL POWER OF THE COMPANY VESTED IN THE BOARD

Article 120 provides as follows:

Subject to the provisions of the Act control of the company shall be vested in the Board who shall be entitled to exercise all such powers, and to do all such Act and things as the company is authorized to exercise and do. Provided that the Board shall not exercise any power to do any act or things which it directed or required whether by the Act or any other state or by the Memorandum of the Company or by these Articles or otherwise to be exercised or done by the Company in General Meeting provided further that in exercising any such power or doing any such act or thing the Board shall be subject to the provisions in that behalf contained in the Act or any other statue or in the Memorandum of the Company or in these Articles or in any regulations not inconsistent therewith and duly made there under including regulation made by the Company in the General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

DELEGATION OF POWERS

Article 121 provides as follows:

Subject to the provisions of the Act the Board may form time to time, as it may think fit delegate all or any of the powers hereby conferred upon the Board other than the power to make call on members in respect of money unpaid on their shares and issue debentures.

TO WHAT PROVISION MANAGING DIRECTOR SHALL BE SUBJECT

Article 122 provides as follows:

Subject to the provisions of section 255 of the Act a Managing Director shall not while he continue to hold that office be subject to retirement by rotation and shall not be reckoned as Director for the purpose of determining the retirement by rotation of Director or in fixing the number of Director to retire (but subject to the provision of any contract between him and the Company) he shall be subject to the same provisions as to resignation and removal as the other director he shall be ipso facto and immediately cease to be Managing Director if he ceases to hold the office of Director from any cause save that if he shall retire by rotation under the provision of section 255 of the Act at Annual General Meeting and shall be reappointed a Director at the same meeting, he shall not by reason only of such retirement cease to be Managing Director. If any time the total number of Managing Director is more than one third of the total number of Directors the Managing Director who shall not retire shall be determined by and in accordance with their respective seniorities.

REMUNERATION OF MANAGING DIRECTOR

Article 123 provides as follows:

Subject to the provision of section 309, 310,and 311 of the Act, a Managing Director shall, in addition to the remuneration payable to him as a Director of the Company under these Articles, receive such additional remuneration as may from time to time be sanctioned by the Company in General Meeting.

POWER OF MANAGING DIRECTOR

Article 124 provides as follows:

Subject to the provision of the Act and particular to the prohibitions and restrictions contained in Section 292 thereof the Board may from time to time entrust to and confer upon Managing Director for the time being such to the powers exercisable under these presents by the Board as it may think fit, and may confer such powers for such time and be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as it think fit and Board may confer such powers either collaterally with or to the exclusion of and in substitution for all or any, the power of the Board in that behalf and may form time to time revoke, withdraw, alter or vary all or any such powers.

MANAGEMENT

MANAGEMENT OF THE COMPANY

Article 125 provides as follows:

The Board of directors may in accordance with the provisions of the Act appoint a whole time Chairman or Managing Director or whole time Director or President or Executive Director or Manager to its affairs. A Director may be appointed as a Secretary or Manager or Executive Director, Secretary or Manager need not be a Director of the Company. The terms and conditions and the appointment of the said Directors shall be subject to the provision of the Companies Act, 1956 and to the consent of the General Meeting of the Company where required.

CAPITALISATION OF RESERVES

Article 134 provides as follows:

Any General Meeting may resolve that any money, investment or other assets forming part of the undivided profits of the Company standing to the credit of the Reserves or any Capital Redemption Reserve Accounts or in the hands of the company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium received on the issue of shares and standing to the credit of the share premium account be entitled and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such shareholders in paying up in full unissued shares, of the company which shall be distributed accordingly or in towards or in or towards payments of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum. Provided that any sum standing to the credit of a shares premium account or a capital Redemption Reserve Account may for the purpose of this Article only applied in the paying of unissued share to be issued to members of Company as fully paid bonus shares.

DIVIDENDS

DECLARATION OF DIVIDENDS

Article 137 provides as follows:

The Company in Annual General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profit and may, subject to the provisions of section 207 of the Act fix the time for payment. No larger dividend shall be declared than is recommended by the Board. But the Company in General Meeting may declare a smaller dividend.

DIVIDEND TO BE PAID OUT OF PROFITS

Article 138 provides as follows:

No dividend shall be paid otherwise than out of profits of the year or any other undistributed profits except as provided by section 205 of the Act. No dividend shall carry interest against the company.

DIVIDEND TO BE PRO RATA ON THE PAID UP AMOUNT

Article 139 provides as follows:

Subject to the special rights of the holders of preference shares, if any, of the time being, the profit of the company distributed as dividends or bonus shall be distributed among the member in proportion to the amounts paid or credited as paid on the shares held by them respectively, but no amount paid on a share in advance of calls shall while carrying interest be treated for the purpose of this Article as paid on the shares. All dividend shall be apportioned and paid prorate according to the amounts paid or credited for the purpose, but if any share is issued on terms providing that it shall rank for dividend accordingly.

INTERIM DIVIDENDS

Article 141provides as follows:

The Board may from time to time to pay the members such dividends as in its judgment the position of the Company justifies.

DEBTS MAY BE DEDUCTED

Article 142 provides as follows:

The Board may retain any dividend on which the Company has lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exist.

PAYMENT BY POST

Article 151 provides as follows:

All dividends and other dues to members shall be deemed to be payable at the Registered Office of the Company, unless otherwise directed any dividend, interest or other moneys payable in each respect of a shares may be paid by cheque or warrant sent through the post to the registered address of the holder or in the case of joint holders, to the registered address of that one of the joint holders who is the first named in the Register in respect of the joint-holdings or to such person and at such address as holder or joint holder ,as the case may be direct and every cheque or warrant so sent be made payable to the order of the person to whom it is sent.

UNPAID OR UNCLAIMED DIVIDEND

Article 152 provides as follows:

Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer to total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the company in that behalf in any scheduled bank, to be called "—————— Unpaid Dividend Account"

Any money transferred to the unpaid dividend account of a company which remains un paid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company to the Fund known as Investors Education and Protection Fund established under section 205C of the Act.

Article 153 provides as follows:

No Unclaimed or Unpaid dividend shall be forfeited by the Board and the Company shall comply with the provisions of Section 205A of the Act.

RECONSTRUCTION

Article 171 provides as follows:

On any sale of the undertaking of the Company, the Board or the Liquidator on a winding up may, if authorized by a special resolution accept fully paid up shares debentures or securities, of any other company whether incorporated in India or not either than existing or to be formed for the purchase in whole or in part of the Company's property and the Board (if the profits of the company permits) or the Liquidators (in a winding up) may distribute such shares or securities of any other property of the company amongst the members realization or vest the same in trustees for them and any special resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefit or property otherwise than in accordance with the strict legal rights of the members or contributories of the Company and the valuation of any such securities or property at such price and such manner as the meeting may approve and all the holders of shares shall be bound by any valuation or distribution so authorized, and waive all rights in relation thereto, save only in case the Company is proposed to be in the course of being wound up, such statutory rights (if any) under Section 494 of the Act as are incapable of being varied or excluded by these Articles.

SECRECY

Article 172 provides as follows:

Every Director, Manager, Secretary, Trustee for the company its member or debenture holders, member of a committee, Officer, Servant, Accountant or other person employed in or about the business of the company shall if so required by the Board or by Managing Director before entering upon his duties sign, a declaration pledging himself to observe a strict secrecy respecting all transactions of the company with its customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself to not 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 Board or by any meeting or by a court of Law and except so far as may be necessary in order to comply with any of the provisions in these Article contained.

WINDING UP

DISTRIBUTION OF ASSETS

Article 174 provides as follows:

If any company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets for distribution among the member shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions and preference shareholders shall have prior rights to repayment of capital and dividend due.

DISTRIBUTION OF ASSETS IN SPECIE

Article 175 provides as follows:

If any Company shall be wound up whether voluntarily or otherwise the liquidators may with the sanction of a Special Resolution divide among the contributors in specie or kind, any part of the assets of the Company and may, with the like sanction vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributors or any of them as the liquidators with the like sanction, shall think fit, provided however that so long as may remains due by the Company none of the powers and rights conferred by this article shall be exercised save with the previous consent in writing of the corporation.

INDEMNITY

Article 176 provides as follows:

Subject to the provisions of section 201 of the Act, every Director, secretary or officer of the company or any person (whether an officer of the company or not) employed by the company and any person appointed Auditor shall indemnified out of the funds of the Company against all liabilities incurred by him as such Director, Manager, Secretary, officer, Employees or Auditor in defending any proceeding whether civil, or criminal in which judgment is given in his favor or in which he is acquitted or in connection with any application under section 633 of the Act in which relief is granted to him by the Court.

SECTION XI - OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS

The following contracts (not being contracts entered into in the ordinary course of business carried on by our 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 our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our from our Company between 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

Material Contracts

1. Letter of Engagement dated May 1, 2006 and July 10, 2007 to UTI Bank Limited and Almondz Global Securities Limited respectively from our Company appointing them as the BRLM and the Co-BRLM respectively.
2. Memorandum of Understanding dated July 11, 2007 amongst our Company and the BRLM and the Co-BRLM.
3. Memorandum of Understanding executed by our Company and the Registrar to the Issue dated November 4, 2006.
4. Escrow Agreement dated July 13, 2007 amongst the Company, the BRLM, the Co-BRLM, Escrow Collection Bank and the Registrar to the Issue.
5. Syndicate Agreement dated July 13, 2007 amongst the Company, the BRLM, the Co-BRLM and the Syndicate Members.
6. Underwriting Agreement dated [•] amongst the Company, the BRLM, the Co-BRLM and the Syndicate Members.

Material Documents

1. Certified true copies of the Memorandum and Articles of Association of the Company as amended from time to time.
2. Our certificate of incorporation and commencement of business.
3. Board Resolution dated May 1, 2006 in relation to this Issue.
4. Shareholders' resolution dated May 26, 2006 in relation to this Issue.
5. Business Transfer Agreement dated May 31, 2006 between our Company and Saluja Cotex Private Limited.
6. Deed of Partnership dated April 1, 2005 between our Company and M/s S E Exports, our subsidiary partnership firm.
7. Court Order dated February 23, 2006 passed by the Hon'ble High Court of Punjab and Haryana granting its sanction to the Scheme of Amalgamation of Saluja Fabrics Limited (SFL) and Saluja Processors Private Limited (SPPL) with our Company w.e.f April 1, 2004.
8. Shareholders' Agreement dated July 4, 2007 between our Company and EXIM Bank.
9. Registered copy of the Sale Deed dated March 9, 2007 confirming in our Company's name the registration of land and building situated at 274, G.T.Road, Dhandari Khurd, Ludhiana-141 010, Punjab.
10. Resolution of meeting of the members of the Company passed at an EGM held on May 26, 2006 appointing Mr. Neeraj Saluja as the Managing Director, Mr. Dhiraj Saluja as the Whole-time Director of the Company and approving their remuneration.
11. Board Resolution dated October 9, 2006 and April 6, 2007 revising the remuneration of Mr. Neeraj Saluja & Mr. Dhiraj Saluja.
12. Board Resolution dated March 30, 2007 for change of registered office from 706, Industrial Area A, Ludhiana to 274, G.T.Road, Dhandari Khurd, Ludhiana-141 010, Punjab
13. Reports of the Statutory Auditors dated June 18, 2007 and mentioned in the Red Herring Prospectus, and consents of the Auditors being Dass Khanna & Co., Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in the Red Herring Prospectus.
14. Statement of Tax Benefits dated June 18, 2007 from the Auditors–Auditor's Report on possible income tax benefits available to the Company and its shareholders.
15. Report of the Financial Appraisers dated November 20, 2006.
16. Certificate dated June 20, 2007 from the Auditors (regarding deployment of funds).
17. Copies of annual reports of our Company for the years ended March 31, 2002, 2003, 2004, 2005 and 2006.

18. General Power of Attorney executed by the Directors of our Company in favour of the Company Secretary for signing and making necessary changes to this Red Herring Prospectus and other related documents.
19. Following sanction letters for the debt portion of the Project Cost for the Expansion Project:
    a. Sanction of Rs. 1,500 lacs by Canara Bank vide their letter dated November 15, 2006;
    b. Sanction of Rs. 2400 lacs by State Bank of Bikaner and Jaipur vide their letter dated April 4, 2006;
    c. Sanction of Rs. 800 lacs by State Bank of Patiala vide their letter dated May 13, 2006;
    d. Sanction of Rs. 800 lacs by State Bank of India vide their letter dated May 13, 2006;
    e. Sanction of Rs. 6300 lacs by State Bank of Patiala vide their letter dated December 21, 2006;
    f. Sanction of Rs.1500 lacs by State Bank of Saurashtra vide their letter dated January 15, 2007;
    g. Sanction of Rs.1500 lacs by State Bank of Indore vide their letter dated February 5, 2007, and
    h. Sanction of Rs.2500 lacs by EXIM Bank vide their letter dated December 29, 2006.
20. Consents of the BRLM, the Co-BRLM, Syndicate Members, Financial Appraiser, Registrar to the Issue, Escrow Collection Bank(s), , Bankers to the Company, Legal Counsel to the Company, Directors, Company Secretary, Auditors and Compliance Officer, as referred to, in their respective capacities.
21. In-principle applications dated December 12, 2006 and approvals dated December 13, 2006 and January 22, 2007 from BSE and NSE, respectively.
22. Tripartite agreement between NSDL and our Company and the Registrar to the Issue dated March 14, 2007.
23. Tripartite agreement between CDSL, our Company and the Registrar to the Issue dated February 5, 2007.
24. Due diligence certificate dated November 28, 2006 to SEBI from BRLM.
25. SEBI observation letter no. CFD/DIL/ISSUES/SR/95740/2007 dated June 8, 2007 and our reply to the same dated July 11, 2007.

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.

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 correct.

SIGNED BY THE DIRECTORS OF OUR COMPANY

Mr. Ram Saran Saluja
Chairman (Non-Executive)

Mr. Neeraj Saluja
Managing Director

Mr. Dhiraj Saluja
Whole-time Director

Mr. Ashwani Kumar
Director (Independent)

Mr. Sanjay Jain
Additional Director (Independent)

Mr. Sanjiv Garg
Additional Director (Independent)

Signed by the Chief Financial Officer and Compliance Officer
Mr. Navneet Gupta

Date: July 16, 2007
Place: Ludhiana