

RED HERRING PROSPECTUS

Dated February 02, 2007

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue



INDUS FILA LIMITED

(The Company was incorporated on June 10, 1999 as Indus Fila Private Limited under the Companies Act, 1956. The name of the Company was subsequently changed to Indus Fila Limited by a special resolution of the shareholders of the Company at an Extraordinary General Meeting held on March 31, 2006. The fresh certificate of incorporation consequent upon the change of name was granted on July 6, 2006 by the Registrar of Companies, Bangalore, Karnataka. For details of incorporation, change in name and registered office, please refer to the chapter on Our History and Corporate Structure at page 86 of this Red Herring Prospectus)

Registered Office: 285, 37th KM Stone, Tumkur Road, Kasaba Hobli, T. Begur, Nelamangala- 562123. **Tel:** + 91 8118-7733501; **Fax:** + 91 8118-7733167.

Corporate Office: No.107, Industrial Suburb, II Stage, Yeshwanthpur, Bangalore – 560 022. **Tel:** + 91 80 41369700; **Fax:** + 91 80 41369800;

Website: www.indusfila.com **Compliance Officer:** Mr. Pradeep Totla; **E-mail:** pradeep@indusfila.com

PUBLIC ISSUE OF 4,843,789 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 TO RS. [●] LACS (HEREINAFTER REFERRED TO AS "THE ISSUE") BY INDUS FILA LIMITED ("THE COMPANY" OR "THE ISSUER"). THE NET ISSUE TO THE PUBLIC CONSISTS OF 4,843,789 EQUITY SHARES OF RS 10/- AGGREGATING RS. [●] LACS ("NET ISSUE TO PUBLIC"). THE FACE VALUE OF THE EQUITY SHARES IS RS. 10/- EACH. THE ISSUE WOULD CONSTITUTE 25% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: RS. 170/- TO RS. 185/- PER EQUITY SHARE OF RS. 10/- EACH.

ISSUE PRICE IS 17 TIMES OF THE FACE VALUE AT THE LOWER END OF PRICE BAND AND 18.5 TIMES OF THE FACE VALUE AT THE UPPER END OF 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 the The 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 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 to Public shall be allocated to Qualified Institutional Buyers ("QIBs") on a proportionate basis. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds. Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, not less than 15% of the Net Issue to Public shall be available for allocation on a proportionate basis to Non- Institutional Bidders and not less than 35% of the Net Issue to Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of the 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 Floor Price is 17 times and Cap Price is 18.5 times of the Face Value. The Issue Price (as determined by the Company in consultation with the Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/ or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

COMPANY'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accept responsibility for and confirm that this 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 this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the BSE and the NSE. We have received in-principle approval from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated December 26, 2006 and January 12, 2007 respectively. BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER

ANAND RATHI SECURITIES LIMITED

3rd Floor, J.K.Somani Bldg, British Hotel Lane,
B.S.Marg, Fort, Mumbai – 400 023, India.

Tel: + 91 22 6637 7000

Fax: + 91 22 6637 7070

E-mail: iflipo@rathi.com, **Website:** www.rathi.com

Contact Person : Mr. Sachin Mehta / Mr. Rupesh Khant

REGISTRAR TO THE ISSUE



DATAMATICS FINANCIAL SERVICES LIMITED

Plot no. A-16 & 17, MIDC, Part B, Crosslane,
Marol, Andheri East, Mumbai 400 093.

Tel: + 91 22 2837 5519

Fax: + 91 22 2835 0217

Email: indusfila@dfssl.com, **Website:** www.dfssl.com

Contact Person : Mr. Dnyanesh Gharote

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON : MONDAY, FEBRUARY 12, 2007

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

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SECTION I: DEFINITION AND ABBREVIATIONS

CONVENTIONAL/GENERAL TERMS

Term	Description
“Indus Fila Limited” or “Indus Fila” or “Indus” or “IFL” or “the Company” or “the Issuer” or “we” or “us” or “our”.	Unless the context otherwise requires, refers to Indus Fila Limited, a limited Company incorporated under the Companies Act, having its registered office at Survey No. - 285, 37 th KM Stone, Tumkur Road, Kasaba Hobli, T. Begur, Nelamangala- 562123, Karnataka, India.
“the Group” or “the Group Companies” or “Group Companies”	Unless the context otherwise requires, refers to those companies mentioned in “Our Group Companies” on page 111 of this Red Herring Prospectus

ISSUE RELATED TERMS

Term	Description
Articles / Articles of Association	Articles of Association of Indus Fila Limited.
Allotment	Issue of Equity Shares of Indus Fila Limited pursuant to the successful Bidders
Allottee	The Successful Bidders to whom the Equity Shares are being issued
Auditors	The statutory auditors of the Company, M/s Suri & Co., Chartered Accountants.
Banker(s) to the Issue	UTI Bank Limited, Kotak Mahindra Bank Limited, Standard Chartered Bank, ABN AMRO Bank, The Hongkong and Shanghai Banking Corporation Limited (HSBC)
Bid	An indication to make an offer by a prospective investor to subscribe for Equity Shares of the Company at a price within the Price Band, during the Bidding Period and includes all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid/Issue Closing Date	The date after which the Syndicate Members to the Issue will not accept any Bids for the issue; any such date shall be notified through a notice in an English national newspaper, Hindi national newspaper and a regional newspaper
Bid/Issue Opening Date	The date on which the Syndicate Members to the Issue shall start accepting Bids for the Issue; any such date shall be notified through a notice in an English national newspaper, Hindi national newspaper and a regional newspaper
Bid-cum Application Form	The form in terms of which the Bidder shall Bid for the Equity Shares of the Company and shall, upon allocation of the Equity Shares by the BRLM and filing of the Prospectus with the RoC, be considered as the application for allotment of the Equity Shares in terms of this Red Herring Prospectus .
Bidder(s)	Any prospective investor who makes a Bid for Equity Shares in terms of this Red Herring Prospectus through the Book Building Process.

Bidding Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which period prospective investors can submit their Bids.
Board / Board of Directors	Board of Directors of Indus Fila Limited or a committee thereof.
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLM/ Book Running Lead Manager	Book Running Lead Manager to the issue, in this case being Anand Rathi Securities Limited
Confirmation of Allocation Note / CAN	Means the note, advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The price advertised by the Company prior to the Bid/Issue Opening Date, above which the Issue Price will not be finalized and above which no Bids will be accepted.
Companies Act	The Companies Act, 1956, as amended from time to time.
Cut-off / Cut-off Price	The Issue price finalized by the Company in consultation with the BRLM
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 / DP	A depository participant as defined under the Depositories Act.
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 transfer / allot the Equity Shares to successful Bidders.
Designated Stock Exchange	Bombay Stock Exchange Limited
DIP Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Director(s)	Director(s) of Indus Fila Limited, unless otherwise specified.
Draft Red Herring Prospectus / DRHP	This Draft Red Herring Prospectus Means which is not a Prospectus issued in accordance with Section 60 of the Companies Act which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with RoC after the pricing and allocation.
ECS	Electronic Clearing System
Equity Shares	Equity Shares of the Company of face value of Rs.10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank and in whose favour the Bidder will issue cheques in respect of the Bid and in which account the cheques/demand drafts will be deposited by the Syndicate Members.
Escrow Agreement	Agreement entered into between the Syndicate Members, the Company, the Registrars and BRLM for collection of the Bid Amounts and refunds of the amounts collected to

	the Bidders.
Escrow Collection Bank(s)	The banks in which the Escrow Account will be opened and which will act as such, in terms of this Red Herring Prospectus and the Escrow Agreement.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under.
FII(s) / Foreign Institutional Investors	Foreign institutional investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
Financial year/Fiscal/FY	The twelve months ended March 31 of a particular year (unless otherwise specified).
First Bidder	The bidder whose name appears first in the bid cum application form or revision form.
Floor Price	The price advertised by the Company prior to the Bid/Issue Opening Date, below which the Issue Price will not be finalized and below which no Bids will be accepted.
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
Income-Tax Act	The Income Tax Act, 1961, as amended from time to time.
Indian GAAP	Generally Accepted Accounting Principles in India
Issue	The issue of 4,843,789 Equity Shares of Rs.10/- each at a price of Rs. [●] each for cash, aggregating [●] by our Company under the Red Herring Prospectus, Red Herring Prospectus and the Prospectus. The Net Issue to Public is of 4,843,789 equity Shares. The issue would constitute 25.00% of the fully diluted post issue paid-up capital of the Company.
Issuer	Indus Fila Limited
Issue Size	4,843,789 Equity Shares of the Company
Issue Price	Price determined by the Company in consultation with BRLM on the Pricing Date after the bidding period and which shall be set forth in the Prospectus to be filed with ROC.
Issue Period	The period between the Bid/Issue Opening Date and Bid/ Issue Closing Date and including both these dates.
Margin Amount	The amount paid by the bidder at the time of submission of his/her bid, being 10% to 100% of the bid amount.
Memorandum / Memorandum of Association	The Memorandum of Association of Indus Fila Limited
MICR	Magnetic Ink Character Recognition
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
Mutual Fund Portion	5% of the QIB Portion, equal to a minimum of 121,095 Equity Shares aggregating Rs.[●] lakhs, available for allocation to Mutual Funds from the QIB portion
Net issue to the Public	The Issue of 4,843,789 Equity Shares of Rs.10/- each
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers, Retail Bidders.
Non-Institutional Portion	The portion of the Issue being 726,568 Equity Shares of Rs.10/- each available for allocation to Non-Institutional Bidders.
Non Residents	All Bidders who are not persons resident in India.
NRI/ Non Resident Indian	Non-resident Indian, is a person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or

	Issue of Security by a Person Resident Outside India) Regulations, 2000.
OCB/ Overseas Corporate Body	Overseas corporate body, is a Company, partnership, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRI's and includes overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRI's directly or indirectly as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
Pay-in-Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in-Period	(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 Closing Date; and (ii) With respect to QIBs, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Price Band	Rs 170/- to Rs 185/- per equity share of Face Value of Rs 10/- each
Pricing Date	The date on which the Company in consultation with the BRLM finalizes the Issue Price.
Promoters	Mr. Nitin Narayandas Mandhana, Mr. Prakash Govindlal Mandhana, Mr. Shashikant Govindlal Mandhana, M/s Kamal Kishor Finvest Pvt. Ltd. and M/s Andrew Finvest Pvt. Ltd.
Prospectus	The Prospectus to be filed with the RoC containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information.
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Issue Opening Date.
Qualified Institutional Buyers / Qualified Institutional Bidders / 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 and State Industrial Development Corporations. insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million
QIB Margin Amount	An amount representing at least 10% of the Bid Amount and the amount QIBs are required to pay at the time of submitting a Bid.
QIB Portion	The portion of the Issue being 2,421,895 Equity Shares of Rs.10 /- each available for allocation to QIB Bidder(s).
Registrars	Registrars to the Issue, being Datamatics Financial Services Limited.
Registered Office of the Company	Survey No.-285, 37 th KM Stone, Tumkur Road, Kasaba Hobli, T. Begur. Nelamangala- 562123, Karnataka, India.
Retail Bidder(s)	Individual Bidders (including HUFs and NRIs) who have

	not Bid for Equity Shares for an amount more than or equal to Rs.100,000/- in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being 1,695,326 Equity Shares of Rs.10/- each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any.
RHP or Red Herring Prospectus	The Red Herring Prospectus dated February 02, 2007 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the Bid/Issue Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date.
RoC	Registrar of Companies, located at Bangalore, Karnataka.
RTGS	Real Time Gross Settlement
SCRA	The Securities Contract (Regulation) Act, 1956, as amended
SEBI	Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended
SEBI ESOP Guidelines	SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time.
Stock Exchanges	BSE and NSE
Syndicate	The BRLM and Syndicate Member(s).
Syndicate Agreement	The agreement between the Syndicate Members and the Company to be entered into on the Pricing Date.
Syndicate Members	Collectively the BRLM and the Syndicate Members as disclosed in this Red Herring Prospectus and are persons who are registered with SEBI and are eligible to act as Underwriters.
TRS or Order Confirmation Note	Transaction Registration Slip means the slip or document registering the Bids, issued by the Syndicate Member to the Bidder as proof of registration of the Bid upon submission of the Bid-cum-Application Form in terms of this Red Herring Prospectus.
Underwriters	The BRLM and Syndicate Members
Underwriting Agreement	The agreement between the BRLM, Syndicate Members and the Company to be entered into on the Pricing Date.
Venture Capital Fund / VCF	Venture Capital Funds registered with SEBI under the SEBI (Venture Capital Funds) Regulations, 1996, as amended from time to time.

GLOSSARY OF TECHNICAL AND INDUSTRY TERMS

Term	Description
AEPC	Apparel Export Promotion Council
DEPB Scheme	Duty Exemption Passbook Scheme
EPCG Scheme	Export Promotion Capital Goods Scheme
ERP	Enterprise Resource Planning
GATT	General Agreement on Trade and Tariffs
TUFS	Technology Upgradation Fund Scheme
RO	Reverse Osmosis
SEZ	Special Economic Zone
WTO	World Trade Organization

ABBREVIATIONS

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
ATC	Agreement on Textile and Clothing
ARSL/ARS	Anand Rathi Securities Limited.
AY	Assessment Year
BRLM	Book Running Lead Manager, in this case being Anand Rathi Securities Limited
BSE	The Bombay Stock Exchange Limited, Mumbai
CAGR	Compounded Annual Growth Rate
CC	Cash Credit
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CEPS	Cash Earning per Equity Share.
DIN	Director Identification Number
EBIDTA	Earning Before Interest Depreciation, Tax and Amortisation
ECS	Electronic and Clearing System
EGM /EOGM	Extraordinary General Meeting
EPS	Earnings Per Share
ESOP 2006	Indus Fila employee stock option scheme approved by Board of Directors vide Resolution dated November 18, 2006
ESOP Trust	Indus Fila Employee Stock Option Plan Trust
EU	European Union
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FIPB	Foreign Investment Promotion Board
EPCG	Export Promotion Capital Goods Scheme
ESOS	Employee Stock Option Scheme
FERA	Foreign Exchange Regulation Act, 1973
FTA	Free Trade Agreement
GDP	Gross Domestic Product
FTR	First Time Resolution
GoI	Government of India
HNI	High Net- worth Individual
HUF	Hindu Undivided Family
IFL	Indus Fila Limited
I.T. Act	The Income Tax Act, 1961

IPO	Initial Public Offering
KW	Kilo Watt
KWh	Kilo Watt hour
LIBOR	London Inter Bank Offer Rate
Mn/mn	Million
NA	Not Applicable
NAV	Net asset value
NEFT	National Electronic Fund Transfer
NR	Non Resident
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profits After Taxation
PBT	Profits Before Taxation
PLR	Prime Lending Rate
RBI	The Reserve Bank of India
R&D	Research and Development
RoC	Registrar of Companies, Bangalore
RoNW	Return on net worth
RTGS	Real time Gross Settlement
SIA	Secretariat for Industrial Assistance
SSI	Small Scale Industries
TAN	Tax Deduction Account Number
TUFS	Technology Upgradation Fund Scheme
UIN	Unique Identification Number
US	United States of America
US\$	United States Dollar
UK	United Kingdom
w.e.f.	With effect from
Y-o-Y	Year on Year
Water Act	The Water (Prevention and Control of Pollution) Act, 1974, as amended

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial information used in this Red Herring Prospectus is derived from our Company's restated financial statements as of and for the years ended March 31, 2002, 2003, 2004, 2005, 2006 and for the half year ended September 30, 2006 are prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI Guidelines, as stated in the report of our statutory Auditors, M/s Suri & Co., Chartered Accountants, and included in this Red Herring Prospectus. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

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

For definitions, please see the section titled "Definitions and Abbreviations" on page ii of this Red Herring Prospectus.

Unless stated otherwise, industry data used throughout this 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 we believe that industry data used in this Red Herring Prospectus is reliable, it has not been verified by any independent source.

CURRENCY OF PRESENTATION

In this Red Herring Prospectus all references to “Rupees” and “Rs” are to the legal currency of India. Unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means, “One hundred thousand” and the word “million” means “Ten Lakhs” and the word “Crore” means “ten million”. In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Any percentage amounts, as set forth in “Risk Factors”, “Business Overview”, “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 Company’s financial statements prepared in accordance with Indian GAAP. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

FORWARD LOOKING STATEMENTS

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

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

- Company’s ability to successfully implement its strategy, growth and expansion plans.
- Company’s ability to procure funding for the expansion plans
- Increasing competition in this industry;
- General economic and business conditions in India;
- Changes in political and social conditions in India or in other countries that we may enter;
- Changes in the value of the Rupee and other currencies;
- Changes in laws and regulations that apply to industry in which we operate;
- The performance of the financial markets in India and globally;
- The loss of significant vendor relationship; and
- Any adverse outcome in the proceedings in which we are involved;

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

SECTION II: RISK FACTORS

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

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

INTERNAL RISK FACTORS

- Our revenue is dependant upon a limited number of customers and 65.91% of total income from operations as on March 31, 2006 are from the Top 10 customers.***

Management Perception: For the year ended March, 2006, our top ten customers constitute nearly 65.91% of its total export turnover. This could affect our operations in the long term as most of our sales are generated from these customers.

Our client concentration for the past three financial years is as follows:

(Rs. in lakhs)

Particulars	2005-2006		2004-2005		2003-2004	
	Sales	As a % of total sales	Sales	As a % of total sales	Sales	As a % of total sales
Top 1 customer	1,752.01	21.24%	1,550.42	39.23%	163.72	10.09%
Top 5 customers	4,696.17	56.93%	2,524.22	63.87%	558.07	34.39%
Top 10 customers	5,437.05	65.91%	2,803.25	70.93%	770.70	47.49%

These customers are expected to continue to provide a significant percentage of our revenues in the future. Typically, we do not have long-term sales contracts with our customers. The sale to each customer is dependent on our ability to manufacture products of acceptable quality that meet the customer's specifications and to deliver such products on a timely basis. The loss of, or significant reduction in business from, one or more of these customers could have a material adverse effect on our operations and financial results. Our top customers include N.K.Fabrics, Atlast Sports Wear Inc, Sumit Textiles and Karmal Garments Exports which contributed around 56% of our total sales for Fiscal 2006 amongst others.

In case of our inability to add more buyers it may lead to pressures from our existing customers in terms of pricing. If we are unable to satisfy their rising demands for reasons within or beyond our control, it may result in reduction in order flow.

- The proposed expansion project is partly funded by this Public Issue. Any hindrance in the successful execution of the IPO will adversely impact the proposed expansion and consequently the estimated revenue and profitability.***

Management Perception: The project cost is proposed to be partly funded from the net proceeds of this Public Issue. In the event that the net proceeds of the issue do not meet the projections of the management, there could be a delay in the implementation of the expansion project including setting up new garments manufacturing unit and expansion of facilities viz. Weaving, Dyeing & Processing of Woven Fabrics and Yarn Dyeing due to time and cost overrun and delay in-receiving statutory approvals, procuring plant and machinery, civil construction work etc. which could adversely impact our business. However we are

confident that with the proven execution capability of the top management we will be able to complete all the projects on schedule.

3. *We are expanding our capacity without any long term arrangements or firm commitments from our customers.*

Management Perception: We are expanding our capacities in the complete chain of weaving, yarn dyeing, processing and garmenting which will require a larger customer base. In the absence of guaranteed customers for the increased production, there can be no assurance that we will be successful in selling our increased production. This may result in lower capacity utilization and adversely affect our operations and financial results.

4. *Our customers prescribe various quality and other standards which they adhere to globally and with which we are required to comply.*

Management Perception: Our customers prescribe stringent standards and guidelines in relation to timeliness of deliveries, quality and confidentiality. Any non-compliance on our behalf with respect to such customer requirements and dissatisfaction by customers during their audit checks can lead to loss of customers or decrease in their volume of business to us, which may adversely affect our business and results of operations.

5. *We face significant competition in our business from unorganized and organized sector.*

Management Perception: Removal of quota system with effect from January 1, 2005 has created tremendous competition in the textile industry. We face significant competition as we compete with many domestic and foreign apparel manufacturers, some of which are significantly larger and have greater financial, distribution, marketing and other resources than us. This may result in lower sales prices for our products and decreased profit margins.

Sales of our products are affected by a variety of factors, including:

1. Price;
2. Product quality;
3. Design and development; and
4. Delivery time.

We believe that the textile and apparel industry will continue to be highly competitive and that the level of competition may intensify in the future. There can be no assurance that we will be able to compete successfully against present or future competitors or that competitive pressures faced by us will not have a material adverse effect on our business and results of operations.

6. *Risk associated with identifying changing fashion trends will put pressure on us to match our designing and production capabilities.*

Management Perception: We operate in highly creative business of fashion. Any inability on our part to understand the prevailing world-wide trend or to forecast changes well in time may affect our growth prospects. Further, long-term contracts are not usual in the textile industry, which is highly fashion driven. The ever-changing nature of the fashion industry subjects us to uncertainties associated with the changing of market trends.. Also, the range of the products in our garment business changes according to the season therefore the business of our Company is seasonal to that extent.

7. *The expansion plans drawn by us are based on expected business opportunities in this industry. Any change in the market conditions could adversely affect the profitability.*

Management Perception: So as to meet and capitalize on the growing demand for the products, the operations require capital expenditure for backward integration. In this regard, Indus Fila has planned a capital expenditure of Rs.16,624.42 lakhs. Please refer to the sections entitled “Objects of the Issue” on page 25 and “Business Overview” on page 59, for details of proposed capital expenditure. The figures in

the capital expenditure plans are appraised by the bank. These capital expenditure plans are subject to a number of variables, including possible cost and time overruns among others. In view of these variables, there can be no assurance that we will be able to implement the capital expenditure plans as contemplated. Any delay or cost overrun in implementing the capital expenditure plans could adversely affect the operations and profitability.

8. *Our success depends upon our ability to manage our growth of business in future.*

Management Perception: Our Company is experiencing rapid growth over the past few years. Our operational income has grown at a CAGR of 99.29% and PAT has grown at a CAGR of 147.23%. However, to maintain the said growth in future will create pressure on our management and other resources. Any inability on our part to address the challenges associated with expansion may adversely affect our Company. Further, any inability on our part to generate orders for the expanded capacities may adversely affect our growth prospects.

9. *Two of our Group companies have incurred losses in the previous years on account of no business operations carried by them.*

Name of the Group Company	(Amount in Rs)		
	Profit /(Loss) for the year 2005-06	Profit /(Loss) for the year 2004-05	Profit /(Loss) for the year 2003-04
Parag Investments Private Limited	(5,656)	(5,679)	(12,657)
Siddmeshwar Investment Private Limited	(2,745)	(4,451)	(3,918)

For further details please refer to the section entitled “Our Group Companies” on page 111 of this Red Herring Prospectus.

10. *Fluctuations in the price, availability and quality of raw materials could cause delay and increase costs.*

Management Perception: We rely on third-party suppliers for yarn and fabrics and other raw materials and job workers for processing of some of our products. The reliance on third party suppliers for yarn is 100%, fabrics are 21% and job-workers are around 6%. Fluctuations in the price, availability and quality of the fabrics or other raw materials used by us in our manufacturing of grey Fabrics and apparels could have a material adverse effect on our cost of sales or our ability to meet our customers’ demands. The prices for such fabrics depend largely on the market prices for the raw materials used to produce them. The price and availability of such raw materials may fluctuate significantly, depending on many factors, including crop yields and weather patterns. Any material shortage or interruption in the supply or decrease in the quality of these raw materials due to natural causes or other factors could result in increased production costs that we may not be able to pass on to our customers, which in turn would have a material adverse effect on our margins and results of operations.

Further, our suppliers of yarn and fabrics and other raw materials and job workers may allocate their resources to service other clients ahead of us. While we believe that we could find additional vendors to produce these fabrics and other raw materials and processing, any failure of our suppliers and job workers to deliver these fabrics and raw materials in the necessary quantities or to adhere to delivery schedules or specified quality standards and technical specifications would adversely affect our production processes and our ability to deliver orders on time and at the desired level of quality.

11. *We are dependent on third-party transportation providers for the supply of raw materials and delivery of products since we do not have our own fleet of transport.*

Management Perception: We normally use third-party transportation providers for the supply of most of our raw materials and for deliveries of our finished products to our customers since we are equipped with only 2 owned vehicles. Around 80% reliance is on outside transporters for our supply and delivery. However transportation strikes by members of various Indian Truckers’ Unions have had in the past, and could in the future, an adverse effect on our receipt of supplies and our ability to deliver our finished

products. In addition, transportation costs have been steadily increasing. Continuing increases in transportation costs may have an adverse effect on our business and results of operations.

12. *Our success depends upon our ability to attract and retain talented professionals as there is a relative shortage of talented and skilled personnel in the industry.*

Management Perception: Our success depends on the continued services and performance of the members of our management team and other key employees, such as our designers, dyeing master, whose talent we believe provides us with a significant competitive advantage. Competition for senior management and key personnel in the industry is intense, and we may not be able to retain our existing senior management or key personnel or attract and retain new senior management or key personnel in the future. The loss of the services of our senior management or key personnel could seriously impair our ability to continue to manage and expand our business. We do not maintain key man life insurance for most of our Promoters, senior members of our management team or other key personnel.

13. *We may face difficulty in keeping up with the technological advances and sophistication in apparel production taking place in the industry.*

Management Perception: Technology plays a vital role in the textile industry. Advancement in technology may require us to make additional capital expenditure for upgrading our manufacturing facilities or may make our competitors plants more competitive. Our failure or inability to incorporate any change in technology might place our competitors at an advantage in terms of costs, efficiency and timely delivery of the final products.

The apparel industry has experienced rapid improvements in technology and sophistication in apparel production equipment. The use of modern technology and automation in apparel manufacturing processes is essential to reduce costs and accelerate execution. Although we strive to keep our technology, plants and machinery current with the latest international technological standards, the technologies, plants and machinery currently employed by us may become obsolete. The cost of implementing new technology and upgrading our machines could be significant and could adversely affect our financial condition and results of operations.

14. *Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees.*

Management Perception: As of September 30, 2006, we have 484 full-time employees, who are working at our existing units and at our Registered and Corporate Office. The number of employees is likely to increase with our proposed expansion plans. While we consider our current labour relations at all our facilities to be good, there can be no assurance that we will not experience future interruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

15. *We are subject to restrictive covenants in certain short-term and long-term debt facilities provided to us by our lenders, which prevents us from undertaking major financial commitments without their written consent.*

Management Perception: There are restrictive covenants in agreements we have entered into with certain banks and financial institutions for short-term loans and long-term borrowings. These restrictive covenants require us to seek the prior permission of the said banks / financial institutions for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger/amalgamation/restructuring, change in management etc. However, these restrictive covenants may affect some or all of the rights of our shareholders. The details of the consent letter from our banks are as under:

Sr No	Name of the Bank	Consent Letter No:
1	Corporation Bank	IFB/OR/1899/06-07
2	Karnataka Bank Ltd	Blr/osb/pf/2306/OR/2808/2006-07
3	Standard Chartered Bank	Dated November 20, 2006
4	Canara Bank	CSB/CR/IFI/720/2006

16. Risk associated with contingent liabilities maturing without recourse as disclosed in the statement given below:

Particulars	Half year ended September 30, 2006 (Rs in lakhs)
Corporate Guarantees	1,248.00
Bank Guarantee	79.77
Disputed Income Tax demand not provided for	17.16
Total	1,344.93

In the event such contingent liability materializes it may have an adverse affect on our financial performance. Corporate Guarantee includes guarantees furnished of Rs 48 lakhs for housing loan advanced to Mr. Nitin N Mandhana and Mr. Shashikant G Mandhana

17. We utilize various properties on a leasehold/license basis and any untimely termination of these leases/licenses and/or non-renewal could adversely affect our operations till alternative arrangements are made.

Management Perception: Some of the properties used by us for our business are leasehold or have been taken on a leave and license basis. Any termination of these leases/ licenses whether due to any breach or otherwise, or non-renewal thereof, could adversely affect the business operations.

Registration and payment of stamp duty on certain lease deeds are still pending and hence the leases may not be fully enforceable. Any penalty or proceedings arising due to our failure to complete the process and any dispute with the lessors in the mean time relating to the Leases could adversely affect our working.

For particulars and status of the Leases kindly refer to the Paragraph titled 'Property' on page 77 of the Red Herring Prospectus.

18. The Promoters will collectively own around 67 % of Equity Shares in our Company post listing and will continue to control and exercise substantial influence over us. Their interests may conflict with your interests as a shareholder

Management Perception: Post listing our Promoters will hold around 67 % in the paid up equity capital of our Company. As a result, they will have the ability to exercise significant influence over the decisions of the Company. The interests of our Promoters may conflict with interests of our other investors, and you may not agree with the manner in which they exercise their powers of management or voting rights.

19. Delay or Non-receipt of regulatory approvals may delay the Expansion Project

Management Perception: We require certain approvals, licenses, registrations and permissions to operate our business, some of which have expired and for which we have either made or are in the process of making an application for obtaining the approval or renewing such licenses, registrations and permissions, including certain environmental consents for some of our factories. Delay in receipt of such approvals may adversely affect our business.

The pending approvals are as under:

1. Company has made an application dated 09.05.2006 for the Issue of Fresh License/Permission/Sanction in the name of the Company from the Director, Regional ESI Office for the unit at Thandya Industrial Area, Kempri Siddana Hundi, Nanjangud Taluk after the transfer of the said unit to the Company.

2. Letter dated 22.05.2006 was submitted to the Deputy Director of Factories for the amendment of name on the factory license in respect of the plant of the Company at Thandya Industrial Area after its acquisition from Sai Lakshmi Industries Private Limited. The Department of Factories and Boilers vide letter dated 19.08.2006 sought a No Objection Certificate from the prior owners along with an Indemnity to obtain the endorsement of change of ownership of the boilers KTK 2389 and KTK 2390. The said NOC and the Indemnity required to be submitted in this regard have been submitted to the Department and the endorsement is pending.
3. The Company had made an application dated 07.08.2006 to the Chief Inspectorate of Electricals for the transfer of permission of the power generation unit upon its acquisition from Sai Lakshmi Industries Private Limited. An Application dated 20.09.2006 has been filed by the Seller before the Electrical Inspectorate to allow transfer in favour of the Company.
4. Application has been made to the Deputy Chief Controller of Explosives and the Joint Chief Controller of Explosives vide letters dated 01.08.2006 and 09.05.2006 respectively, intimating the change of ownership of the unit and requesting transfer of the Explosives License No. pv(SC)S-258/kk issued to Sai Lakshmi Industries Pvt. Ltd. in favour of the Company subsequent to the change in ownership of the above unit. The said license was issued by the Department of Explosives for the storage of 18.8 MT L.P.G in the manner as prescribed therein and is valid until 31.03.2008.
5. Application has been filed to the Department of Explosives dated 09.05.2006 requesting for the issue of fresh license in favour of the Company in lieu of License P12 (22) 1751/MYS – 4824 (360KL) for the import of 360 KL of petroleum of the classes and quantities as specified in the license which was issued to Sai Lakshmi Industries Pvt. Ltd. and which was valid till 31.12.2007.
6. Application has been made by the Company to the Member Secretary, Gram Panchayat for a Fresh License in respect of sanction bearing number 176 in the name of Indusfila Limited for the unit at Thandya Village, Nanjangud Taluk dated 09.05.2006.

For status of all such approvals relating to the Expansion Project kindly refer to the section titled 'Regulatory and Other Approvals' on page 154 of the Red Herring Prospectus.

20. *Our Company is in the process of inviting some quotations for Land, civil constructions for building and Electrical Installations.*

Management Perception: Out of the net Issue proceeds, part of the amount is to be utilized for purchase of land and construction of building totaling and electrical installation for the expansion project totaling to Rs. 4,675.82 lakhs. We are in the process of inviting the quotations for acquisition of such land and for civil construction of the proposed building and electrical installation of the same.

21. *We have not placed orders for the plant and machinery, equipments etc. for the planned outflow for the Expansion Project which may delay our implementation and result in possible cost escalation.*

Management Perception: The net proceed of the Issue is proposed to part fund the Expansion Project. We are yet to start making orders for procuring the plant and machinery etc. Any delay in placing orders or procurement of plant and machinery etc. may delay implementation of the Expansion Project. Such delays may also lead to increase in prices of these equipments further affecting our cost estimates of the Expansion Project. The quotations received but orders not placed amount to Rs.14,212.42 lakhs, i.e. around 99% of the total cost of the Project. The quotations not placed by us amounts to Rs.664.98 lakhs i.e. around 4.68% of the total Project Cost. However with our prior relationships with the suppliers of these equipments we are confident of the delivery of these equipments within the stipulated time thereby not affecting the overall cost of the Project.

22. *Failure to comply with the conditions of TUFs under which we have been sanctioned term loans shall make us ineligible for interest or capital subsidy*

Management Perception: Our total cost of expansion project is of Rs.16,624.42 lakhs, out of which the rupee term loan component of Rs.7,400 lakhs being raised under Technology Upgradation Fund Scheme (TUFs). The entire term loan is eligible for 5% interest and 10% capital subsidy on specified machinery subject to fulfillment conditions provided therein. If we fail to comply with the conditions stipulated under

TUFS, the interest and capital subsidy may be denied to us making our operations less cost effective due to increased cost of borrowings. For more information on TUFS kindly refer to the page no. 82 of the RHP.

23. *We have not identified alternate sources of financing for the Equity component of the Expansion Project. Any adverse situation would affect our project implementation.*

Management Perception: The Project cost is proposed to be funded through a mix of internal accruals, term loans to be raised from banks and financial institutions, and net proceeds from the Issue. The Project Cost of the Expansion Project is estimated at Rs.16,624.42 lakhs of which debt component is Rs.7,400 lakhs. Out of the debt component Rs.1,900 lakhs is sanctioned by Karnataka Bank, Rs.3,300 lakhs is sanctioned by Corporation Bank and balance of Rs.2,200 lakhs is sanctioned by UTI bank.

However, we have not identified alternate sources of financing for the equity component of the Project Cost amounting to Rs. [●] lakhs. Any delay on our part to raise money through this Issue will delay the implementation of the Expansion Project.

24. *Failure for fulfilling the export obligation under the import and export policy might result in payment of customs duty and interest obligations on us.*

Management Perception: We will be importing machineries under Export Promotion Capital Goods Scheme (EPCG Scheme). One of the conditions subject to which licence under EPCG Scheme is granted is to achieve export obligations based on concession in import duty availed. Any failure on our part to achieve required export obligation will subject us to obligation to pay the customs duty saved due to EPCG Scheme together with interest. Further, for our existing business operations we had imported machineries under the EPCG Scheme in respect of which we have subsisting export obligation of around Rs.7,800 lakhs to be achieved within 8 years. If we fail to achieve this export obligation we will be subjected to similar disadvantage as aforesaid. The customs duty and interest obligation on us, in the event of failure to achieve export obligation would be amounting to Rs.2,360.62 lakhs.

25. *While we have declared dividends in previous years, we cannot assure dividend payments in the future.*

Management Perception: While we have declared dividends in fiscal 2004, 2005 and 2006, we might not be able to pay dividends in the future. Such payments will depend upon a number of factors, including our results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions, restrictions prescribed by lenders, applicable Indian legal restrictions and other factors considered relevant by the Board.

26. *Any future issuance of Equity Shares by our Company may dilute your holding in our Company which might not be beneficial to you.*

Management Perception: 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.

Also, sale of their shareholding by the Promoters may affect the trading price of the Equity Shares of our Company.

27. *Delay or failures in relation to our outsourced manufacturing activities in weaving may adversely affect our reputation and business.*

Management Perception: Our existing manufacturing capabilities are not entirely integrated and, therefore, require outsourcing a small percentage of weaving to these third parties. To the extent these activities are outsourced, we are dependent on them and any delay and/or failure on their part may adversely affect our reputation and business.

28. We may suffer uninsured losses on our assets in case of damage or destruction.

Management Perception: Our assets may suffer physical damage from fire and other causes, resulting in losses including loss of expected revenues which may not be fully compensated by insurance. The proceeds of insurance may not be sufficient to cover rebuilding costs as a result of inflations, changes in building regulations, environmental or other considerations. We cannot assure investors that material losses in excess of insurance claims will not occur in the future.

29. We have entered into related party transactions which may continue to do so in future.

Management Perception: We have entered into transactions with various related parties and are expected to continue to enter into business transactions with our affiliates at the discretion of the Board of Directors. For more information of Related Party Transactions see page 115 of this Red Herring Prospectus. However the total percentage of receipt of services as against total input cost is 4.73% of our Company as on September 30, 2006.

30. Insufficient Cash Inflows on account of delay in working capital arrangements could affect our operations.

Management Perception: Our operations require significant cash inflows to fulfill working capital requirements of purchase of raw materials, maintain inventories, acquisition of equipments. We may also require additional working capital influx from Financial Institutions and may also be affected by the lines of credit facility extended to customers. These may lead to increase in the amount of receivables and borrowings of the company. We cannot assure the investors that we will be able to maintain adequate cash flows to satisfy working capital requirements of the company.

31. We are parties to certain legal proceedings, incidental to our business and operations, which if not determined in our favour, could have a material adverse impact on our business, results of operations and/or financial condition.

We are involved in a few legal proceedings and claims in relation to certain civil matters, and certain labour disputes. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. The table below summarizes the outstanding litigation relating to our company:

- **Direct Tax Litigations:** Appeals pending against the Order of the Assistant Commissioner of Income Tax in respect of income tax assessment for the assessment year 2003-04 and 2004-05 for tax and penalty levied amounts to Rs. 24,20,941/-
- **Indirect Tax Litigations:** Notice issued in respect of entry tax liability, where an amount of Rs. 0.51 lakhs approximately in quantifiable
- **Labour / Employee Litigations:** Various proceedings have been pending against us in respect of various labour benefits and working conditions of the workmen. However we have entered into Memorandum of Settlement with the workmen for revision in these conditions where workmen have agreed to drop all proceedings against the management.

For particulars of outstanding legal proceedings, notices, violations and defaults involving the company, refer to "Outstanding Litigations" on page 151 of this Red Herring Prospectus.

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

Management Perception: Environmental laws and regulations in India have been increasing in stringency and it is possible that they will become significantly more stringent in the future. As a result of compliance we will continue to incur costs in complying with regulations. As a result, our overall operating expenses will increase and our profits will decrease. Failure to comply may involve the cost and / or capital expenditure to abide by the rules and shall also call for closure in extreme cases.

33. We have issued shares to promoters vide bonus issue and allotment to other persons at a price which might be lower than the Issue Price within the last 12 months.

34. *There are certain weaknesses and threats as per the appraisal reports of Karnataka Bank Ltd and Corporation Bank which may affect our business.*

Management Perception: The weakness and threats as per the appraisal report are as under:

Weakness

- Regulation from Pollution control Department.
- Impact of foreign exchange parity rate on the profitability.
- The end user industry is subject to cyclicalities during the year
- Major gap in Indian industry is its fragmented industry structure with a dominance of small scale.

Threats

- Competition from existing units.
- There might be price pressure from unorganized sector till the product and quality is established.

EXTERNAL RISK FACTORS

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

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

2. *Probable opposition of Indian products and companies by developed nations by way of anti-dumping duty, quota, embargo.*

There may be a possibility of developed countries going against developing countries as was the case in business process outsourcing. The same opposition may also extend to the textile industry, which is labour intensive in nature. If such movement gets intensified in future, it may have adverse impact on export opportunities of developing countries. Also, countries such as the USA may impose anti surge restrictions if growth of exports from any country exceeds beyond acceptable limits. Such restrictions may adversely impact our growth.

3. *Our ability to export garments may be adversely affected by the imposition of, or increase in the rate of, anti-subsidy or anti-dumping duties.*

Any change in the duty structure that reduces our current ability to export garments to the foreign countries without the imposition of anti-dumping duties may have an adverse effect on our net revenues.

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

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

5. *Non-availability of skilled personnel and risk associated with increasing wage cost could affect our operations.*

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

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

6. *Global economic, political, legal regulatory and social conditions may harm our ability to do business at the same pace.*

External factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil or adverse legal developments in many parts of the world and particularly in countries to which we export our products could affect, prevent or block our ability to do business, increase our costs and negatively affect our stock price. These legal, geopolitical, social and economic conditions could result in increased volatility in India and worldwide financial markets and economy, and such volatility could prevent or block our ability to do business, increase our costs and negatively affect our stock price.

7. *Terrorist attacks, Regional conflicts in Asia and other export markets could adversely affect the Indian economy, which in turn may affect on the market for securities of Indian companies.*

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. In recent years there have been military confrontations along the India-Pakistan border. Also there have been military hostilities and civil unrest in Afghanistan and Iraq. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares and on our business.

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

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

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

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

- volatility in the Indian and global securities markets;
- our results of operations and performance;
- performance of our competitors, the Indian garments manufacturing industry and the perception in the market about investments in the garments manufacturing sector;
- adverse media reports on us or the Indian garments manufacturing industry; and

- changes in the estimates of our performance or recommendations by financial analysts;

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

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

10. *Risk associated with slowdown of an economy in a country to whom we undertake exports may impact our business.*

Any slow down of economy of the countries where we export our garments may negatively impact the spending power of the consumers, thereby reducing their spend on fashion and lifestyle products. Such slowdown may have an adverse impact on the export earnings.

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

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

12. *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.

13. *We will need final listing and trading approvals from the BSE and the NSE before trading commences. An active market for the Equity Shares may not develop, which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares.*

The Equity Shares are new issues of securities for which there is currently no trading market. Our Company will apply to the BSE and NSE for final listing and trading approvals after the allotment of the Equity Shares in the Issue. There can be no assurance that we will receive such approvals on time or at all. Also, no assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which shareholders will be able to sell their Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall. If an active trading market were to develop, the Equity Shares could trade at prices that may be lower than their initial offering price.

Notes to Risk Factors

1. Public Issue of 4,843,789 Equity Shares of Rs.10/- each at a price of Rs. [•] for cash aggregating Rs.[•]. The Net Issue to public consists of 4,843,789 equity shares of Rs.10 each. The Net Issue would constitute 25 % of the fully diluted post issue paid-up capital of the company.
2. The Net Worth of the Company is Rs.2,954.33 lakhs as on September 30, 2006 and Rs 2,301.40 lakhs as on March 31, 2006 as per Company's restated financial statements under Indian GAAP.

3. As on the date of filing this Red Herring Prospectus, the average cost of acquisition of the Equity Shares held by the promoters is given as under:

Sr. No.	Name of the Promoter	No. of Shares held	Average cost of Acquisition (Rs.)
1	Mr. Nitin Narayandas Mandhana	9,875	3.80
2	Mr. Shashikant Govindlal Mandhana	1,562	3.33
3	Mr. Prakash Govindlal Mandhana	1,563	4.01
4	M/s. Kamal Kishor Finvest Pvt. Ltd.	97,39,687	3.99
5	M/s. Andrew Finvest Pvt. Ltd.	32,46,563	3.99

4. The Book Value per Equity Share of Rs.10/- each is at Rs.44.10 and Rs.22.16 as at March 31, 2006 and for the half year ended September 30, 2006 respectively as per Company's restated financial statements under Indian GAAP.
5. For related party transactions, kindly refer to the section titled 'Related Party Transactions' on page 115 of the Red Herring Prospectus.
6. Except as stated in this Red Herring Prospectus, none of our Directors have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the Companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding.
7. Investors may note that in case of over-subscription in the issue, allotment to QIB's, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, refer "Basis of Allotment or Allocation" on page 194 of this Red Herring Prospectus.
8. Investors are free to contact the BRLM or the Syndicate Member for any clarification or information relating to the issue, who will be obliged to provide the same to the investor.
9. Investors may contact the BRLM or the Compliance Officer for any complaints pertaining to the Issue.
10. Investors are advised to refer to the paragraph entitled "Basis for Issue Price" on page 39 of this Red Herring Prospectus.
11. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
12. Investors should note that in case of oversubscription in the Issue, allotment will be made on a proportionate basis to Qualified Institutional Bidders, Retail Individual Bidders and Non-Institutional Bidders. For more information please refer to the paragraph titled "Basis of Allotment or Allocation" on page 194 of this Red Herring Prospectus.

SECTION III: INTRODUCTION

SUMMARY

You should read the following summary together with the Risk Factors on page xii of this Red Herring Prospectus and the more detailed information about Indus Fila and its financial statements included in this Red Herring Prospectus.

OVERVIEW

The global textile and apparel industry generated revenues of US\$2,377.6 billion in 2004, and is expected to grow to US\$2,896.5 billion by 2009, representing a compound annual growth rate ("CAGR") of 4.0% (*Source: Datamonitor*). The Asia-Pacific region represented over half of total global revenues by market size of US\$1,209.1 billion in 2004 (*Source: Datamonitor*). Relatively inexpensive labour, favorable demographics, increasing presence in the textiles value chain and availability of raw materials continue to attract investment into the Asia-Pacific region, especially as a consequence of the continued liberalization of its core markets, China and India.

Indus Fila Limited, the flagship company of the group is a new age fashion and textile manufacturer with sharp focus on design and backward integration capabilities, thriving under the dynamic leadership of Mr. Nitin Narayandas Mandhana, the prime mover of the Company, supported by two other promoter directors - Mr. Shashikant Govindlal Mandhana and Mr. Prakash Govindlal Mandhana. The promoters are from a family which is associated with the textile industry for a long time since Mr. Narayandas Mandhana, father of Mr. Nitin Mandhana started trading in textiles since past four decades.

We are engaged in yarn dyeing, fabric weaving, fabric processing and apparel manufacturing. The commercial production of Company's expanded activities - weaving and apparels started in the month of November 2004. Currently we manufacture color dyed, solid dyed fabrics for domestic garment manufacturers and exporters. The apparel manufacturing of Men's Shirts and Ladies Tops is mainly for exports. We have positioned ourselves as a multi product, multi fibre and multi market player ensuring that our target market is a diverse mix of the domestic fabrics market, garment export and international market (fabrics exports). We have integrated design-to-delivery capability with emphasis on design excellence and innovative product engineering. We share a close rapport with a number of marquee international and domestic brands - Izod, Arrow, Chaps, Armani Exchange and Levi Strauss due to the international marketing experience of our Managing Director while he was the Managing Director of Mandhana Bornemann Industries which was into the manufacturing of Brand Identification Products for global garment brands.

We have multi-locational production and distribution facilities spread across Bangalore and Mysore, viz. Peenya and Nelamangala in Bangalore, Nanjangud in Mysore fully backed up by the facilities for product development, design studio and efficient sampling infrastructure which consists of a team of designers and pilot sampling machines to provide quality services to our customers in India and abroad. We also have distribution facilities in Chennai and Mumbai which gives us advantage of being able to serve our customers from multi-locations. We currently employ over 480 people.

Presently, we are operating with 156 weaving looms (including 48 looms under 100% manufacturing agreement) producing approximately 20.80 million meters of fabric per annum and 750 sewing machines with production capacity of 2.70 millions garments per annum.

Our Operational Income and Profit after Tax (PAT) as per the restated financial statements for the financial year ending March 31, 2006 is Rs 8,249.13 lacs and Rs 548.96 lacs and for the half year ended September 30, 2006 is Rs 10,917.81 lacs and Rs 1,063.44 lacs respectively. Our Operational Income and PAT have grown at a CAGR of 99.29% and 147.23% respectively over the period of five years and six months.

Vision

"To be a dominant player in fashion textile and apparel by focusing on product innovation, design leadership and superior service"

COMPETITIVE STRENGTHS

a. *Centre of Excellence*

One of the few in the industry with the business model driven by “Centre of Excellence” comprising designing and sampling set up from yarn dyeing, to garment designing and advanced logistics systems to reduce turnaround time for clients while retaining flexibility in product mix between fabric and apparels to address changing market dynamics. Our strength also lies in our ownership of designs which is backed up by our team of 6 designers which are constantly creating new designs for the market. In the textiles and garments industry, focusing on Centre of Excellence as the main point of negotiation with the global brands for their share of business is being done by only a few players in the industry apart from us. For detailed information on Centre of Excellence, kindly refer to the Paragraph titled “Centre of Excellence” on page 63 of the RHP.

b. *Lean Enterprises*

We have started transformation from conventional form of management, administration and manufacturing to the latest enterprise culture called “Lean Enterprise”. The new culture enables us to address the challenges of quick turn-around and zero-quality controls making it a flexible organization. It would enable us to increase employment, stabilize and standardize operations and create the atmosphere for continuous improvement. We are adopting this business model which lays emphasis on flat hierarchical structure along with autonomy in decision making to the employees.

c. *Vertical Integration*

We mean business “from Design to Delivery” which means we have yarn dyeing, fabric weaving, processing, garment making and logistics. With the fashion trends changing and designers wanting to time their creations nearer to the seasons, it is imperative that the lead time required for designing a thought to the actual creation and delivery of garments is shrinking. Since we are vertically integrated, the lead time required by us is only around 90 days as against the industry average of around 150 – 180 days, thus enabling us to be in an advantageous position to fulfill our customer requirements. For a build up of over capacities over the years, kindly refer to Paragraph titled “Our Manufacturing Capacities” on page no. 64 of the RHP.

d. *Promoters’ proven track record and excellent management bandwidth*

Our Promoters have adequate experience in the textile industry and we have successfully implemented expansion projects earlier. All our promoters have prior experience in the textiles and garments industry with our Managing Director, Mr Nitin N Mandhana being part of the team that launched “Vivaldi” brand for Bombay Dyeing. The Promoters family has a long experience in textiles and fashion apparel business with successful entrepreneurial credentials since Mr. Narayandas Mandhana, the father of Mr Nitin N Mandhana started trading in textiles since past four decades. There also exists significant depth in senior management capabilities to scale up rapidly. Our top management and key managerial personnel has around 181 man-years of combined experience with an average of around 16 years of experience. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project. For detailed information and background of the promoters, kindly refer Section titled “Our Promoters” on page no 106 of the RHP.

e. *Cost advantage*

Interest - Recent capacity additions in our manufacturing facilities have been carried out under TUFS. Our term loans borrowings are in the range of 9-10% as per the details mentioned in Annexure V of the Restated Financial Statements on page 130 of the RHP. 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%. For detailed information on the TUFS kindly refer to page no 82 of the RHP.

Raw Material Cost - Also fabrics being 65% of the cost component of a garment and coming from our own vertical production facility, we shall have a greater cost advantage as compared with other big players, which will increase in the future with more of our in-house garmenting facilities on account of in-house manufacturing of fabrics, savings in transportation and logistics cost since all our facilities are located in and around Bangalore.

Labor 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 labor friendly policies followed by us. Further we have entered into a Memorandum of Settlement with the Workers Union dated October 9, 2006. For details kindly refer to the Section titled “Outstanding Litigations and Defaults” on page No. 151 of the RHP.

f. *Quality Assurance*

Each of the Company’s products passes through stringent quality checks. Through checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyze areas of improvement, skilled manpower with experience for quality assurance activities, creation of data base for future reference and analysis etc. are in place. Each of the divisions is well equipped with most modern quality checking and testing equipment like Tex –Cad for designing , Data Color / Minolta Spectrophotometer, Roaches – Mini lab processing , Macbeth - light box , I-Text EVS Computerized Fabric Quality Check machines with 24 cameras in place for quality assurance and functions on our philosophy of providing quality products to customer.

BUSINESS STRATEGY

1. To focus on innovative designing with fully equipped state of art **‘plug & play’ design facility** with good collection of latest design developed in-house for clients to choose from. *Centre of Excellence to act as a differentiating factor and will play a vital role in our strategy to offer high end fashion designs and innovative product engineering to customer requirements*
2. To compress the ‘design to delivery’ cycle time from current 90 days to 75 days.
3. To optimize utilization of plant with full line balancing resulting in productivity gains
4. To strengthen our fabric business in order to have full control of entire fabric supply chain- from yarn dyeing, weaving to processing of fabrics.
5. To position ourselves in the mid to high end garment segment such that we enhance our acceptance and improve our capabilities to meet the stringent compliances stipulated by such customers. This shall make way for establishing our own brand in a short time.
6. To expand garment capacity to meet the growing opportunity in the market place and in this process captively consume around 42% of our own production of fabrics.
7. *Best practices for a responsible corporate citizen:* We have adopted environment-friendly technologies including Reverse Osmosis (RO) and co-generation power and adherence to international compliance standards and well positioned social compliances for associates
8. *Enhance client relationship:* work closely with large format clients to enhance stickiness while keeping a close watch on changing market behavior and fashion trends
9. To take advantage of the removal of Quota regime by penetrating the regulated markets of U.S and EU.

To build long term client relationship

Long term relations will help us to read the market behavior vis-à-vis the changing fashion trends. Further, we believe that our existing clientele will help us to attract new clients and give us mileage in terms of reach and recognition.

With the acquisition of the plant in Mysore, our weaving capacities have increased to 59,575 meters per day and the same would further go up by 38,000 meters per day. We intend to continue growing our business by adding new customers in existing and new geographies, new market segments.

Mix of Organic and Inorganic Models of Growth

With the recent acquisition we believe that a combination of organic and inorganic models will help us continue to grow. Strategic acquisitions would help us in leveraging complementary skills to capture market opportunities as well as reduce time-to-market and accelerate growth. We have identified more preferred locations in Asia Pacific with cost advantage and are making a techno commercial study to decide on the feasibility. For more details on our acquisition of fabric division in Nanjangud, Mysore kindly refer to the Paragraph titled “Other Agreements” on page no. 88 of the RHP.

Adding to our manufacturing facilities

Expanding capacities in fabrics will be a continuous process. We will constantly endeavor to acquire new technologies, latest developments and value adding processes to make our products techno savvy, contemporary in outlook, trendy in fashion and top class in quality. Our target segment of mid to high end customers would give us sufficient room for expansion of capacities in years to come.

Reduction of operational costs

To improve the margins it is very important to reduce the operational costs. In our industry apart from raw material costs, other inputs and overheads account for 30-35% of our total costs. Raw material costs are controlled through centralized purchases. Consumption and wastages are controlled on the shop floor through effective supervision and systems. Other costs are reduced through proper training, new technologies and periodic reviews. Our focus has been to reduce the operational costs and leverage the fixed cost and overheads against higher production capabilities and utilization to gain competitive edge. We are quite successful in our efforts and hope to continue more vigorously to bench mark ourselves with the best in the industry.

Continued focus on Innovative Designs

We are into high end products in our garmenting business, which requires creation of designs contemporary in terms of prevailing fashion. Going forward our strategy is to further improvise on designs development.

Adding of new products in our garmenting division

Presently, we are mainly into the development and manufacturing of men’s shirts and ladies tops. While we intend to continue to be focused into men’s shirts and ladies tops, our strategy is to add men and women bottoms so as to have adequate diversification in our garmenting business. We also intend to enter into different types of fabrics like linen and garments and also sportswear and swimwear as the current trend show great potential for such products. Also it helps in risk mitigation arising out of concentrated portfolio.

OFFERING DETAILS

Equity Shares offered	
Issue in terms of Red Herring Prospectus	4,843,789 Equity Shares of Rs.10/- each
Of which:	
Net Issue to the Public	4,843,789 Equity Shares of Rs.10/- each
Comprising:	
Qualified Institutional Buyers Portion	Upto 2,421,895 Equity Shares of Rs.10/- each Constituting not more than 50% of the Net issue to the Public (Allocation on a proportionate basis, of which 5% shall be available for allocation to Mutual Funds only and the balance shall be available for allocation to all QIBs, including Mutual Funds)
Non-Institutional Portion	Not less than 726,568 Equity Shares of Rs.10/- each Constituting at least 15% of the Net issue to the Public (Allocation on a proportionate basis)
Retail Portion	Not less than 1,695,326 Equity Shares of Rs.10/- each Constituting at least 35% of the Net issue to the Public (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	14,531,367 Equity Shares of Rs.10/- each
Equity Shares outstanding after the Issue	19,375,156 Equity Shares of Rs.10/- each
Use of Issue Proceeds	Please refer to the Section entitled “Objects of the Issue” on page 25 of this Red Herring Prospectus for additional information

Notes:

Under subscription, if any, in the Retail Individual Investors, Non-institutional Investors or QIB portion would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLM.

SUMMARY OF FINANCIAL DATA

The following tables set forth summary financial information derived from Company's restated financial statements as of and for the fiscal years ended March 31, 2002, 2003, 2004, 2005, 2006 and for the half year ended September 30, 2006 are prepared in accordance with Indian GAAP and SEBI guidelines and as described in the Statutory Auditors' report dated November 18, 2006 included in the section titled 'Financial Information' beginning on page 118 of this Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in lakhs)

Particulars	As at September 30, 2006	As at the Financial Year ended March 31,				
		2006	2005	2004	2003	2002
Fixed Assets (A)						
Gross Block	13,782.98	4,483.17	3,793.12	980.62	823.38	457.15
Less : Accumulated Depreciation	729.03	411.90	181.85	85.73	47.26	28.21
Net Block	13,053.95	4,071.27	3,611.27	894.89	776.12	428.94
Capital Work in Progress	2.47	-	-	114.70	16.32	0.00
Total (A)	13,056.42	4,071.27	3,611.27	1,009.59	792.44	428.94
Investments (B)	14.06	14.06	14.06	-	-	-
Current Assets, Loans & Advances						
Inventories	3,606.72	1,988.51	714.29	179.25	70.19	26.91
Sundry Debtors	5,274.21	1,701.18	761.23	170.29	97.15	64.87
Cash and Bank Balance	240.66	73.97	48.72	12.37	18.44	8.70
Loans and Advances	2,933.33	2,182.00	694.42	196.34	47.68	32.10
Total (C)	12,054.93	5,945.66	2,218.66	558.25	233.46	132.58
Liabilities and Provisions (D)						
Secured Loans	13,520.39	4,256.16	3,020.56	654.86	455.36	228.64
Unsecured Loans	3,402.83	1,379.67	838.61	41.00	71.07	26.00
Deferred Tax Liability (Net)	504.46	332.14	234.03	96.15	62.32	32.49
Current Liabilities and Provision	4,743.40	1,761.62	816.58	238.11	115.49	41.94
Total (D)	22,171.08	7,729.59	4,909.78	1,030.12	704.24	329.07
Net Worth (A+B+C-D) = (E)	2,954.33	2,301.40	934.21	537.72	321.65	232.45
Represented by						
1. Share Capital	1,333.34	1,391.85	521.77	399.70	245.11	208.09
2. Reserves	1,620.99	909.55	412.44	139.34	79.33	28.61
Total	2,954.33	2,301.40	934.21	539.04	324.44	236.70
Less : Miscellaneous Expenditure not written off	-	-	-	1.32	2.79	4.25
Net Worth	2,954.33	2,301.40	934.21	537.72	321.65	232.45

STATEMENT OF PROFIT AND LOSSES ACCOUNT, AS RESTATED

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Financial year ended March, 31				
		2006	2005	2004	2003	2002
Income						
Operational Income	10,917.81	8,249.13	3,950.51	1,441.11	671.49	490.28
Other Income	249.10	118.49	34.18	40.57	14.77	2.93
Increase / (Decrease) in Stocks	1,339.46	776.10	398.40	29.51	15.03	(5.87)
Total (A)	12,506.37	9,143.72	4,383.09	1,511.19	701.29	487.34
Expenditure						
Cost of Raw Material	8,080.28	5,922.61	2,985.03	872.04	320.07	224.01
Manufacturing Expenses	1,425.19	958.66	343.30	284.11	129.98	83.38
Employees' Remuneration & Benefits	330.35	379.75	180.85	40.06	42.34	34.23
Administrative and Other Expenses	266.32	348.47	156.22	64.86	39.17	29.10
Interest and Financial Charges	409.69	239.29	33.01	55.28	29.00	33.66
Selling & Distribution Expenses	104.03	122.91	73.86	11.63	6.52	6.26
(Profit) / Loss on sale of Assets	0.52	18.58	(0.22)	-	0.67	1.28
Miscellaneous Expenditure Written Off	0.00	0.00	1.32	1.47	1.47	1.47
Total (B)	10,616.38	7,990.27	3,773.37	1,329.45	569.22	413.39
Profit before Depreciation, Tax and Extraordinary items	1,889.99	1,153.45	609.72	181.74	132.07	73.95
Depreciation	317.97	239.85	90.81	38.47	19.13	16.86
Profit before Tax	1,572.02	913.60	518.90	143.27	112.94	57.09
Provision for Taxation						
- Current Tax	336.25	266.53	56.50	10.95	9.00	6.50
- Deferred Tax	172.32	98.11	137.88	33.83	29.83	32.49
Profit after Tax	1,063.44	548.96	324.52	98.49	74.11	18.10
Profit available for appropriations	1,063.44	548.96	324.52	98.49	74.11	18.10
Add: Balance brought from previous year	856.70	359.59	134.34	74.33	28.61	10.51
Less: Utilized during the year	729.93	-	-	-	-	-
Transfer to General Reserve	-	-	47.85	-	5.00	-
Provision for Dividend	-	45.48	45.48	34.11	20.73	-
Tax on Dividend	-	6.38	5.94	4.37	2.66	-
Balance carried to Summary of Assets and liabilities	1,190.21	856.70	359.59	134.34	74.33	28.61

GENERAL INFORMATION**INCORPORATION**

The Company was incorporated on June 10, 1999 as Indus Fila Private Limited under the Companies Act, 1956. The name of the Company was subsequently changed to Indus Fila Limited by a special resolution of the shareholders of the Company at an Extraordinary General Meeting held on March 31, 2006. The fresh certificate of incorporation consequent upon the change of name was granted on July 6, 2006 by the Registrar of Companies, Bangalore, Karnataka.

CIN NO: U01820KA1999PLC025320

REGISTERED OFFICE**INDUS FILA LIMITED**

Survey No.-285, 37th KM Stone,
Tumkur Road, Kasaba Hobli,
T. Begur, Nelamangala- 562123,
Karnataka, India.
Telephone: + 91- 8118 - 7733501/02
Fax: + 91- 8118 - 7733167

CORPORATE OFFICE**INDUS FILA LIMITED**

No.107, Industrial Suburb,
II Stage, Yeshwanthpur,
Bangalore – 560 022, India
Tel: + 91- 80- 41369700
Fax: + 91- 80 - 41369800
E Mail: pradeep@indusfila.com
Website: www.indusfila.com

ADDRESS OF ROC**The Registrar of Companies**

“E wing” 2nd Floor, Kendriya Sadana,
Koramangala
Bangalore – 560 034

BOARD OF DIRECTORS

Mr. Gerhard Bornemann	:	Non Executive Chairman
Mr. Nitin N. Mandhana	:	Vice Chairman & Managing Director
Mr. Shashikant G. Mandhana	:	Executive Director
Mr. Prakash G. Mandhana	:	Executive Director
Mr. Venkatesh Sivaraman	:	Executive Director
Mr. Balaji V. Bhat	:	Independent Director

For more details on Company’s directors, please refer to the section titled “Our Management” beginning on page 91 of this Red Herring Prospectus.

COMPANY SECRETARY AND COMPLIANCE OFFICER**MR. PRADEEP TOTLA**

Company Secretary
No.107, Industrial Suburb,
II Stage, Yeshwanthpur,

Bangalore – 560 022, India
Tel: + 91- 80- 41369700
Fax: + 91- 80 - 41369800
E Mail: pradeep@indusfila.com
Website: www.indusfila.com

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

LEGAL COUNSEL TO THE ISSUE

KHAITAN & CO.

Sunrise Chambers,
22 Ulsoor Road,
Bangalore – 560 042
Tel: +91 80 – 25597466
Fax: +91 80 – 25597452
E Mail: blr@khaitanco.com

BANKERS TO THE COMPANY

CORPORATION BANK

Industrial Finance Branch
No. 1, Mezzanine Floor,
Indian Express Bldg,
Queen's Road,
Bangalore - 560 001
Tel: +91 80 – 2286 0958/6350
Fax: +91 80 – 2286 3293
E Mail: abb438@corpbank.co.in
Website: www.corpbank.com

CANARA BANK

Corporate Service Branch
No. 25, Shankarnarayan
Building, M. G. Road,
Bangalore - 560 001.
Tel: +91 80 – 2559 9254/259
Fax: +91 80 – 2559 9108
E Mail: blr2636@canbank.co.in
Website: www.canbankindia.com

KARNATAKA BANK

Overseas Branch
Mohan Mansion,
1st Floor, 105,
Kasturba Road,
Bangalore – 560 001.
Tel: +91 80 – 2295 5884 - 86
Fax: +91 80 – 2223 8146
E Mail: blr.osb@ktkbank.com
Website: www.ktkbankltd.com

STANDARD CHARTERED BANK

2nd Floor, Raheja Point,
Magarath Road,
Bangalore – 560 001
Tel: +91 80 6450 1993/94
Fax: +91 80 2558 3568
E mail: tom.michael@in.standardchartered.com
Website: www.standardchartered.com

BOOK RUNNING LEAD MANAGER

ANAND RATHI SECURITIES LIMITED

J. K. Somani Building, 3rd Floor,
British Hotel Lane, B. S. Marg,
Fort, Mumbai – 400 023
Tel: + 91-22-6637 7000
Fax: + 91-22-6637 7070
Contact Person: Mr. Sachin Mehta / Mr. Rupesh Khant
E-mail: iflipo@rathi.com
Website: www.rathi.com

REGISTRAR TO THE ISSUE

DATAMATICS FINANCIAL SERVICES LIMITED

Plot no. A,16 & 17, MIDC, Part B, Crosslane, Marol,
Andheri East, Mumbai 400 093.
Tel: + 91 22 2837 5519
Fax: + 91 22 28350217
Email: indusfila@dfssl.com
Website: www.dfssl.com
Contact Person : Mr. Dnyanesh Gharote

SYNDICATE MEMBERS

ANAND RATHI SECURITIES LIMITED

J.K.Somani Building, 3rd Floor,
British Hotel Lane, B.S.Marg,
Fort, Mumbai – 400 023
Tel: + 91-22-6637 7000
Fax: + 91-22-6637 7070
Contact Person: Mr. Tarun Jain / Ms. Meghna Parekh
E-mail: iflipo@rathi.com
Website: www.rathi.com

ENAM SECURITIES PRIVATE LIMITED

Khatau Bldg, 2nd floor,
44, Bank Street, Fort, Mumbai – 400 023
Tel: + 91 – 22 - 2267 7901
Fax: + 91 – 22 - 2266 5613
Contact Person: Mr Ajay Sheth
Email: ajays@enam.com
Website: www.enam.com

BROKERS TO THE ISSUE

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

ESCROW COLLECTION BANKS

UTI BANK LIMITED

Esquire Centre, No 9 MG Road
Bangalore 560001.
Tel: +91 - 80-2567 0633
Fax: +91 – 80 – 2555 9444
Contact Person: Mr Rajesh Menon
Email: rajesh.menon@utibank.co.in
Website: www.utibank.com

STANDARD CHARTERED BANK

270, D.N.Road,
Fort, Mumbai – 400 001
Tel : +91- 22 – 2209 2213 / 2268 3965
Fax : +91 – 22 – 2209 6069
Contact Person : Mr Rajesh Malwade
Email: rajesh.malwade@in.standardchartered.com
Website: www.standardchartered.co.in

ABN AMRO BANK

Brady House, 14 Veer Nariman Road,
Horniman Circle, Fort,
Mumbai – 400 001
Tel: +91 – 22 – 6658 5858
Fax : +91 – 22 – 2204 2673
Contact Person : Mr Neeraj Chabra
Email : neeraj.chabra@in.abnamro.com
Website : www.abnamro.com

KOTAK MAHINDRA BANK LIMITED

13th Floor, Nariman Bhawan,
227, Nariman Point,
Mumbai 400 001
Tel: +91 – 22 – 6759 4850/6759 4876
Fax: +91 – 22 – 6648 2710
Contact Person: Mr. Mahesh Shekdar
Email: mahesh.shekdar@kotak.com
Website: www.kotak.com

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

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

AUDITORS TO THE COMPANY**M/s. Suri & Co., Chartered Accountants**

24/2, II Floor, Norris Road,

Bangalore – 560025

Tel: +91 -80 – 4124 0545

E Mail: suribl@airtelbroadband.in

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITY

The responsibilities and co-ordination for various activities in relation to the Issue will be complied by the BRLM to the Issue viz., Anand Rathi Securities Limited. In case of an under subscription in this Issue, the same shall be made good by the BRLM to the Issue.

Sr. No.	Activity	Responsibility	Coordination
1.	Capital structuring with the relative components and formalities such as type of instruments, etc	ARSL	ARSL
2.	Conducting a due diligence of the Company's operations / management / business plans / legal, etc. Drafting and designing the Prospectus. Ensuring compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.	ARSL	ARSL
3.	Assisting the Company for the FIPB and RBI approvals	ARSL	ARSL
4.	Primary co-ordination with SEBI, RoC and Stock exchanges up to bidding and co coordinating interface with lawyers for agreements	ARSL	ARSL
5.	Primary coordination of drafting/proofing of the design of the Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement	ARSL	ARSL
6.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.	ARSL	ARSL
7.	Appointing the Registrars of the Issue	ARSL	ARSL
8.	Appointing Bankers to the Issue	ARSL	ARSL
9.	Appointing other intermediaries viz. Printers and advertising agency.	ARSL	ARSL
10.	Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"> • Formulating marketing strategies, preparation of publicity budget, • Finalizing media & public relations strategy, • Finalizing centers for holding conferences for press and brokers, etc., • Finalizing collection centers • Following-up on distribution of publicity and issue material including form, prospectus hand deciding on the quantum of the Issue material, and • Preparing all road show presentations 	ARSL	ARSL
11.	Co-ordinating institutional investor meetings, co-ordinating pricing decisions and institutional allocation in consultation with the Company, finalizing the Prospectus and RoC filing.	ARSL	ARSL

12.	Co-ordinating post bidding activities including management of Escrow accounts, co-ordinating Non-Institutional allocation, intimating allocation and despatch of refunds to Bidders, etc. The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing the listing of instruments and despatch of certificates and dematerialized delivery of Shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business. The BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.	ARSL	ARSL
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GRADING

We have not opted for the grading of this issue.

CREDIT RATING

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

TRUSTEES

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

MONITORING AGENCY

We have voluntarily appointed Karnataka Bank for monitoring the utilization of the Issue proceeds.

APPRAISING ENTITY

The expansion project has been appraised by Karnataka Bank, Corporation Bank and UTI Bank.

BOOK BUILDING PROCESS

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

1. The Company;
2. BRLM;
3. The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchanges and eligible to act as underwriters. The Syndicate Members are appointed by the BRLM; and
4. Registrar to the Issue

SEBI through its guidelines has permitted an issue of securities to the public through 100% Book Building Process, wherein: (i) upto 50% of the Net Issue to Public shall be allocated to QIBs, 5% thereof shall be specifically available for mutual funds registered with SEBI on a proportionate basis (ii) not less than 15% of the Net Issue to Public shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) not less than 35% of the Net Issue to Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. The Issue Price will be ascertained after the Bid Closing Date.

QIBs are not allowed to withdraw their Bid(s) after the Bid /Issue Closing Date. In addition as per the recent amendments to the SEBI Guidelines, QIBs are required to pay 10% margin amount upon submission of their Bids and the allocation to QIBs will be on a proportionate basis. For further details please see the section titled "Issue Procedure" beginning on page 172 of this Red Herring Prospectus.

We shall comply with guidelines issued by SEBI for this Issue. In this regard, we have appointed Anand Rathi Securities Limited as the BRLM to manage the Issue and to procure subscription to the Issue.

Steps to be taken by the Bidders for bidding:

- Check whether he / she is eligible for bidding;
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.
- Ensure that the Bid cum Application Form is accompanied by the Permanent Account Number or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. For details please refer to the section titled "Issue Procedure" on page 172 of this Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Registrar number instead of Permanent Account Number as the Bid is liable to be rejected.

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

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.40 to Rs.48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the BSE (www.bseindia.com) and NSE (www.nseindia.com). The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs.42 in the above example. The issuer, in consultation with the BRLM will finalize the issue price at or below such cut off price i.e. at or below Rs.42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

BID/ISSUE PROGRAMME**Bidding /Issue Period**

BID/ISSUE OPENS ON	February 12, 2007
BID/ISSUE CLOSES ON	February 14, 2007

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers 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.

We reserve the right to revise the Price Band during the Bidding/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with

the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/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 sites of the BRLM and at the terminals of the Syndicate.

WITHDRAWAL OF THE ISSUE

We, in consultation with the BRLM, reserve the right not to proceed with the Issue at anytime after the Bid /Issue Opening Date but before Allotment, without assigning any reason therefore.

UNDERWRITING AGREEMENT

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

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

[This portion has been intentionally left blank, and will be filled in before filing of the prospectus with the ROC]

Name and Address of the Underwriter	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in lakhs)
Anand Rathi Securities Limited J. K. Somani Building, 3 rd Floor, British Hotel Lane, Bombay Samachar Marg, Fort, Mumbai – 400 023 Tel: + 91 22 6637 7000 Fax: + 91 22 6637 7070 Email: iflipo@rathi.com	38,75,032	[●]
Enam Securities Private Limited Khatau Bldg, 2 nd floor, 44, Bank Street, Fort, Mumbai – 400 023 Tel: + 91 – 22 - 2267 7901 Fax: + 91 – 22 - 2266 5613 Email: ajays@enam.com	9,68,757	[●]

The above chart is indicative of the underwriting arrangement and this would be finalized after the pricing and actual allocation. The above Underwriting Agreement is dated [●]

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

Allocation amongst the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Member shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure or subscribe to the extent of the defaulted amount. Allocation to QIBs shall not be on proportionate basis as per the terms of this Red Herring Prospectus.

CAPITAL STRUCTURE

Equity Share capital as at the date of filing of this Red Herring Prospectus with SEBI is set forth below.

	Particulars	Nominal Value (Rs)	Aggregate Value at Issue Price (Rs)
A)	AUTHORISED CAPITAL		
	25,000,000 Equity Shares of Rs. 10 each	250,000,000	
B)	ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL		
	14,531,367 Equity Shares of Rs. 10 each	145,313,670	
C)	PRESENT ISSUE TO PUBLIC IN TERMS OF THIS RED HERRING PROSPECTUS		
	4,843,789 Equity Shares of Rs. 10 each	48,437,890	[●]
D)	EQUITY CAPITAL AFTER THE ISSUE		
	19,375,156 Equity Shares of Rs. 10 each	193,751,560	[●]
E)	SHARE PREMIUM ACCOUNT		
	Before the Issue	150,657,875	[●]
	After the Issue		[●]

The Issue in terms of this Red Herring Prospectus has been authorized pursuant to a resolution passed under Section 81(1A) of the Companies Act at the Extraordinary General meeting of our shareholders held on June 27, 2006 at Bangalore.

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

Date of change	Nature of increase/change	Cumulative Number of Equity Shares	Face Value	Authorized Share Capital
June 3, 1999	Subscription to Memorandum	1,000,000	10	10,000,000
April 1, 2000	Increase	3,000,000	10	30,000,000
March 31, 2005	Increase	5,500,000	10	55,000,000
March 31, 2006	Increase	25,000,000	10	250,000,000

Notes to Capital Structure

1. Share Capital History of the Company

The following is the history of the Equity Share capital of our Company:

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (cash, bonus, consideration other than cash)	Nature of allotment	Cumulative Paid-up Capital (Rs.)	Securities Premium Account (Rs.)
June 18, 1999	200	10	10	Cash	Subscription on signing the Memorandum	2000	Nil
March 13, 2000	100	10	10	Cash	Further Allotment to Mrs Nirmala Mandhana	3000	Nil
April 1, 2000	240,960	10	10	Cash	Further Allotment to the family members of Mr Nitin Mandhana, Mr Shashikant Mandhana and Mr Prakash Mandhana.	2412600	Nil
March 27, 2001	1,782,975	10	10	Cash	Further Allotment to the family members of Mr Nitin Mandhana, Mr Shashikant Mandhana and Mr Prakash Mandhana.	20242350	Nil
January 20, 2003	250,000	10	10	Cash	Further Allotment to the family members of Mr Nitin Mandhana, Mr Shashikant Mandhana and Mr Prakash Mandhana.	22,742,350	Nil
March 31, 2005	2,274,235	10	10	Cash	Further Allotment to the family members of Mr Nitin Mandhana, Mr Shashikant Mandhana and Mr Prakash Mandhana.	45,484,700	Nil
March 25, 2006	670,030	10	10	Cash	Further Allotment to the family members of Mr Nitin Mandhana, Mr Shashikant Mandhana and Mr Prakash Mandhana.	52,185,000	Nil
May 11, 2006	7,827,750	10	Nil	Bonus	Bonus in the ratio 3:2	130,462,500	Nil
June 27, 2006	287,182	10	160	Cash	Further allotment to Foreign and Indian investors	13,333,432	43,077,300
November 18, 2006	456,000	10	10	Cash	Allotment to Indus Fila ESOP Trust	137,894,320	Nil
December 6, 2006	741,935	10	155	Cash	Further allotment to Indian individuals	145,313,670	107,580,575
	14,531,367						150,657,875

2. Details of Allotment to Promoters

Promoter's Name	Date	No. of Shares	Nominal Value	Issue price/ transfer Price	Consideration	Remarks
Mr. Nitin N. Mandhana	27.03.2001	193,500	1,935,000	10/-	Cash	Fresh allotment
	20.01.2003	233,314	2,333,140	10/-	Cash	Fresh allotment
	31.03.2005	426,814	4,268,140	10/-	Cash	Fresh allotment
	25.03.2006	87,796	877,960	10/-	Cash	Fresh allotment
	31.03.2006	(926,674)	(9,266,740)	10/-	Transfer (Cash)	Kamal Kishor Finvest Pvt Ltd
	11.05.2006	22,125	221,250	Nil	Bonus	-
	14.05.2006	(27,000)	(270,000)	10/-	Transfer (Cash)	Employees
	Total	9,875	98,750			
Mr. Shashikant G. Mandhana	27.03.2001	10,000	100,000	10/-	Cash	Fresh allotment
	20.12.2004	37,505	375,050	10/-	Cash	Fresh allotment
	31.03.2005	47,505	475,050	10/-	Cash	Fresh allotment
	25.03.2006	60,375	603,750	10/-	Cash	Fresh allotment
	31.03.2006	(154,760)	(1,547,600)	10/-	Transfer (Cash)	Kamal Kishor Finvest Pvt Ltd & Andrew Finvest Pvt Ltd
	11.05.2006	937	9,370	Nil	Bonus	-
	Total	1,562	15,620			
Mr. Prakash G. Mandhana	01.04.2000	29,046	290,460	10/-	Cash	Fresh Allotment
	27.03.2001	125,000	1,250,000	10/-	Cash	Fresh Allotment
	31.03.2005	154,046	1,540,460	10/-	Cash	Fresh Allotment
	25.03.2006	284,334	2,843,340	10/-	Cash	Fresh Allotment
	31.03.2006	(591,801)	(5,918,010)	10/-	Transfer (Cash)	Kamal Kishor Finvest Pvt Ltd & Andrew Finvest Pvt Ltd
	11.05.2006	938	9,380	Nil	Bonus	-
	Total	1,563	15,630			
M/s. Kamal Kishor Finvest Pvt. Ltd.	31.03.2006	3,901,875	39,017,950	10/-	Transfer	Transfer from Mr Nitin Mandhana, Mr Shashikant Mandhana and Mr Prakash Mandhana and their family members.
	11.05.2006	5,852,812	58,528,120	Nil	Bonus	-
	14.05.2006	(15,000)	(150,000)	10/-	Transfer (Cash)	Transfer to Indian Individuals.
	Total	9,739,687	97,396,870			

M/s. Andrew Finvest Pvt. Ltd.	31.03.2006	1,300,625	13,006,250	10/-	Transfer	Transfer from Mr Nitin Mandhana, Mr Shashikant Mandhana and Mr Prakash Mandhana and their family members.
	11.05.2006 14.05.2006	1,950,938 (5,000)	19,509,380 (50,000)	Nil 10/-	Bonus Transfer (Cash)	- Transfer to Indian Individuals.
	Total	3,246,563	32,465,630			
Total		12,999,250	129,992,500			

3. Promoters Contributions and Lock-In

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

In terms of SEBI Guideline, the shareholding of promoters would be locked in for three years as follows:

Sr. No.	Name of the Promoter	Date on which the Equity Shares were allotted / acquired	Consideration	Number of Equity Shares to be locked in*	Par value (Rs.)	Issue Price	% of post-Issue paid-up equity capital	Lock-in Period
1	M/s Kamal Kishor Finvest Pvt Ltd	May 11, 2006	Bonus shares	2,906,274	10	Nil	15.00%	3 years
2	M/s Andrew Finvest Pvt Ltd	May 11, 2006	Bonus shares	968,758	10	Nil	5.00%	3 years
	Total			3,875,032			20.00%	

* Commencing from the date of allotment of the Equity Shares in this Issue.

The Bonus shares available for lock-in are not out of reserves without the accrual of cash and are eligible for lock-in as per the SEBI (DIP) Guidelines.

The Promoters contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as promoters under the SEBI Guidelines.

In the event that over subscription to the extent of 10% of the Issue is retained for the purposes of rounding to the nearest multiple of 1 while finalizing the basis of Allotment, Promoters' contribution and lock-in would be calculated as 20% of the post-Issue share capital including the over subscribed amount so retained for rounding off.

Out of the total shareholding of promoters 3,875,032 number of equity shares, being 20.00% of the post issue capital will be locked in for a period of 3 years. Other than those Equity Shares as stated above which are locked in for a period of 3 years, the entire pre-Issue equity share capital of the Company comprising of 10,200,336 Equity Shares (excluding 456,000 equity shares allotted to Indus Fila ESOP Trust) will be locked-in for the period of one year from the date of allotment of Equity Shares in this Issue.

- a) Further, pursuant to Clause 4.16.1(a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.
- b) The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, Pursuant to Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares may be transferred amongst Promoter/Promoter group or to a new Promoter or persons in control of our Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable. The securities which are subject to lock-in shall carry inscription 'non transferable' along with duration of specified non-transferable period mentioned in the face of the security certificate.
- c) The Promoters have vide their letter dated November 30, 2006 given their consent for lock in as stated above. Equity Shares issued last shall be locked in first. The entire pre-issue capital, other than the minimum Promoters contribution, which is locked in for three years shall be locked in for a period of one year. The lock-in shall start from the date of allotment in the Issue and the last date of the lock-in shall be reckoned as three years from the date of allotment in the Issue.
- d) Pursuant to Clause 4.15 of the SEBI Guidelines, Locked in Equity Shares held by a Promoter can be pledged with banks or financial institutions as collateral for loans granted by such banks or financial institutions, provided pledge of shares is one of the terms of sanction of loan.
- e) The Promoters and Promoters group will not participate in the Issue.

None of the persons listed in our Promoters or Promoter group, or our Directors have purchased or sold any Equity Shares (excluding any issue of bonus Equity Shares), during a period of six months preceding the date on which the Red Herring Prospectus is filed with SEBI.

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

Category	Pre Issue		Post Issue	
	No. of Shares	%	No. of Shares	%
Promoters				
Mr Nitin N. Mandhana	9,875	0.06	9,875	0.05
Mr Shashikant G. Mandhana	1,562	0.01	1,562	0.008
Mr Prakash G. Mandhana	1,563	0.01	1,563	0.008
M/s Kamal Kishor Finvest Pvt Ltd	9,739,687	67.02	9,739,687	50.26
M/s Andrew Finvest Pvt Ltd	3,246,563	22.35	3,246,563	16.76
Sub –Total (A)	12,999,250	89.45	12,999,250	67.09
<u>Promoters Group</u>	--	--	--	--
Sub-Total (B)	--		--	--
Promoters Group Total				
A+B = X	12,999,250	89.45	12,999,250	67.09
<u>Others (including Employees)</u>	1,076,117	7.41	1,076,117	5.56
Sub Total (C)	1,076,117	7.41	1,076,117	5.56
<u>Public (D)</u>	--	--	4,843,789	25.00
<u>Indus Fila ESOP Trust (E)</u>	456,000	3.14	456,000	2.35
Grand Total (X+C+D+E)	14,531,367	100.00	19,375,156	100.00

4. Equity Shares held by top ten shareholders:

a) Top ten shareholders as on the date of filing of the Red Herring Prospectus with SEBI

Sr. No	Name of Shareholders	Number of Shares	% of Total
1	M/s. Kamal Kishor Finvest Pvt. Ltd	9,739,687	67.38
2	M/s. Andrew Finvest Pvt. Ltd.	3,246,563	22.46
3	Ms Lata Bhanshali	677,419	4.69
4	Indus Fila Employees Stock Option Trust	456,000	3.15
5	Mr. Ralf Klinger	72,139	0.50
6	One Up Financial Consultant Pvt Ltd	64,516	0.45
7	Mr. Birendra Kumar Agarwal	62,500	0.43
8	Mr. Alfons Hollenstein	57,707	0.40
9	Mr. Daniel Spaelti	46,871	0.32
10	M/s. International Clothing House	31,250	0.22
	Total	14,454,652	100.00

b) Top ten shareholders 10 days prior to the date of filing of the Red Herring Prospectus with SEBI

Sr. No	Name of Shareholders	Number of Shares	% of Total
1	M/s. Kamal Kishor Finvest Pvt. Ltd	9,739,687	70.89
2	M/s. Andrew Finvest Pvt. Ltd.	3,246,563	23.63
3	Indus Fila Employees Stock Option Trust	456,000	3.32
4	Mr. Ralf Klinger	72,139	0.53
5	Mr. Birendra Kumar Agarwal	62,500	0.45
6	Mr. Alfons Hollenstein	57,707	0.42
7	Mr. Daniel Spaelti	46,871	0.34
8	M/s International Clothing House	31,250	0.23
9	Mr. Ho Boon	16,090	0.12
10	Mr. Nitin N. Mandhana	9,875	0.07
	Total	13,738,682	100.00

c) Top ten shareholders two years prior to the date of filing of the Red Herring Prospectus with SEBI

Sr. No	Name of Shareholders	Number of Shares	% of Total
1	Mr. Nitin Mandhana	426,814	22.66
2	Ms Kavita Mandhana	236,774	12.57
3	Ms Savita Mandhana	210,670	11.18
4	Mr Ashok Mandhana	154,047	8.18
5	Ms Sneha Mandhana	154,047	8.18
6	Ms Leelavathi Mandhana	154,046	8.18
7	Mr Manish Mandhana	154,046	8.18
8	Mr Prakash Mandhana	154,045	8.18
9	Ms Nirmala Mandhana	154,045	8.18
10	Mr Govindlal Mandhana	85,000	4.51
	Total	1,883,534	100.00

5. Our Company by a Ordinary Resolution passed at the Extra Ordinary General Meeting held on November 18, 2006 approved the “Indus Fila ESOS-2006” Scheme under Section 79A of the Companies Act, 1956 to be read along with the SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999 whereby options convertible into Equity Shares shall be issued to eligible Employees of the Company. We have

already issued 456,000 shares to the ESOP Trust which in turn will issue options to the employees of the Company. The maximum number of options granted to any one employee in a year will not be equal to or exceed 1% of the issued equity share capital of the Company (excluding outstanding warrants and conversions) at the time of granting the option. The detailed terms and conditions of the ESOS-2006, including the method of implementation, the eligibility of the employees to whom the grant will be made and other terms and conditions of such Scheme will be determined by the Compensation Committee.

Sr. No.	Particulars	Plan Particulars
1	Shares outstanding	NIL
2	Shares granted	NIL
3	Pricing Formula	Rs. 10/- per share (Face Value Rs.10/-)
4	Options vested by employees	NIL
5	Options exercised by employees	NIL
6	Total number of Equity Shares arising as a result of exercise	456,000
7	Options forfeited / lapsed	Not Applicable
8	Extinguishment or modification of options	Not Applicable
9	Money realized by exercise of options	Not Applicable
10	Employee-wise details of Options Granted to <ul style="list-style-type: none"> Permanent Employees (Senior Managerial Personnel only) of the Company working in India or out of India (if any) or Directors of the Company whether Whole Time Director or not; Any other employee who receive a grant in any one year of Option amounting to 5% or more of Option granted during that year: Identified employees who were granted Options, during any one-year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. 	Not Applicable as no options yet granted.
11	Where the Company has calculated the Employee Compensation cost using the intrinsic value of the Stock Options, the difference between the Employee Compensation Cost so computed and the Employee Compensation Cost that shall have been recognized if it had used the fair value of the options.	Shares have been priced at the face Value of Rs. 10/- per share.
12	Weighted Average Exercise Prices and weighted average fair value of Options	Not applicable
13	Description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average: <ul style="list-style-type: none"> (i) Risk-free interest rate (ii) Expected life (iii) Expected Volatility (iv) Expected Dividends (v) The Price of the underlying shares in the market at the time of option grant. 	Not applicable
14	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard (AS) 20 'Earning Per share'.	No options granted

Disclosures required as per Clause 15.3 of SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999

The impact on the profits and on the EPS of the last three years if the company had followed the accounting policies specified in clause 13 in respect of options granted in the last three years.	Not applicable
The intention of the holders of shares allotted on exercise of option granted under ESOS to sell their shares within three (3) months after the date of listing of shares in such IPO (aggregate number of shares intended to be sold by option holders), if any.	Not applicable as options yet to be granted.
The intention to sell shares arising out of ESOS within three (3) months after the date of listing, by directors, senior managerial personnel and employees having ESOS or ESPS shares amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions), which inter-alia shall include name, designation and quantum of ESOS or ESPS shares and quantum they intend to sell within three (3) months.	Not applicable as options yet to be granted.
Any disclosure / detail in respect of options/shares issued in last three (3) years (separately for each year) and on a cumulative basis for all the options/shares issued prior to date of the Red Herring Prospectus.	Not applicable

We have complied the all the applicable provisions of the SEBI (ESOS & ESPS) Guidelines, 1999.

6. There are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.
7. Neither we nor our Directors or the Promoters, or respective directors of our Promoter Group Companies or the BRLM have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.
8. We have not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see the section titled “Objects of the Issue” on page 25 of this Red Herring Prospectus.
9. The securities offered through this public issue shall be made fully paid-up or may be forfeited within 12 months from the date of allotment of the securities in the manner specified in clause 8.6.2. of the SEBI (DIP) Guidelines.
10. The Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue to Public will be allocated to Qualified Institutional Buyers (“QIBs”) on a proportionate basis. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds. Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, not less than 15% of the Net Issue to Public will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to Public will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Under-subscription, if any, in any category would be met with spill over from other categories at the sole discretion of our company in consultation with the BRLM.

11. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of the Red Herring Prospectus with SEBI until the Equity Shares offered through this Red Herring Prospectus have been listed.
12. We presently do not have any intention or proposal to alter our capital structure for a period of six months from date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or to make a further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except if we enter into acquisition or joint ventures or make investments, in which case we may consider raising additional capital to fund such activity or use equity shares as a currency for acquisition or participation in such joint ventures or investments.
13. We have not issued any Equity Shares out of revaluation reserves.
14. We have made following allotments of Equity Shares for consideration other than cash:

Date of Allotment	Number of Equity Shares	Face Value	Nature of Allotment
May 11, 2006	7,827,750	10	Bonus in the ratio 3:2

15. At any given point of time there shall be only one denomination of Equity Shares of our Company, unless otherwise permitted by law. We shall comply with such disclosures and accounting norms specified by SEBI from time to time.
16. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
17. There are restrictive covenants in the agreements that we have entered into with banks for short-term loans and long-term borrowings. These restrictive covenants in many cases provides for borrowers covenants which are restrictive in nature and require us to obtain their prior permission for alteration of the capital structure, change in beneficial ownership of or control of our Company, entering into any merger/amalgamation, expenditure in new projects, transfer/change in the key personnel, change in the constitutional documents etc.
18. As per the RBI regulations, OCBs are not allowed to participate in this Issue.
19. Except as disclosed in “Capital Structure - Notes to the Capital Structure” beginning on page 17 of this Red Herring Prospectus, we have not issued any Equity Shares for consideration other than cash.
20. As of date of filing the Red Herring Prospectus the total number of holders of our Equity Shares was 40.

OBJECTS OF THE ISSUE

The main objects of raising funds through this present Issue is towards the following:

- A. To part fund the Expansion project,
- B. Additional Working Capital Requirements
- C. Meeting Public Issue Expenses

The net proceeds of the Issue after deducting Issue expenses payable by us are estimated at Rs.[●]. We intend to utilize the net proceeds of the Issue for meeting the Objects of the Issue mentioned above.

The main Object clause of our Memorandum of Association and the objects incidental to the main objects enable us to undertake its existing activities and the activities for which the funds are being raised by us through this present Issue.

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

FUNDS REQUIREMENT

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

<i>(Rs. in lakhs)</i>		
Sr. No.	Particulars	Amount
1	Part funding the capital expenditure for the Expansion Project	
	- Weaving	4,616.53
	- Yarn Dyeing and Setting up of "Centre of Excellence"	2,855.18
	- Processing	3,482.71
	- Garmenting	4,500.00
2	Working capital requirement for the Expansion Project	720.00
3	Pre-operative Expenses and Contingencies	450.00
	Sub-Total	16,624.42
4	Issue Related Expenses [#]	[●]
	Total	[●]

[#] Will be updated at the time of filing of the Prospectus

MEANS OF FINANCE

The Proceeds of the Issue would be used to meet the uses of the funds as described above:

<i>(Rs. in lakhs)</i>	
Particulars	Amount
Public Issue of Equity Shares	[●]#
Rupee Term loans	7,400.00
Internal Accruals	[●]#
Total	[●]#

[#] Will be updated at the time of filing of the Prospectus.

APPRAISAL

We have been appraised by Corporation Bank, Karnataka Bank and UTI Bank for the Rupee Term Loan component of the Project.

Name of the Bank	Sanction Letter No. & date	(Amount in lakhs)
Corporation Bank	CDS/CSI/MC-123/2006-07 dated September 18, 2006	3,300.00
Karnataka Bank	Blr/osb/pf/2305/OR/2326/2005-06 dated October 19, 2006	1,900.00
UTI Bank	RMD/BLR/SV dated January 4, 2007	2,200.00
TOTAL		7,400.00

The SWOT analysis as per the Appraisal Reports are as under:

Strength

- Wide experience in the textile field.
- Proven track record of the promoters.
- Existing relationship with the big players in textile trade.
- Backward and forward integration with emphasis on better utilization of inputs and infrastructures resulting in cost saving.

Weakness

- Regulation from Pollution control Department.
- Impact of foreign exchange parity rate on the profitability.
- The end user industry is subject to cyclicalities during the year
- Major gap in Indian industry is its fragmented industry structure with a dominance of small scale.

Opportunities

- With good marketing strategies and compliance to international standards of quality the project has huge potential. Also we believe that WTO 2005 is not a threat but an opportunity to focus on core competencies with sharper and leaner management. India with all natural resources and abundant labour cannot go out of recognition. All we need to do is to realign our capabilities and focus our strategies in preparing for non-quota regime.
- The increase in the domestic ready-made garment business, which in turn increases the requirement of labels, provides an opportunity for expanding our activities.
- Interest shown by the existing customers like Nike and Tommy Hilfiger in the project. Once the quality is matched to the specifications the full capacity shall be underwritten by one or two international buyers
- New encouraging opportunities from Northern and Western India textile belt.

Threats

- Competition from existing units.
- There might be price pressure from unorganized sector till the product and quality is established.

Pursuant to clause 2.8 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 we confirm that firm arrangements of finance through verifiable means towards 75% of the stated means of finance excluding the amount to be raised through proposed public issue have been made.

Note:

1. The entire rupee term loan of the Expansion Project amounting to Rs.7,400 lakhs is eligible for a 5% interest subsidy under the Technology Upgradation Fund Scheme (TUFS) subject to conditions specified therein.
2. Further, under the amended provisions of TUFS we will also be eligible for an additional incentive of 10% capital subsidy for the specified textile processing machinery if we make investments in such specified processing machinery in prescribed timeframe. This capital subsidy will be over and above the 5% interest subsidy to which we are entitled.

For details of TUFS kindly refer to the section titled 'Key Industry Regulations and Policies' on page 82 of the Red Herring Prospectus.

The requirement of funds of Rs.[●] lakhs is proposed to be financed through this Public Issue Proceeds and shortfall, if any, will be met through Internal Accruals. In case of any excess of funds raised over the above mentioned requirement of funds, the same will be used for General Corporate Purposes.

The Public Issue Proceeds will be determined based on the Issue Price discovered through the 100% Book-Building process. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with surplus funds, if any, available in the other areas and/or our internal accruals, and /or the term loans/working capital loans that may be availed from the Banks/Financial Institutions.

DETAILS OF FUNDS UTILISATION

A. EXPANSION OF THE EXISTING CAPACITY OF WEAVING UNIT

96 AIR JET LOOMS

We intend to enhance the capacity of our existing facility of Weaving at Nanjangud, Mysore district. We are planning to increase our capacity of Weaving from 59,575 Mtrs to 97,575 Mtrs per day. We are adding 96 Weaving Air Jet Looms which will produce approximately 38,000 Mtrs per day with a capital investment of 4,616.53 lakhs. The proposed expansion will be completed in two phases. In the first phase the capacity will be increased from 59,575 Mtrs per day to 69,940 Mtrs per day and in the second phase from 69,940 Mtrs per day to 97,575 Mtrs per day.

The Details of Land & Building and Plant & Machinery to be installed in the Weaving division are as follows:

LAND & BUILDING

We require additional area for the expansion of the Weaving capacity. We are in possession of land at Nanjangud, Mysore District. Out of the available land, we have planned to utilize an area admeasuring 1,00,000 Sq. Feet for civil construction. The land acquired by us is free from all encumbrances and has a clear title and it has been registered in our name. The cost of site development, civil work, sanitary and electrical installation is estimated at Rs.1,100 lakhs. The proposed construction of building will consist of sheds for housing the weaving machines, storage yard and other miscellaneous fixed assets.

PLANT & MACHINERY

We propose to purchase the Weaving machineries from various indigenous and international suppliers. We have estimated the requirement of plant, equipment and machinery aggregating Rs.3,516.53 lakhs. We have estimated these requirements based on proforma invoices, purchase orders and prevailing market prices of manufacturers/suppliers of equipments. The estimates for Plant & Machinery and other fixed assets have been based on lump sum estimates. The details of the same are as follows:

<i>(Rs. in lakhs)</i>					
Sr. No.	Particulars	Manufacturer	Date of Quotation	Quantity (Nos.)	Amount *
A	Weaving Department				
1	Air jet looms-190 CMS JAT 710 with spares	Toyota	27/10/06	96	2,119.78
2	Loom accessories				
	a. Cloth Roll	Local		162	4.50
	b. Weaver Beam	Local		162	44.10
	c. Droppers in ooo's	Local		864	10.10
3	OHTC for looms	Elgi Electric	12/01/06	6	18.17
4	Vacuum Cleaner	Intercraft	08/02/06	2	4.00
5	Humidification plant-1.15lakh CFM	2 lakh CFM		2	60.00

6	Ducting & insulation			1	20.00
7	False ceiling, insulation			1	15.00
8	Epoxy painting for Humidification plant			1	3.00
					2,298.65
B	Compressor				
1	Compressor 1465 CFM MLD 200-2s	Ingersoll Rand	10/01/06	1	26.25
2	Compressor 993 CFM NIRVANA IRN 160	Ingersoll Rand	10/01/06	1	21.02
3	NLM 2000	Ingersoll Rand	10/01/06	1	3.86
4	Ref.Air Dryer	Ingersoll Rand	10/01/06	1	11.15
5	Air Receiver	Ingersoll Rand	10/01/06	1	2.78
6	Piping Works	-			15.00
					80.06
C	Weaving Preparatory				
1	Sectional Warping Machine	Prashant		3	162.04
2	Sizing Machine-creel+Beam, Predrier	Benninger	22/01/06	1	494.92
3	Size Cooking/ size Storage	Local		1	5.50
4	Hoist for sizing dep.	-		2	4.40
5	Warper beams	-		64	19.20
6	Drawing in stands	-		12	3.60
7	Knotting m/c with 2 no.190cm stand	Staubli	27/03/06	1	14.52
8	Auto drawing-in (Staubli)	Staubli	07/07/06	1	176.01
9	Humidification plant 50000cfm	Batliboi		1	16.80
					896.99
D	Sampling Department				
1	Single end Warping -300 mm length	CCI	16/08/06	1	69.42
2	Automatic desk looms	CCI	16/08/06	4	72.57
3	Warper	CCI	16/08/06	1	6.58
					148.57
E	Other Machines / Items				
1	Weighing scales 1t-1,200kg-1,50kg-1 No	-		3	1.50
2	Boiler 5T	Cheema	04/04/06	1	28.56
					30.06
F	Material Handling Equipments				
1	Drawn Beam Trolley -190cm	Maruti		3	4.64
2	Knotting Beam Trolley -190/340cm	Maruti		3	9.00
3	Pellet Trolley	-		5	0.82
4	Stacker	-		3	5.04
5	Cloth Roll Trolley	-		3	1.50
6	Yarn Storage Boxes	-		1 Set	2.00
7	Rack Storage for Fabric	-		1 Set	10.00
8	Rack Storage for Yarn	-		1 Set	10.00
					43.00
G	Power				
1	Transformer 1500KVA	Kamath	25/04/06		6.00
2	Metering Cubicle	-			1.20
3	Contractor – HT Works	-			12.00
					19.20
	Total				3,516.53

(*After considering import duties, transportation, other incidental charges and deducting discounts)

B. EXPANSION OF THE EXISTING CAPACITY OF DYEING UNIT AND SETTING UP OF CENTRE OF EXCELLANCE

We intend to enhance the capacity of our existing facility of Dyeing at Nanjangud, Mysore district. We are planning to increase our Dyeing capacity from 2,300 Kgs to 12,300 Kgs per day. We will manufacture additionally 10,000 Kgs per day with a capital investment of 2,855.18 lakhs.

We have started implementing our product development project which we have christened as “Centre of Excellence”. This project is to create a global standard design and product development centre, being one of its kinds in the world. The implementation of the same would be done in phases over the next 18 months. This facility would house our corporate and business development offices, a design and virtual studio and complete range of equipments to develop product from yarn to textile and to apparel backed with all utilities required like effluent treatment plant, power generation and steam generation. The implementation of this project is spread over 20 acres of land in the outskirts of Bangalore. This makes it the only campus of its kind in the industry for textile and apparel product development.

The pilot phase has been implemented in which modern equipments have been installed to enable quality and speedy product development. In the next phase we would set up a design and virtual studio along with residential enclave for the visiting International designers.

LAND & BUILDING

We require an additional area for the expansion of the Dyeing capacity. We are already in possession of land at Nanjangud, Mysore District. Out of the available land we have planned to utilize an area admeasuring 60,000 Sq. Feet for the civil construction. The cost has been estimated at Rs.660 lakhs for Site Development, Civil work, sanitary and Electrical Installation.

PLANT & MACHINERY

We propose to acquire the Yarn Dyeing machineries from various indigenous and international suppliers. We have estimated the requirement of plant, equipment and machinery aggregating Rs.2,195.18 lakhs. We have estimated these requirements based on proforma invoices, purchase orders and prevailing market prices of manufacturers/ suppliers of equipment. The estimates for Plant & Machinery and other fixed assets have been based on lump sum estimates. The details of the same are as follows:

(Rs. in lakhs)

Sr. No.	Particulars	Manufacturer/ Supplier	Date of Quotation	Quantity (Nos.)	Amount
A	Dyeing Machinery				
I	Soft Winding				
1	Soft Winding (705 Spindles) 96 Spindles	SSM TW1-W	21/06/06	6	555.69
2	Splicers	RJK Automobiles	19/09/06	7	6.30
					561.99
II	Dyeing				
1	Dyeing Machine 15 kg – ff	Fong's	02/02/06	1	22.02
2	Dyeing Machine 15 kg - air pad	Fong's	02/02/06	2	40.95
3	Dyeing Machine 25 kg - ff	Fong's	02/02/06	1	22.14
4	Dyeing Machine 25 kg - air pad	Fong's	02/02/06	3	61.72
5	Dyeing Machine 50 kg – ff	Fong's	02/02/06	1	22.78
6	Dyeing Machine 50 kg –air pad	Fong's	02/02/06	5	106.46
7	Dyeing Machine 75 kg – ff	Fong's	02/02/06	1	25.86
8	Dyeing Machine 75 kg - air pad	Fong's	02/02/06	5	122.23
9	Dyeing Machine 100 kg - air pad	Fong's	02/02/06	5	123.82
10	Dyeing Machine 200 kg - air pad	Fong's	02/02/06	4	118.93

11	Dyeing Machine 300 kg beam dyeing	Fong's	02/02/06	1	56.81
12	Dyeing Machines 500 kg beam dyeing	Fong's	02/02/06	1	110.00
13	Tubes for Dyeing	Fong's	02/02/06	75000	18.19
					851.91
III	Hydro – Extraction				
1	Hydro Extractor - 24 Cheeses (total 4)	Monga Electronic	12/07/06	3	27.72
					27.72
IV	Drying				
1	Radio Frequency Drier	Stalam	13/07/06	2	87.12
2	Chiller / Cooler for RF Drier	-		1	17.92
3	Twin Blower Rapid Drier for Beam Drying	Fong's / Dalal	31/01/06	1	30.00
					135.04
V	Rewinding				
1	Hard Winding	SSM CW1-W2	21/06/06	8	359.62
2	Splicers	RJK	19/09/06	8	7.20
					366.82
B	List of Material handling / support facilities				
1	Electronic Balances	-		10	3.58
2	Hoist / 500 kg Capacity	-		4	4.02
3	Stainless Steel Tanks with Stirrers	-		8	8.96
4	Pallets & Racks, Peg Trolleys, Bins	-		-	10.00
					26.56
C	Laboratory & Test Equipments				
1	Laboratory Equipment	Datacolor	25/09/06	1	20.00
					20.00
D	Utilities				
1	Boiler 5T	Cheema	04/04/06	1	28.56
2	Chimney	Fabrication		1	8.50
3	ETP for 12 Lakhs Litres / day	Amazon	07/04/06	1	93.50
4	Water Softening & Tanks	-			22.00
5	Fire Extinguishing System	-			10.00
6	PRS, Valves, Steam Pipelines	-			25.00
					187.56
E	Power				
1	Metering Cubicle	-		1	0.75
2	Transformer	Kamath	25/04/06	1,000KVA	4.84
3	Contractor - HT Works	-		-	12.00
					17.59
	Grand Total				2,195.18

(*After considering import duties, transportation, other incidental charges and deducting discounts)

C. EXPANSION OF EXISTING CAPACITY OF PROCESSING OF FABRICS

We intend to enhance the capacity including Modernizing and Balancing of our existing facility of processing of Fabrics at Nanjangud, Mysore district. We are planning to increase the capacity of Processing from 69,000 Mtrs to 1,00,000 Mtrs per day. We would increase the processing capacity by modernizing and adding balancing equipments by 31,000 Mtrs per day with a capital investment of Rs 3,482.71 lakhs.

The details of Land & Building and Plant & Machinery to be installed in the Processing division are as follows:

LAND & BUILDING

Additional area is required for the expansion of the Processing capacity. We have already acquired a land at Nanjangud, Mysore District from M/s Sai Lakshmi Industries. Out of the available land, we have planned to utilize an area admeasuring 80,000 Sq. Feet for the Civil Construction. The cost which has been estimated at Rs.880 lakhs for Site Development, Civil work, sanitary and Electrical Installation.

PLANT & MACHINERY

We propose to purchase the Processing machineries from various indigenous and international suppliers. We have estimated the requirement of plant, equipment and machinery aggregating Rs.2,602.71 lakhs. We have estimated these requirements based on proforma invoices, purchase orders and prevailing market prices of manufacturers/suppliers of equipment. The estimates for Plant & Machinery and other fixed assets have been based on lump sum estimates. The details of the same are as follows:

(Rs. in lakhs)

Sr. No.	Particulars	Manufacturer/ Supplier	Date of Quotation	Quantity (No's)	Amount
A	Processing Machines				
1	Fabric Batching Machine	-		2	13.86
2	Continuous Washing - Wash Pad Steam pad dry	BTM Co.	06/03/06	1	544.50
3	Mercerizer	BTM Co.	06/03/06	1	392.04
4	Wet on Wet Cold Pad bleach incl. Batch Rotation	Harish	08/02/06	1	75.00
5	Stenter 7 Compartment for heat setting with 3 Relax driers	BTM Co.	06/03/06	1	353.43
6	Soft flow Jet Dyeing Machine 200Kg	BTM Co.	06/03/06	2	150.00
7	Pressurized Jiggers 500kg	a. t. e.	08/02/06	2	88.00
8	Padder	a. t. e.	08/02/06	1	66.93
9	Fabric Rope opener	a. t. e.	24/01/06	2	10.00
10	Preshrinking range - Sanfrorizer	BTM Co.	06/03/06	1	111.03
11	Batch Rotating stations	Maruti Business	10/03/06	20	22.40
12	5 Bowls	Prabhat	16/02/06	1	20.15
					1,847.34
B	Inspection & Packing				
1	Finish Inspection machines Batch to roll	Yash Textiles	21/02/06	10	38.08
2	Greige Inspection machines	Yash Textiles	21/02/06	8	12.56
3	Roll Packing	-		2	1.00
4	Shrink Proof polyethene Wrapping machine	-		2	4.00
					55.64
C	List of Material Handling / Support Facilities				
1	Dry Batch Trolleys	Maruti Business	10/01/06	30	11.25
2	Wet Batch Trolleys	Maruti Business	10/01/06	20	24.00
3	Sewing Machines	-		5	2.70
4	Electronic Balances	-		8	3.20
5	Hoist / 500 Kg Capacity	-		2	6.00
6	Stacker / 1 Tonne Capacity	Hydro Material	20/02/06	2	3.36
7	Stainless Steel Tanks with Stirrers	Vanwyk	16/06/06	2	50.28

8	Pellets & Racks, Peg Trolleys, Bins, Storage Racks	Telecraft	23/11/06	1 Set	28.00
9	Electrical Tow Trucks	Fer Comm	25/01/06	6	38.64
10	Hydraulic Pellet Trucks	Dilip Handling	31/01/06	10	1.63
11	Shrink proof Polythene Wrapping M /C	Sree Venkateshwara		2	3.94
12	Fork Lift Truck (battery operated)	Voltas	08/04/06	2	17.00
					190.00
D	Laboratory & Test Equipments				
1	Fabric Smoothness Rating	Roaches	20/08/06	-	10.00
2	Lab Padder & Steamer	Roaches	20/08/06	-	25.00
3	Lab Stenter / Heat set	Roaches	20/08/06	-	20.00
4	Light Fastness Tester	Roaches	20/08/06	-	3.00
5	Colour Dosing / Mixing	Roaches	20/08/06	-	5.00
6	Infra Colour And New Software of CCM	Roaches	20/08/06	-	5.00
7	Misc Lab Equipments	Roaches	20/08/06	-	67.00
					135.00
E	Utilities				
1	Boiler 8T	Cheema	04/04/06	1	47.60
2	Chimney	Fabrication		1	9.52
3	PRV's, Piping, Condensate lines Etc	-		75	75.00
4	Air Compressor	Kasser	27/02/06	1	2.53
5	ETP for 8 lakhs Litres / day	Amazon	07/05/06	1	79.48
6	Water Softening & Tanks	-			22.00
7	Fire Extinguishing System	-		1Set	22.00
8	Caustic Recovery Plant with Tanks	-			100.00
					358.13
F	Power				
1	Metering Cubicle	-			0.75
2	Transformer	Kamath	25/04/06	750KVA	3.85
3	Contractor - HT Works	-			12.00
					16.60
	Grand Total				2,602.71

(*After considering import duties, transportation, other incidental charges and deducting discounts)

D. EXPANSION OF EXISTING CAPACITY OF GARMENTING

We intend to enhance the capacity of our existing facility of garmenting at Peenya, Bangalore district and plan to set up a new garment manufacturing unit at Hindupur, Andhra Pradesh. We would increase the garment manufacturing capacity from 9,000 pieces per day to 18,000 pieces per day in the first phase and from 18,000 pieces to 30,000 pieces per day in the second phase with a capital investment of Rs.4,500 lakhs.

The details of Land & Building and Plant & Machinery to be installed in the Processing division are as follows:

LAND & BUILDING

Bangalore:

We have already entered into the long term lease agreement with M/s RNS Industries for possession of factory premises of 1,27,917 Sq. feet at Peenya, Bangalore. We are also planning for the expansion of Canteen area which

would be approximately 3,750 Sq. Feet, the cost which has been estimated at Rs.30 lakhs. The cost of Furniture's and Fitting is estimated at Rs.80 lakhs. The electrification cost for the entire premises is estimated at Rs.135.82 lakhs.

Hindupur:

We are in the process of locating approximately 20 acres of land at Hindupur from Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for the proposed manufacturing facilities for Rs.80 lakhs.

A new building will be constructed and the total area of construction which would be around 1,20,000 Sq. feet. The cost of the same has been estimated at Rs.960 lakhs. We propose to have a dormitory for workers on an area admeasuring 76,000 Sq. feet and the cost has been estimated at Rs.700 lakhs for Civil work and Electrical Installations. We also propose to construct Hospital, Playground and Community Hall for the workers and the cost is estimated Rs.20 lakhs. The construction cost of Approach Road would be estimated at Rs.30 lakhs. The total cost for Land and Building would be estimated at Rs.1,790 lakhs.

PLANT & MACHINERY

We propose to acquire the Garmenting machineries from various indigenous and international suppliers. We have estimated the requirement of plant, equipment and machinery aggregating Rs.2,464.18 lakhs. We have estimated these requirements based proforma invoices, purchase orders and prevailing market prices of manufacturers/suppliers of equipment. The estimates for Plant & Machinery and other fixed assets have been based on lump sum estimates. The details of the same are as follows:

(Rs. in lakhs)

Sr. No.	Particulars	Manufacture/ Supplier	Date of Quotation	Quantity (Nos.)	Amount
A	Plant & Machineries at Peenya Bangalore				
1	Single Needle, Double Needle, Bartack, Button Sew, Keyhole, Button Hole, Over lock, Feed of the arm, Pattern Tracker, Pattern Sewer	Brother International	06/09/06	556	430.62
2	Electro-pneumatic Pressing Machine	Macpi Group (HK) Ltd	22/09/06	24	72.95
3	Band Knife, Straight Knife, Legger	Apparel & Leather/ Eastman	20/11/06	37	18.47
4	Linear Fusing Press	Apparel & Leather/ Hashima	20/11/06	3	10.97
5	Point Turning Machine	IIGM/NS-42	18/11/06	9	1.10
6	Tacking Machine	Sewing Systems/ Dennison Tack	18/11/06	6	8.27
7	Two Needle Chain Stitch Machine	IIGM/Juki	18/11/06	26	29.99
8	Two & Three Needle Chain & Cover Stitch Machines	E.H. Turel & Co./ Kansai Special	20/11/06	74	56.47
9	Welt Pocket Machine	E.H. Turel & Co./Durkopp Adler	17/11/06	12	99.56
10	Eton Conveyor System	Eton Systems AB		256	388.80
					1,117.20
B	Plant & Machineries at Hindupur, Andhra Pradesh				
1	Single Needle, Double Needle, Bartack, Button Sew, Keyhole, Button Hole, Overlock, Feed of the arm, Pattern tacker, Pattern Sewer	Brother International	06/09/06	1000	607.21

2	Electropneumatic Pressing Machine	Macpi Group (HK) Ltd	22/9/06	6	18.24
3	Band Knife, Stright Knife, End Cutter	Apparel & Leather/ Eastman	20/11/06	18	9.24
4	Linear Fusing Press	Apparel & Leather/ Hashima	20/11/06	2	7.31
5	Welt Pocket Machine	E.H. Turel & Co./Durkopp Adler	17/11/06	1	8.30
					650.30
C	Other Plant & Equipments at Peenya, Bangalore				
1	Sewage Treatment Plant	Amazon Envirotech	30/08/06	1	20.00
2	Intercom Cost	-			4.00
3	Generator 600/KVA/480KW	Prime Energy/ Volvo Penta	22/08/06	1	27.00
4	Computers	-		30	6.00
5	Telephone instruments	-		80	0.48
6	Vehicles	-			16.00
7	Water Cooler Machine	-		4	10.00
8	Fire Extinguisher	-		1	2.50
					85.98
D	Other Plant & Equipments at Hindupur, Andra Pradesh				
1	Sewage Treatment Plant	Amazon Envirotech	07/04/06	1	74.70
2	Vehicles	-			25.00
3	Embroidery (Two Shift)	-		2	66.00
4	Effluent Treatment Plant (ETP)	Amazon Envirotech	07/04/06		225.00
5	Generator/Borewell (600KVA/480 Kw)	Prime Energy/ Volvo Penta	22/08/06	2	50.00
6	APEB Electricity Line Connection	-			50.00
7	Washing Machines	Ramsons	27/11/06	6	120.00
					610.70
	Total Cost				2,464.18

(*After considering import duties, transportation, other incidental charges and deducting discounts)

We have not purchased any machinery as of the date. The quotations received but orders not placed amount to Rs 14212.42 lakhs, i.e. around 99% of the total cost of the Project. The quotations not placed by us amounts to Rs 664.98 lakhs i.e. around 4.68% of the total Project Cost. For a list of pending Government approvals, kindly refer to page no. 156 under the Paragraph titled “Pending approvals” of the RHP.

E. PRE -OPERATIVE EXPENSES AND CONTINGENCIES

Pre-operative and preliminary expenses primarily consists of start up and trial run expenses, establishment and project management expenses, engineering and consultancy fees, upfront fees/placement expenses, interest during construction period, etc. Contingencies include provisions for buildings, plant and machinery, miscellaneous fixed assets and pre-operative and preliminary expenses. It has been provided at 1.25% of the Capital Expenditure of the Project. The total amount of pre-operative expenses and contingencies has been estimated at Rs.450 lakhs. The following are the break up of pre-operative expenses and contingencies:

(Rs. in lakhs)

Description	Amount
Establishment and project management expenses etc.	90.00
Financial expenses	65.00
Start up expenses	102.00
Contingencies	193.00
Total	450.00

F. WORKING CAPITAL REQUIREMENTS

Our Working Capital Requirements have increased significantly last year with a substantial increase in volume of the business. Our sales has grown by 109% from Rs. 3,950.51 lacs in fiscal 2005 to Rs. 8,249.13 lacs in fiscal 2006. The increase in the volume of business leads to increase in the working capital requirement of the Company. We expect a further increase in the working capital requirements in view of our proposed expansion programme. Accordingly, we have proposed to use part issue proceeds to meet the long term working capital requirements on account of financing the procurement of various equipments, marketing expenses and administrative expenses. We have provided Rs.720 lakhs for additional working capital required for the expansion project based on the requirement of working capital for the Fiscal 2006-07 and onwards. The details of our estimates are as follows:

(Rs. in lakhs)

Working Capital	As on March 31, 2007
Inventories	1,887.00
Sundry Debtors	1,129.00
Cash & Bank Balances	3,740.00
Loans & Advances	(364).00
Total Current Assets	6,392.00
Current Liabilities	1,116.00
Total Current Liabilities	1,116.00
Net Working Capital	5,276.00
Less: Existing Working Capital	4,556.00
Net Working Capital requirement	720.00

G. MEETING PUBLIC ISSUE EXPENSES

Activity	Estimated Amount (Rs. in lakhs)	% of Total Expenses	% of Total Issue Size*
Lead Management Fees	[•]	[•]	[•]
Underwriting Fees	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and Stationery	[•]	[•]	[•]
Registrar to the Issue	[•]	[•]	[•]
Legal Advisers Fees	[•]	[•]	[•]
Others (listing fee, etc.)	[•]	[•]	[•]
Total estimated Issue expenses	[•]	[•]	[•]

* Will be incorporated after finalization of Issue Price

All the expenses with respect to the Issue would be borne by us. There are no transactions in respect of utilization of the issue proceeds with the affiliate and related parties. No part of the Issue proceeds is to be paid as consideration to promoters, Directors, Key Management Personnel, associate or group companies.

IMPLEMENTATION SCHEDULE

Details of schedule of implementation are as follows:

Sr. No	Activity	Yarn Dyeing		Weaving			Processing			Apparels		
		Start	End	Start	End	Status	Start	End	Status	Start	End	Status
1	Appointment of the consultant	Sep-06	Dec-06									
2	Preparation of final plan	Dec-06	Jan-07									
3	Leasehold property									Oct-06	Oct-06	Done
4	Purchase of land									Dec-06	Jan-07	
5	Possession of land									Feb-07	Mar-07	
6	Tender for civil work	Jan-07	Feb-07	Jan-07	Feb-07		Jan-07	Feb-07		Apr-07	Apr-07	
7	Civil works	Mar-07	Dec-07	Mar-07	Dec-07		Mar-07	Dec-07		May-07	Dec-07	
8	Placement of orders for import of Machinery											
	Full Project	Dec-06	Apr-07									
	Phase I			Dec-06	Jan-07	24 looms	Mar-07	May-07	11000 mtrs	Dec-06	Jan-07	750 mach
	Phase II			Sep-07	Feb-08	72 looms	Sep-07	Feb-08	20000 mtrs	Dec-07	Jan-08	1000 mach
9	Placement of orders for indigenous											
	Full Project	Jan-07	Apr-07									
	Phase I			Dec-06	Jan-07	24 looms	Mar-07	May-07	11000 mtrs	Dec-06	Jan-07	750 mach
	Phase II			Sep-07	Feb-08	72 looms	Sep-07	Feb-08	20000 mtrs	Dec-07	Jan-08	1000 mach
10	Utilities and electrical related works											
	Full Project	Feb-07	May-07									
	Phase I			Jan-07	Feb-07	24 looms	Mar-07	May-07	11000 mtrs	Dec-06	Jan-07	750 mach
	Phase II			Oct-07	Feb-08	72 looms	Oct-07	Feb-08	20000 mtrs	Dec-07	Jan-08	1000 mach
11	Erection of machines											
	Full Project	Apr-07	May-07									
	Phase I			Feb-07	Mar-07	24 looms	Apr-07	Jun-07	11000 mtrs	Feb-07	Mar-07	750 mach
	Phase II			Feb-08	Mar-08	72 looms	Sep-07	Feb-08	20000 mtrs	Feb-08	Mar-08	1000 mach

12	Trial Run											
	Full Project	May-07	May-07									
	Phase I			Mar-07	Mar-07	24 looms	Mar-07	Mar-07	11000 mtrs	Apr-07	Apr-07	750 mach
	Phase II			Mar-08	Mar-08	72 looms	Mar-08	Mar-08	20000 mtrs	Apr-08	Apr-08	1000 mach
13	Commercial Production											
	Full Project	Jun-07	Jun-07									
	Phase I			Apr-07	Apr-07	24 looms	Apr-07	Apr-07	11000 mtrs			
	Phase II			Apr-08	Apr-08	72 looms	Apr-08	Apr-08	20000 mtrs			

FUNDS DEPLOYMENT SCHEDULE

The year-wise break-up of utilization of issue proceeds of the above mentioned capital expenditure program is as given hereunder:

Sr. No.	Particulars	For the Year Ended			(Rs. in lakhs)
		31-Mar-07	31-Mar-08	31-Mar-09	Total Cost
1	Capital Expenditure				
	- Weaving	770.15	3,654.51	191.87	4,616.53
	- Yarn Dyeing and Centre of Excellence	571.03	2,141.40	142.75	2,855.18
	- Processing of Fabrics	174.10	2,960.35	348.26	3,482.71
	- Garmenting	2,050.00	2,327.50	122.50	4,500.00
	Sub-Total	3,565.28	11,083.76	805.38	15,454.9
2	Additional Working Capital	720.00	-	-	720.00
3	Pre- operative Expenses & Contingencies	100.00	350.00	-	450.00
	Total	4,385.28	11,433.76	805.38	16,624.42
4	Issue Expense	[●] #	Nil	Nil	[●] #
	Total	[●] #	11,433.76	805.38	[●] #

(Source: Estimate by Company's Management)

Will be updated at the time of filing of the Prospectus

FUNDS ALREADY DEPLOYED

Until January 12, 2007, we have incurred Rs.178.14 lakhs in the expansion project out of our internal accruals. Details of the amount incurred and as certified by M/s M.K.Tyagi & Co., Chartered Accountant are as follows:

Sr. No.	Particulars	(Rs. in lakhs)
		Garments (Peenya)
1	Land & Buildings	140.60
2	Sewage Treatment Plant	3.06
3	Electrical Installations	30.26
4	Furniture	4.22
	Total	178.14

INTERIM USE OF FUNDS

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest / dividend bearing short term / long term liquid instruments as permitted under the SEBI Guidelines. These investments would be authorized by Board of Directors of our Company or a duly authorized committee thereof.

Any increase in the cost of the project is intended to be funded by Internal Accruals.

MONITORING OF UTILISATION OF FUNDS

We have appointed Karnataka Bank as the Monitoring Agency to monitor the use of proceeds from the issue as on the date of filing the Red Herring Prospectus. As per regulatory requirements, we will disclose the utilization of the proceeds of the Issue under a separate heads in the Balance Sheet for Fiscal 2007, Fiscal 2008 and Fiscal 2009 clearly specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges and in particular Clause 49 of the Listing Agreement.

No part of the proceeds from the Issue will be paid by us as consideration to our Promoters, our Directors, Promoter group companies or key managerial employees, except in the normal course of our business. We in our Balance Sheet will provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby indicating investment, if any, of such unutilized proceeds of the Issue.

BASIS FOR ISSUE PRICE

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

Investors should read the following summary with the Risk Factors included from page no. xii to xxii and the details about us and our financial statements included in the Red Herring Prospectus.

QUALITATIVE FACTORS

a. *Centre of Excellence*

One of the few in the industry with the business model driven by “Centre of Excellence” comprising designing and sampling set up from yarn dyeing, to garment designing and advanced logistics systems to reduce turnaround time for clients while retaining flexibility in product mix between fabric and apparels to address changing market dynamics. Our strength also lies in our ownership of designs which is backed up by our team of 6 designers which are constantly creating new designs for the market. In the textiles and garments industry, focusing on Centre of Excellence as the main point of negotiation with the global brands for their share of business is being done by only a few players in the industry apart from us. For detailed information on Centre of Excellence, kindly refer to the Section titled “Centre of Excellence” on page 63 of the RHP.

b. *Lean Enterprises*

We have started transformation from conventional form of management, administration and manufacturing to the latest enterprise culture called “Lean Enterprise”. The new culture enables us to address the challenges of quick turn-around and zero-quality controls making it a flexible organization. It would enable us to increase employment, stabilize and standardize operations and create the atmosphere for continuous improvement. We are adopting this business model which lays emphasis on flat hierarchical structure along with autonomy in decision making to the employees.

c. *Vertical Integration*

We mean business “from Design to Delivery” which means we have yarn dyeing, fabric weaving, processing, garment making and logistics. With the fashion trends changing and designers wanting to time their creations nearer to the seasons, it is imperative that the lead time required for designing a thought to the actual creation and delivery of garments is shrinking. Since we are vertically integrated, the lead time required by us is only around 90 days as against the industry average of around 150 – 180 days, thus enabling us to be in an advantageous position to fulfill our customer requirements. For a build up of over capacities over the years, kindly refer to Section titled “Our Manufacturing Capacities” on page no. 64 of the RHP.

d. *Promoters’ proven track record and excellent management bandwidth*

Our Promoters have adequate experience in the textile industry and we have successfully implemented expansion projects earlier. All our promoters have prior experience in the textiles and garments industry with our Managing Director, Mr Nitin N Mandhana being part of the team that launched “Vivaldi” brand for Bombay Dyeing. The Promoters family has a long experience in textiles and fashion apparel business with successful entrepreneurial credentials since Mr. Narayandas Mandhana, the father of Mr Nitin Mandhana started trading in textiles since past four decades. There also exists significant depth in senior management capabilities to scale up rapidly. Our top management and key managerial personnel has around 181 man-years of combined experience with an average of around 16 years of experience. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project. For detailed information and background of the promoters, kindly refer Section titled “Our Promoters” on page no 106 of the RHP.

e. *Cost advantage*

Interest - Recent capacity additions in our manufacturing facilities have been carried out under TUFS. Our term loans borrowings are in the range of 9-10% as per the details mentioned in Annexure V of the

Restated Financial Statements on page 130 of the RHP. 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%. For detailed information on the TUFS kindly refer to page no 82 of the RHP.

Raw Material Cost - Also fabrics being 65% of the cost component of a garment and coming from our own vertical production facility, we shall have a greater cost advantage as compared with other big players, which will increase in the future with more of our in-house garmenting facilities on account of in-house manufacturing of fabrics, savings in transportation and logistics cost since all our facilities are located in and around Bangalore.

Labor 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 labor friendly policies followed by us. Further we have entered into a Memorandum of Settlement with the Workers Union dated October 9, 2006. For details kindly refer to the Section titled "Outstanding Litigations and Defaults" on page No. 151 of the RHP.

f. Quality Assurance

Each of the Company's products passes through stringent quality checks. Through checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyze areas of improvement, skilled manpower with experience for quality assurance activities, creation of data base for future reference and analysis etc. are in place. Each of the divisions is well equipped with most modern quality checking and testing equipment like Tex –Cad for designing , Data Color / Minolta Spectrophotometer, Roaches – Mini lab processing , Macbeth - light box , I-Tex EVS Computerized Fabric Quality Check machines with 24 cameras in place for quality assurance and functions on our philosophy of providing quality products to customer.

QUANTITATIVE FACTORS

The Information presented in this section is derived from Company's restated financial statements prepared in accordance with Indian GAAP.

1. Basic Earnings per Share (EPS) (as adjusted for changes in capital)

Particulars	EPS (Rs.)	Weight
Year ended March 31, 2004	0.90	1
Year ended March 31, 2005	2.72	2
Year ended March 31, 2006	3.85	3
Half yearly ended September 30, 2006 [#]	12.62	4
Weighted Average	6.64	

Note:

EPS for the half year ended September 30, 2006 is on an annualized basis.

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

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

- P/E based on the EPS of Half year ended September 30, 2006 is 13.47 at the Floor Price and 14.65 at the Cap Price.
- P/E based on the EPS of financial year ended March 31, 2006, is 44.16 at the Floor Price and 48.05 at the Cap Price.

c. Industry P/E:(Textile Products)

Highest	104.60
Lowest	4.30
Industry Composite	31.40

* would be calculated after discovery of the Issue price through Book- Building

(Source: Capital Markets, Vol XXI/23, Jan 15, 2007 – Jan 28, 2007, Category “Textiles- Products”)

3. Average Return on Net worth (RoNW)

Particulars	Average RoNW (%)	Weight
Year ended March 31, 2004	18.32	1
Year ended March 31, 2005	34.74	2
Year ended March 31, 2006	23.85	3
Half yearly ended September 30, 2006 [#]	36.00	4
Weighted Average	30.33	

Annualized.

The average RoNW has been calculated on the basis of the restated profit and losses of the respective years.

4. Minimum Return on increased Net Worth required to maintain pre Issue EPS is [●]

5. Net Asset Value per Equity Share

Particulars	NAV (Rs.)
As on September 30, 2006	22.16
After the Issue	[●]
Issue Price*	[●]

*The Issue Price would be determined on the basis of the demand from the investors through the book building process.

6. Comparison of Accounting Ratios

Company	EPS (Rs.)	P/E (as on January 8, 2007)	RONW %	NAV per share (Rs.)
Indus Fila Limited (HY ended September 30, 2006)	12.62	-	36.00	22.16
Industry Data Category				
Bombay Rayon Fashion Limited	3.60	40.80	18.30	31.30
Celebrity Fashions Limited	5.00	22.00	10.10	90.50
Gokaldas Exports	34.30	16.50	23.80	201.00

(Source: Capital Markets, Vol XXI/23, Jan 15, 2007 – Jan 28, 2007, Category “Textiles- Products”)

All figures except the P/E ratio are as of March 31, 2006 and are based on restated stand alone financials.

7. The face value of the Equity Shares is Rs.10/- each and the Issue price is [●] of the face value.

The Issue Price of Rs.[●] has been determined by the Company in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by way of Book Building. The BRLM believes that the Issue Price of [●] is justified in view of the above qualitative and quantitative parameters. See the section titled “Risk Factors” on page xii of this Red Herring Prospectus and the financials of the Company including important profitability and return ratios, as set out in the Auditors Report on page 118 of this Red Herring Prospectus to have a more informed view.

STATEMENT OF TAX BENEFITS

To
The Board of Directors
Indus Fila Limited

Statement of Possible Tax benefits available to the Company and its Share holders.

The information provided below sets out the possible tax benefits available to the Company and its shareholders under the tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling conditions, as may be necessary, and is based on business imperatives the Company faces in the future. It may be also kept in mind that the Company may or may not choose to fully utilize the benefits. It may be also noted that the benefits discussed below are not exhaustive and this statement is only intended to provide general information to the investors and is neither designed nor intended to be substitute for professional tax advice.

1) INCOME TAX

a) To the Company

1. Under Section 10(34) of the Act, income earned by way of dividend from another domestic company is exempt from tax in the hands of the Company.
2. Capital gains arising on transfer of long-term capital assets, being equity shares in a company or units of equity oriented mutual fund on sale, on which securities transaction tax is paid, are exempt under Section 10(38) of the Act, whereas short-term capital gains are subject to a concessional rate of tax under Section 111A of the Act at the rate of 10% (plus applicable surcharge and education cess). However, minimum alternate tax of 10% (plus applicable surcharge and education cess) of book profit is payable under Section 115JB on such long term capital gains if 10% of book profit computed as per provision of Section 115JB is higher than the total income as per normal provision of the Act.
3. The benefit of exemption from tax under Section 10(38) of the Act on long-term capital gains, or, concessional rate of tax under Section 111A of the Act on short-term capital gains will not be available, where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units would be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess), after considering indexation benefits, or at 10% (plus applicable surcharge and education cess) without indexation benefits in accordance with and subject to the provision of Section 48 of the Act. Under Section 48 of the Act, the long-term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.
4. As per the provisions of Sec 32 (1) (iia) the company is entitled to claim depreciation at the rate of 20% of the actual cost of the eligible plant and machinery in addition to normal depreciation. However such depreciation would be restricted to 50% of the eligible amount in case the asset is used for a period of less than 182 days.
5. As per Section 54EC of the Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset (other than those covered by Section 10 (38)) is exempt from tax, provided that the Company has, at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC of the Act. If only a portion of the capital gains is so invested, then the exemption would be available proportionately.

b) To the resident shareholders of the Company

As per section 10(34) of the Act, dividends declared, distributed or paid by the Company are exempt from income tax in the hands of the recipient shareholders.

Section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date, will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

3. As per Section 54EC of the Act, subject to the conditions specified therein, capital gains arising from the transfer of a long-term capital asset (including Equity Shares of the Company) is exempt from tax, provided that the shareholder has, at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC. If only a portion of capital gains is so invested, then the exemption is available proportionately.

4. As per the provisions of Section 54F of the Act, subject to the conditions specified therein, long-term capital gains accruing to a shareholder, not owning more than one house, being an individual or a Hindu undivided family, on transfer of shares of the Company, shall be exempt from tax, provided the net consideration is utilised in the purchase of a residential house within a period of one year before or two years after the date of transfer of such shares, or in the construction of a residential house within a period of three years from the date of transfer of such shares of the Company. If only a portion of the net consideration is so invested, then the exemption is available proportionately. The exemption is subject to other conditions specified in Section 54F of the Act.

5. Long-term capital gains would accrue to resident shareholders, where the Equity Shares are held for a period of more than 12 months prior to the date of their transfer. In accordance with and subject to the provisions of Section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of the consideration:

(i) Cost of acquisition/improvement of the shares, as adjusted by the Cost Inflation Index notified by the Central Government and

(ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares.

6. Capital gains arising on transfer of long-term capital assets, being equity shares in a company, on sale of which securities transaction tax is paid, are exempt under Section 10(38) of the Act, whereas short-term capital gains are subject to tax under Section 111A of the Act at the rate of 10% (plus applicable surcharge and education cess). However, shareholders being companies are required to pay minimum alternate tax of 10% (plus applicable surcharge and education cess) of book profit under Section 115JB on such long term capital gains if 10% of their book profit computed as per provisions of Section 115JB is higher than the total income as per normal to provisions of the Act. If the shares on which securities transaction tax has been paid are treated as stock-in-trade, liable to tax as business profits at the maximum marginal rate, rebate can be claimed in accordance with provisions of Section 88E of the Act towards such securities transaction tax.

7. The benefit of exemption from tax under Section 10(38) of the Act, on long-term capital gains or, concessional rate of tax under Section 111A of the Act, on short-term capital gains, will not be available, where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities would be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, in accordance with and subject to the provision of Section 48 of the Act. In respect of capital gains not chargeable under section 111A, the short term capital gains in respect of shares held for a period of less than 12 months, is added to the total income. Total income, including short-term capital gains, is chargeable to tax as per the relevant rate applicable to the assessee, plus applicable surcharge and education cess.

c) To the Non-resident Shareholders, including NRIs, OCBs and FIIs.

1. As per section 10(34) of the Act, dividends declared, distributed or paid by the Company are exempt from income tax in the hands of the recipient shareholders. Section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date, will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

2. As per Section 54EC of the Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset (including Equity Shares of the Company) is exempt from tax, provided that the shareholder has, at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC. If only a portion of capital gains is so invested, then the exemption is available proportionately.

3. As per the provisions of Section 54F of the Act, subject to the conditions specified therein, long-term capital gains accruing to a shareholder, not owning more than one house, being an individual or a Hindu undivided family, on transfer of shares of the Company, shall be exempt from tax, provided the net consideration is utilised in the purchase of a residential house within a period of one year before or two years after the date of transfer of such shares, or in the construction of a residential house within a period of three years from the date of transfer of such shares of the Company. If only a portion of the net consideration is so invested, then the exemption is available proportionately. The exemption is subject to other conditions specified in Section 54F of the Act.

4. Long-term capital gains would accrue to non-resident shareholders, where the equity shares are held for a period of more than 12 months prior to the date of their transfer. In accordance with and subject to the provisions of Section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

(i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government and

(ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares As per the provisions of the first proviso to Section 48 of the Act, capital gains arising from the transfer of equity shares acquired by non-residents in foreign currency are to be computed by converting the cost of acquisition/improvement, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing into the same foreign currency, as was initially utilised in the purchase of equity shares, and the capital gains so computed in such foreign currency shall then be re-converted into Indian currency. Cost indexation benefits will not be available in such cases.

5. Capital gains arising on transfer of long-term capital assets, being equity shares in a company, on sale of which securities transaction tax is paid, are exempt under Section 10(38) of the Act, whereas short-term capital gains are subject to tax under Section 111A of the Act at the rate of 10% (plus applicable surcharge and education cess). However, shareholders being companies are required to pay minimum alternate tax of 10% (plus applicable surcharge and education cess) of book profit under Section 115JB on such long term capital gains if 10% of their book profit computed as per provisions of Section 115JB is higher than the total income as per normal to provisions of the Act. Where securities transaction tax has been paid on shares, which are treated as stock-in-trade, liable to tax as business profits at the maximum marginal rate, rebate can be claimed in respect of such securities transaction tax in accordance with provisions of Section 88E of the Act.

6. The benefit of exemption from tax under Section 10(38) of the Act on long-term capital gains or, concessional rate of tax under Section 111A of the Act on short-term capital gains, will not be available where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units would be charged to tax at the concessional rate of 10% (plus applicable surcharge and education cess).

7. As per the provisions of Section 115-I of the Act, Non-Resident Indians have an option to be governed by Chapter XII-A of the Act, according to which:-

i) Under section 115E of the Act, capital gains arising to a Non-Resident on transfer of shares in a Company, subscribed to in convertible foreign exchange and held for a period exceeding 12 months (not covered under Sections 10(38) of the Act) would be taxed at a concessional rate of 10% (without indexation benefit plus surcharge and education cess as applicable).

ii) Under section 115F of the Act, long-term capital gains accruing to a Non-Resident on transfer of shares in a company, subscribed to in convertible foreign exchange (not covered under Sections 10(38) of the Act) would be exempt from income tax, if the net consideration is invested in specified assets as defined in Section 115C(f), or in any saving certificates specified under Section 10(4B), within six months of the date of transfer. If only part of the consideration is so invested, the exemption would be proportionately reduced. The amount so exempted would be chargeable to tax, if the specified assets are transferred or converted within three years from the date of their acquisition.

iii) The aforesaid benefits will apply only in case of transfer of shares of the Company, which is not subject to STT, and hence not exempt from tax under section 10(38).

iv) As per the provisions of Section 115G of the Act, a non-resident Indian is not required to furnish a return of income under Section 139(1) of the Act, if his total income consists only of investment income and / or long term capital gains, arising from investment in shares subscribed to or purchased in convertible foreign exchange and tax has been deducted at source from such income.

v) As per the provisions of Section 115H of the Act, where a non-resident Indian becomes assessable as a resident in India in any previous year, he may furnish a declaration in writing to the Assessing Officer along with his return of income under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to income derived for that year and for subsequent years from the shares of the Bank acquired with convertible foreign exchange, until such assets are converted into money.

vi) As per the provisions of Section 115-I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

8. Capital gains arising to Foreign Institutions Investors (FIIs) on sale of shares on which securities transaction tax is not paid is governed by Section 115AD of the Act. As per Section 115AD of the Act, long-term capital gains arising on transfer of shares purchased by FIIs, are taxable at the rate of 10% (plus applicable surcharge and education cess). Short-term capital gains are, however, taxable at the rate of 30% (plus applicable surcharge and education cess). Cost indexation benefits will not be available. Further, the provisions of the first proviso of Section 48 of the Act, as stated in para 5 above, will not apply.

9. Where any Double Taxation Avoidance Agreement (DTAA) entered into by India with any other country or agreement entered into by specified association in India with any specified association in the specified territory outside India which is notified by the Central Government under Section 90 and 90A provides for a concessional tax rate or exemption in respect of income from the investment in the Company's shares, those beneficial provisions shall prevail over the provisions of the Act in that regard.

d) Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income from investments in the shares of the Company, or income by way of short term or long term capital gains arising from transfer of such shares, earned by mutual funds registered under the Securities and Exchange Board of India Act, 1992, or Regulations made thereunder, or mutual funds set up by Public Sector Banks or Public Financial Institutions and Mutual Funds authorised by the Reserve Bank of India, would be exempt from income tax, subject to the conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

II) WEALTH TAX

Shares are not treated as assets within the meaning of Section 2(ea) of the Wealth Tax Act, 1957. Hence wealth tax will not be applicable on shares of the Company in the hands of shareholders.

III) GIFT TAX

The Gift Tax Act, 1958, ceased to apply to gifts made on or after October 1, 1998. Gifts of shares of the Company would, therefore, be exempt from gift-tax.

SECTION IV: ABOUT THE ISSUER COMPANY

INDUSTRY OVERVIEW

For the purpose of the Industry Overview we have relied for information on the Annual Report 2005-06, Government of India, Ministry of Communications & Information Technology, Department of Information Technology; the findings of Strategic Review 2006, as announced on the eve of the 15th annual event of Nasscom 2006, India Leadership Forum in February 2006 in Mumbai.

OVERVIEW

Global Textile Industry

Global Textile & Apparel Industry

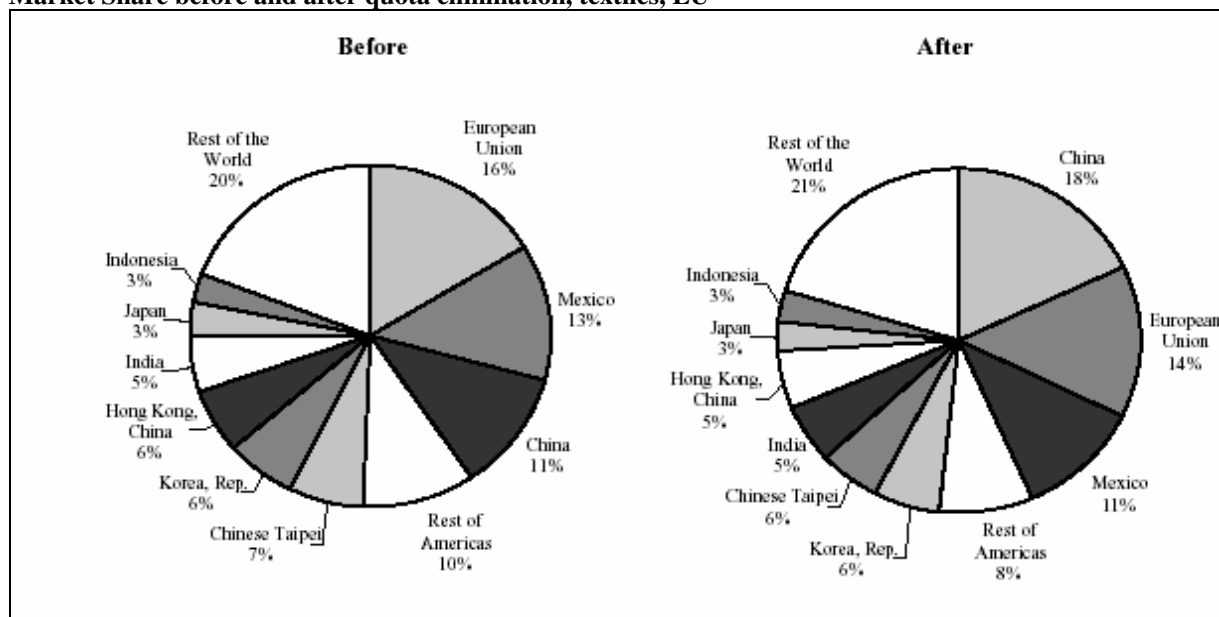
The global textile and apparel industry generated revenues of US\$2,377.6 billion in 2004, and is expected to grow to US\$2,896.5 billion by 2009, representing a compound annual growth rate ("CAGR") of 4.0% (*Source: Datamonitor*). The Asia-Pacific region represented over half of total global revenues by market size of US\$1,209.1 billion in 2004 (*Source: Datamonitor*). Relatively inexpensive labour, favourable demographics, increasing presence in the textiles value chain and availability of raw materials continue to attract investment into the Asia-Pacific region, especially as a consequence of the continued liberalisation of its core markets, China and India.

Removal of Quotas

Under World Trade Organization ("WTO") agreements, quota restrictions and tariff barriers, including for Indian textile companies, were removed in January 2005 and were reduced and will be fully removed by 2008 for Chinese textile companies, giving these companies increased access to a global market worth approximately \$395 billion (*Source: Datamonitor*). According to a WTO discussion paper on the global textile and clothing industry following the WTO agreements, China and India are expected to account for approximately 65% of global clothing exports in the coming years.

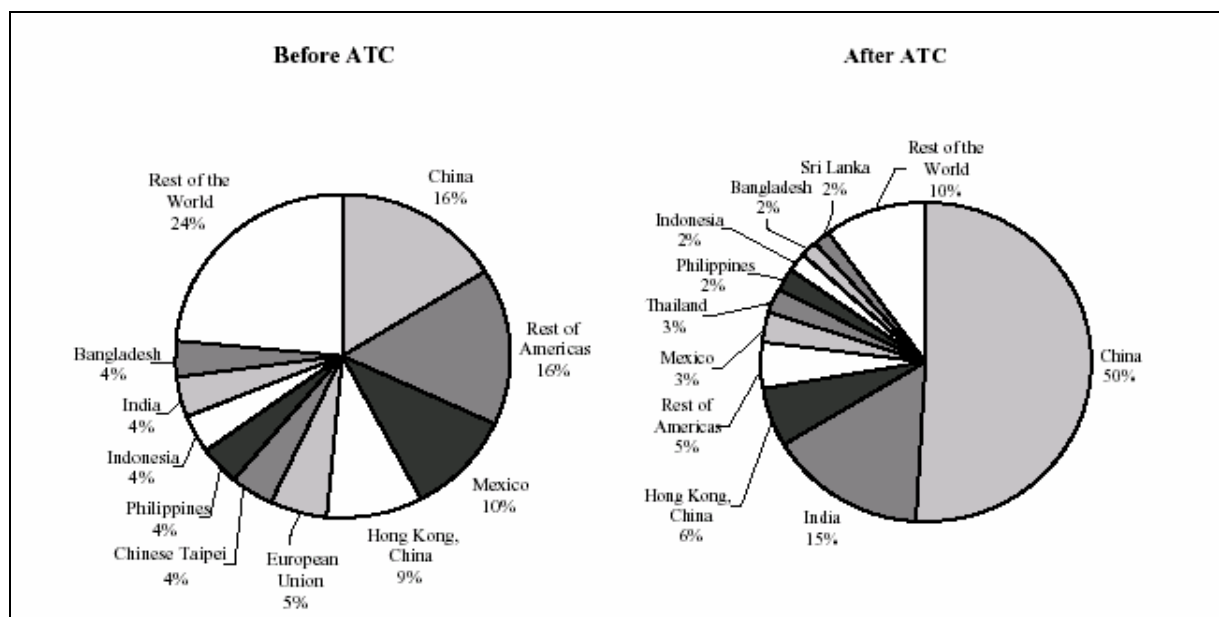
Enabling WTO agreements, low costs of production, availability of abundant domestic cotton supply and availability of skilled labour have enhanced the prospects for India's textile companies. Global retailers are increasingly outsourcing production to Asia as textile capacities shrink in the European Union and the United States due to a perceived lack of competitiveness. Though China is a major beneficiary of quota removals, a perceived threat of an import flood from China into the United States and Europe has resulted in the commencement of trade negotiations with China aimed at restricting its textile exports. Resulting regulatory uncertainty surrounding China appears to be benefiting India and to be leading global retailers to view India more positively. Since India's existing share of global textile exports is not believed to be over large, perceptions about an import flood from India should be reduced in the immediate future. Moreover, India offers a competitive alternative to China given its wide product range and presence across the textile value chain.

Market Share before and after quota elimination, textiles, EU



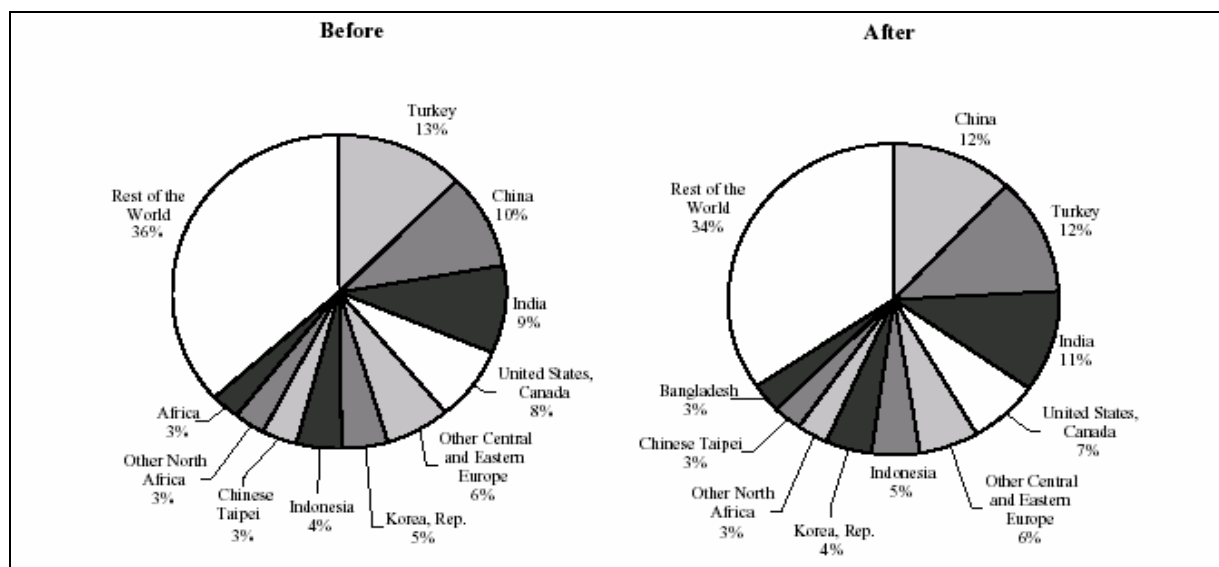
(Source: www.wto.org)

Market Share before and after quota elimination, clothing, EU



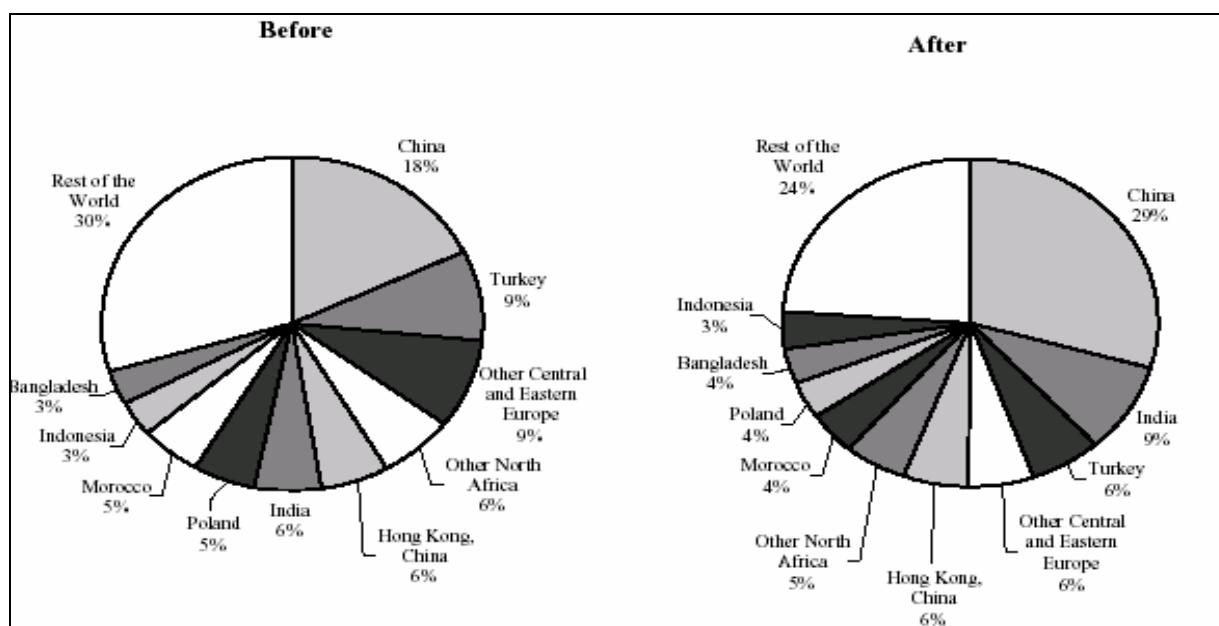
(Source: www.wto.org)

Market Share before and after quota elimination, textiles, EU



(Source: www.wto.org)

Market Share before and after quota elimination, clothing, USA



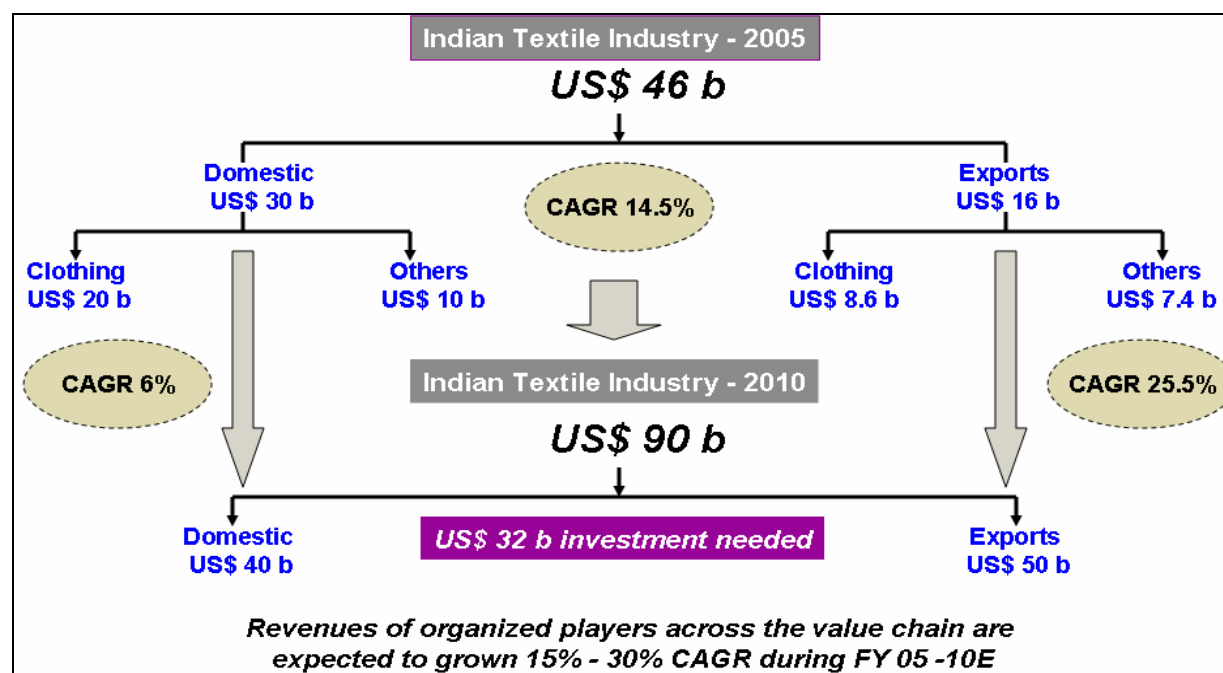
(Source: www.wto.org)

With the quota phase-out under the WTO agreements and the consequent need for cost competitiveness, low-cost textile manufacturing destinations such as Asia (and within Asia, locations that have intrinsic advantages such as access to skilled labour and raw materials) are likely to witness significant growth in customer orders and to play an increasing part in the global textile supply chain. Specifically, it is expected that India's textile exports are poised for rapid growth. First, India is likely to be a key beneficiary of the WTO agreements as it has been historically restrained by quotas. Secondly, global textile trade is expected to increase as the size of the global textile industry increases. Finally, large producers in India are well-positioned to take advantage of a large share of this anticipated growth, given their established presence across product segments.

Indian Textile Industry

Textile Industry is one of India's largest industries, after agriculture. It provides direct employment to about 350 Lakhs people. Besides this, there are a large number of ancillary industries, which are dependent upon this sector such as, manufacturing various machines, accessories, stores, ancillary items and chemicals. The textile industry also plays a pivotal role through its contribution to industrial output, employment generation and export earnings of the country. It significantly contributes about 14 percent to industrial production, 4 percent to the GDP and 16 percent to the country's export earnings. It provides direct employment. Textiles account for nearly 4% of India's gross domestic product, 35 million jobs and 25% of India's exports annually (*Source: Ministry of Textiles, Government of India*). The sector benefits from several key advantages which include significant domestic cotton production, low cost of labour and textile production expertise.

The Indian textile industry is large and diverse, unique for its coverage of the entire gamut of activities ranging from production of raw material to providing the consumers high value added products, such as fabrics and garments. The key segments of Indian Textile Industry are divided into Fibre, Yarn, Fabrics and Made-ups. The multi-fibre base of Indian textiles comprises natural fibres such as cotton, jute, flex, silk, wool and coir, and synthetic and man-made fibres from polyester, viscose, acrylic, polypropylene and nylon. Though primarily cotton based, Indian textile industry has a growing polyester sector and is active in processing linen, wool and silk.



(Source: Ministry of Textiles Vision 2010)

Indian textile industry comprises a diverse, fragmented group of establishments that produce and/or process textile related products (fiber, yarn, fabric) for further processing into apparel, home furnishings, and industrial goods (*see Table*).

Table on segment-wise Fabric Production in the country

FY	Cotton Fabric			Blended Fabric			100% Non Cotton Fabric			Total	
	Quantity (Million sq. Mtr.)	Growth Rate	% share	Quantity (Million sq. Mtr.)	Growth Rate	% share	Quantity (Million sq. Mtr.)	Growth Rate	% share	Quantity (Million sq. Mtr.)	Growth rate
2001	19627	3%	49%	6348	7%	16%	14358	5%	36%	40333	4%
2002	19769	1%	48%	6288	(1%)	15%	15334	7%	37%	41390	3%
2003	19296	(2%)	47%	5877	(7%)	14%	16289	6%	39%	41462	0%
2004	18062	(6%)	43%	6078	3%	14%	17970	10%	43%	42109	2%
2005	20578	14%	46%	6025	(1%)	13%	18388	2%	41%	44991	7%

(Source: Ministry of Textiles, Government of India)

Implication for Indian Textile Industry

India has a very strong and diverse raw material base manufacturing fibres/yarn from natural sources i.e., cotton, wool, silk, jute to artificial sources i.e., synthetic, cellulosic and multiple blend of such fibres/ yarn. India has competitive advantage in terms of labour cost also. International Textile Manufacturers Federation (ITMF) conducted a comparative manufacturing cost study of 7 countries including India. This study has indicated that Indian industry has competitive advantage in terms of raw material cost and labour cost in manufacture of yarn and fabric.

Domestic Scenario

The Indian domestic textile industry is characterized by highly fragmented producers that struggle to achieve the economies of scale necessary to compete in the international marketplace. Historically, local producers have tended to produce lower quality textiles intended for domestic consumption. The domestic marketplace has been dominated by producers who sell unbranded products to consumers directly. With rising disposable incomes and the emergence of the organised retail sector, the branded textiles business is expected to become an increasingly important part of the Indian domestic market.

The Indian textile industry is focusing on adding value by developing skills and manufacturing products across various segments of the global textile and apparel markets. This is an attempt to differentiate Indian from Chinese textile production, where the focus is on volumes and lower prices.

Export Market

The implementation of the WTO agreements is expected to give Indian textile producers access to a worldwide market valued at approximately US\$395 billion (Source: Datamonitor). India's competitive advantage lies in its ability to offer a strong presence and production capabilities across the entire textile value chain, from fibre production to garment manufacturing. India is well positioned to benefit from the textile outsourcing trend given its robust demand outlook and fresh investments in textile technology and production capacity. Large organised producers have in particular benefited from the textile outsourcing trend as large retailers look to source higher value textile business to India. Many of the larger Indian textile manufacturers also have started to work directly with international retailers which has in turn led to industry consolidation and limited economies of scale becoming apparent in India.

Share of India in Export of Textile and Clothing**(USD Billion)**

Financial Year Ended	Textiles			Clothing		
	World Exports	India's Exports	India's Shares	World Exports	India's Exports	India's Shares
1990	104.35	2.18	2.09%	108.13	2.53	2.34%
1995	152.32	4.36	2.86%	158.35	4.11	2.60%
2001	146.87	5.38	3.66%	194.49	5.48	2.82%
2002	152.76	6.03	3.95%	202.31	6.04	2.99%
2003	169.42	6.51	3.84%	225.94	6.46	2.86%

Source: WTO International Trade Statistics Book-2004

India's position in World textile economy

The Indian textile industry has a significant presence in the world textile economy by virtue of its contribution to world textile capacity and world production of textile fibre/yarn. Following table shows India's position in the world textile economy.

Particulars	Unit	World	India	India as % of World	India's Rank in the World	Country with 1st rank
Installed Capacity						
A. Spinning -- 2005						
1. Spindles (Cotton system)	Mn. No.	190.87	37.42	19.60	2	China
2. Spindles (Wool)	Mn. No.	14.98	1.04	6.94	3	China
3. Spindles (Cotton & Wool)	Mn. No.	205.85	38.46	18.68	2	China
4. Rotors	Mn. No.	8.39	0.52	6.20	5	Russia
B. Weaving -- 2005						
1. Shuttle Looms	Mn. No.	4.34	1.98	45.62	1	India
2. Shuttleless Looms	Mn. No.	0.88	0.05	5.68	4	China
3. Handlooms	Mn. No.	4.60	3.90	84.78	1	India
Total of looms		9.82	5.93	60.39		
Production						
Fibre/Yarn						
1. Raw Cotton (2005-06)(Oct-Sept)	Mn. Kg.	24756	4148	16.76	3	China
2. Cellulosic fibre/yarn (2004)	Mn. Kg.	2491	311	12.50	2	China
3. Synthetic fibre/yarn (2004)	Mn. Kg.	31689	1914	6.04	5	China
4. Wool (Greasy) (2003-04)	Mn. Kg.	2195	49	2.23	9	Australia
5. Silk (2004)	Mn. Kg.	126	17	13.49	2	China
6. Jute (2005-06)	Mn. Kg.	2826	1575	55.73	1	India
Total		64083	8014.3	12.51		
Yarn - (2005)						
Cotton Yarn (Est.)	Mn. Kg.	24994	2460	9.84	2	China
Fabrics - (2005)						
Cotton fabrics (Est.)	Mn. Kg.	12842	1857	14.46	3	China
Per Capita fibre consumption						
Total fibre - 2005 (Est.)	Kg.	9.28	6.42	-	-	-
World Trade -- 2004						
Total textiles & clothing exports	Bn. US\$	467.02	14.18	3.04	6	EU (25)

P = Provisional, Est = Estimated

(Source: www.Txcindia.com, WTO, ITMF, ICAC, ISA, JMDC, AMFI, ASFI)

Production of Fabric

The weaving capacity in the organized mill sector had been stagnant for a number of years. The production of cloth in the mill sector in 2004-2005 was 1503 mn. sq. mtr. as compared to 1714 mn. sq. mtr. in employment generation 1999-2000. In 2005-2006, the production of cloth in the mill sector is projected at 1493 mn. sq. mtr. The production of fabrics in different sectors is given in the table below:

(Million Square Mtr.)

SECTOR	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006 (Apr-Sep) (P)	2005-06 (A)
MILL								
Cotton	1105	1106	1036	1019	969	1049	521	1042
Blended	379	332	296	263	253	243	121	242
100% Non Cotton	230	232	214	214	212	211	105	209
Total	1714	1670	1546	1496	1434	1503	747	1493
HANDLOOM								
Cotton	6376	6577	6698	5098	4519	4792	2589	5178
Blended	119	111	95	118	117	146	81	162
100% Non Cotton	857	818	792	764	857	784	373	747
Total	7352	7506	7585	5980	5493	5722	3043	6087
DECENTRALISED POWERLOOM								
Cotton	6291	6584	6473	6761	6370	7361	4263	8526
Blended	4613	5071	5025	4695	4688	4526	2332	4663
100% Non Cotton	12283	12148	13694	14498	15889	16438	8219	16438
Total	23187	23803	25192	25954	26947	28325	14814	29627
DECENTRALISED HOSIERY								
Cotton	5217	5451	5562	6422	6182	7430	4078	8155
Blended	802	837	871	800	1010	1117	576	1152
100% Non Cotton	355	408	634	659	655	565	261	523
Total	6374	6696	7067	7881	7847	9112	4915	9830

(P: Provisional, A: Anticipated) (Source: Annual Report 2005-06, Ministry of Textiles, GoI)

PRODUCTION OF SPUN YARN

The production of spun yarn, including the production of yarn from SSI spinning sector, was 3046 million kg. in 1999-2000. It is stagnation in demand and inability of some units to expand in the export market, increase in the cost of inputs, difficulties in estimated to be 3411 million kg. in 2005- 06. The contribution of SSI sector in the total spun yarn production is about 5%. A statement showing the production of spun yarn (including SSI units) during the last six years is as under:

Year	Cotton Yarn	Blended Yarn	100 % Non-Cotton Yarn	Total Yarn
2001-02	2212	609	280	3101
2002-03	2177	585	319	3081
2003-04	2121	589	342	3052
2004-05	2272	585	366	3223
2005-06 (A)	2434	585	392	3411
A — Anticipated				

Cost advantage

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

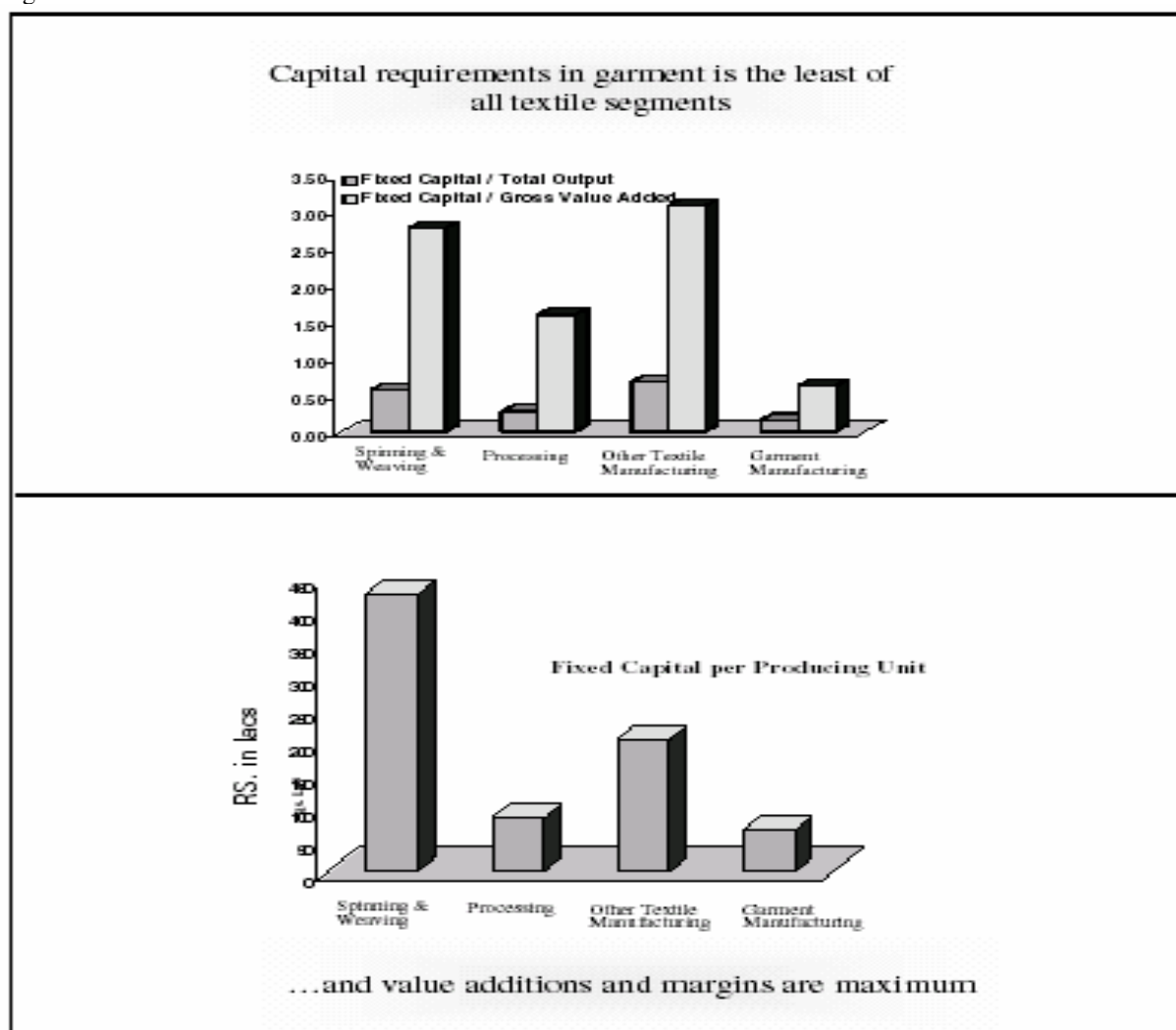
Labour cost as a percentage of total cost is high for the textile value chain, with apparel manufacture being the most labour intensive. This provides developing countries an edge over developed countries because of their lower labour costs. Findings of a comparative study of labour cost as a percentage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

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

(Source: CII-Accenture report 'Textile Industry: Road to Growth', November, 2001)

Further the Labor Cost in India as a percentage of the Labor cost in the US is only 4% which is amongst the lowest in the world which gives us an inherent competitive edge over other countries

Additionally, the clothing industry is not capital intensive. Traditionally, developing countries lag behind developed countries with respect to industrialization because of lack of capital, which is not the case with the clothing industry. Findings of a comparative analysis of various segments of textile industry with respect to their capital requirement are given below:



Top 10 Countries for Indian Textile Exports (excluding RMG)

(Value Mn. Us \$)

Country	2003-2004	2004-2005	2005-2006	Apr - May		% Increase	% to Total
				2005-2006	2006-2007		
World	\$6,134.81	\$7,256.05	\$7,760.81	\$1,391.63	\$1,576.39	\$13.28	\$100.00
U S A	\$1,176.06	\$1,309.61	\$1,467.32	\$279.73	\$303.18	\$8.38	\$19.23
CHINA P RP	\$79.98	\$140.44	\$120.98	\$42.61	\$153.19	\$259.51	\$9.72
ITALY	\$257.76	\$314.16	\$375.22	\$69.31	\$76.10	\$9.79	\$4.83
GERMAN F REP	\$268.13	\$330.88	\$376.18	\$0.00	\$72.03	0.00	\$4.57
U ARAB EMTS	\$405.67	\$505.75	\$601.82	\$81.20	\$71.02	(\$12.54)	\$4.50
U K	\$316.72	\$383.16	\$399.58	\$73.55	\$69.87	(\$5.00)	\$4.43
BANGLADESH	\$182.67	\$260.79	\$264.67	\$0.00	\$59.24	0.00	\$3.76
SPAIN	\$162.45	\$181.47	\$196.81	\$32.12	\$39.28	\$22.31	\$2.49
SAUDI ARAB	\$119.42	\$155.51	\$166.97	\$31.19	\$36.88	\$18.25	\$2.34
KOREA RP	\$200.46	\$245.56	\$192.51	\$41.67	\$36.20	(\$13.12)	\$2.30

(Source: <http://www.txcindia.com/expimp/web3.asp>)**Top 10 Countries for Indian Exports of Readymade Garments**

(Value Mn. Us \$)

Country	2003-2004	2004-2005	2005-2006	Apr - May		% Increase	% to Total
				2005-2006	2006-2007		
World	\$5,753.33	\$6,259.65	\$6,587.38	\$1,334.08	\$1,556.57	\$16.68	\$100.00
U S A	\$1,732.29	\$1,622.21	\$1,996.82	\$424.88	\$522.53	\$22.99	\$33.57
U K	\$516.42	\$539.48	\$658.85	\$176.80	\$177.74	\$0.53	\$11.42
GERMAN F REP	\$477.33	\$498.45	\$451.51	\$0.00	\$144.49	0.00	\$9.28
FRANCE	\$398.74	\$437.46	\$475.19	\$109.55	\$119.17	\$8.79	\$7.66
UNITED ARAB EMIRATES	\$399.27	\$615.34	\$524.31	\$67.00	\$80.45	\$20.07	\$5.17
ITALY	\$171.85	\$223.58	\$291.74	\$49.38	\$59.64	\$20.79	\$3.83
NETHERLAND	\$228.28	\$225.30	\$205.56	\$42.11	\$52.85	\$25.49	\$3.40
SPAIN	\$114.89	\$153.72	\$209.57	\$48.85	\$52.21	\$6.88	\$3.35
CANADA	\$258.33	\$241.81	\$251.82	\$45.89	\$46.36	\$1.02	\$2.98
JAPAN	\$65.35	\$77.22	\$85.09	\$25.11	\$33.83	\$34.72	\$2.17
SAUDI ARABIA	\$130.84	\$165.22	\$169.21	\$35.12	\$32.52	(\$7.43)	\$2.09

(Source: <http://www.txcindia.com/expimp/web2.asp>)

Share of textiles in trade in total merchandise and in manufactures by Region, 2005

(Percentage)

	Exports	Imports
Share of textiles in total merchandise		
World	2.0	2.0
North America	1.1	1.5
South and Central America	0.8	3.0
Europe	1.8	1.8
Commonwealth of Independent States (CIS)	0.5	2.5
Africa	0.5	4.2
Middle East	1.2	3.8
Asia	3.4	2.1
Australia, Japan and New Zealand	1.0	1.4
Other Asia	4.2	2.4
Share of textiles in manufactures		
World	2.8	2.8
North America	1.5	2.0
South and Central America	2.3	4.4
Europe	2.3	2.4
Commonwealth of Independent States (CIS)	1.9	3.4
Africa	2.2	5.9
Middle East	4.9	4.7
Asia	4.1	3.2
Australia, Japan and New Zealand	1.3	2.4
Other Asia	5.0	3.4

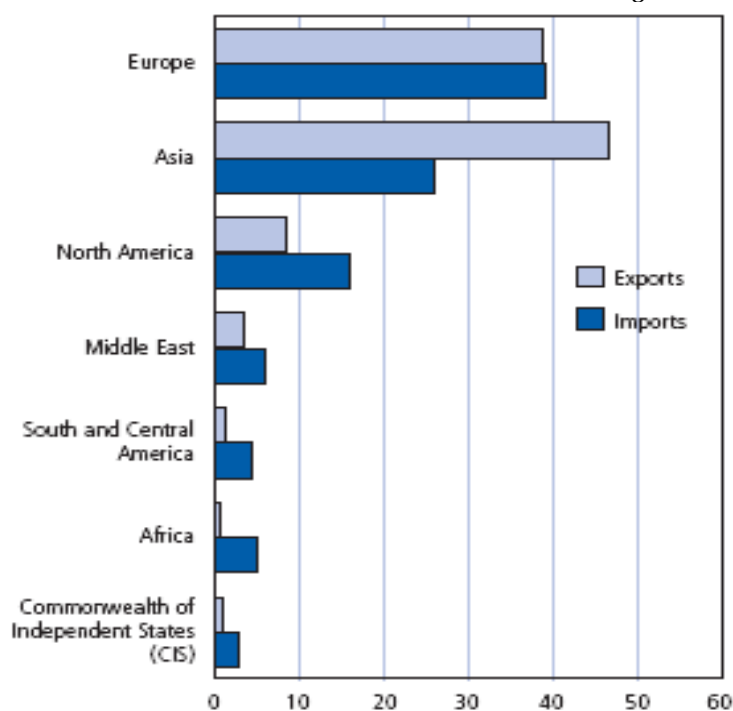
Note: Import shares are derived from the Secretariat's network of world merchandise trade by product and region.

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(Source: WTO – International Trade Statistics 2006)

Regional shares in world trade in textiles 2005

Percentage



(Source: WTO – International Trade Statistics 2006)

INDIAN EXPORTS SEGMENT WISE

Readymade Garments:

Readymade Garments account for approximately 44% of the country's total textile exports. Readymade Garments exports recorded a growth of 15.5% in 2002-03 and 8.5% in 2003-04. During 2004-2005, Readymade Garment exports were US\$ 5.50 billion, recording a drop of 4.9% as compared to 2003-04. During April- November, 2005 the Readymade Garment exports were US\$ 4.19 billion, recording an increase of 18.9%, as compared to corresponding period of 2004-05.

Cotton Textiles including Handlooms:

Cotton textiles i.e. yarn, fabrics and made-ups (Mill made / Powerloom/ Handloom) constitute more than 2/3rd of our exports of all fibres/yarns/made-ups. Cotton Textile exports recorded a growth of 9.1% in 2002-03 and 7.1% in 2003-04. During 2004-2005, Cotton Textile exports, including Handlooms, were US\$ 3.28 billion, recording a decline of 8.8% as compared to 2003-04. During April- November, 2005 the cotton textiles exports were to US\$ 2.3 billion, recording a growth of 4.1% as compared to the corresponding period of 2004-05.

(Value Mn. Us \$)

Group	Description	2003-04	2004-05	Apr – Sep		% to Total
				2004-05	2005-06	
Fabrics						
	Silk fabrics	331	343	168	174	
	Woollen fabrics	17	21	10	15	
	Wooven fabrics of cotton	958	860	435	355	
	Wooven fabrics of flax, Wooven fabrics of jute, other vegetable textile fibres.	68	74	34	43	
	Man-made woven fabrics.	966	997	541	419	
	Pile fabrics	21	23	11	7	
	Other knitted or crocheted fabrics	31	18	9	10	
	Special woven fabrics; tufted textile fabrics; 'tapestries; trimmings; embroidery	111	111	56	62	
	Total	2,503	2,447	1,264	1,085	15%
RMG						
	Articles of apparel and clothing accessories	6,260	6,214	3,070	3,520	
	Total	6,260	6,214	3,070	3,520	49%
Others						
	Others (Yarn, Fibre, etc.)	4,753	4,862	2,341	2,619	36%
	Grand Total	13,516	13,524	6,675	7,224	100%

Source: http://www.txcindia.com/expimp/web_note_gry_yearly.asp

EXPORT PROMOTION MEASURES

In order to encourage up-gradation of textiles sector and to give a fillip to exports of textile products, some of the important initiatives taken are:

- i. **Announcement of New Textile Policy:** One of the main objectives of the New Textile Policy (NTxP-2000) announced in November 2000 is to facilitate the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The policy endeavours to achieve the target of textile and apparel exports from the present level to US \$ 50 billion by 2010 of which the share of garments will be US \$ 25 billion. Subsequent to the announcement of NTxP-2000, woven segment of readymade garment sector has

been de-reserved from the ambit of SSI and the announcement has been made for de-reservation of knitwear from SSI.

- ii. **Technology Upgradation Fund Scheme:** In view of the urgent need for stepping up the process of modernisation and technology upgradation of the Textile industry in India, Ministry of Textiles launched a Technology Upgradation Fund Scheme (TUFS) for the Textile and Jute Industry w.e.f. 01.04.1999 for a period of five years and has since been extended till 31.03.2007, providing for 5% interest reimbursement in respect of loans availed there under from the concerned Financial Institutions (FIs) for investments in benchmarked technology for the sectors of the Indian Textile industries specified there under. An additional option has been given to powerloom units for 20% capital subsidy under Credit Linked Capital Subsidy (CLCS-TUFS) up to a cost of Rs.1.00 crore. in eligible machinery with facility to obtain credit from a credit network that includes all co-operative banks and other genuine non banking financial companies (NBFC) recognized by the Reserve Bank of India.
- iii. **Export Promotion Capital Goods (EPCG) Scheme:** Import duty in respect of 387 textile machinery listed under list 30, 31, 32, 45 and 46 of Customs Tariff has been reduced to 5% BCD. This will help Indian textile industry to import sophisticated machinery which will enhance the quality and cost competitiveness of the industry in the domestic as well as export market.
- iv. **Advance Licensing Scheme:** With a view to facilitate exporter's access to duty-free inputs under the scheme, Standard Input-Output Norms (SION) for about 300 textiles and clothing export products have been prescribed. The SION for a number of apparel items have been revised upwards, based on large garment size. Additional items such as zip fastners, inlay cards, cyclets, revets, eyes, toggles, Velcro tape, cord and cord stopper included in input-output norms for garment exports under Advance Licensing Scheme.
- v. **Duty Exemption Pass Book (DEPB) Scheme:** DEPB credit rates have been prescribed for number of textiles and clothing products (The DEPB credit rates cover about 150 textile and clothing products, for which SION are prescribed). The nomenclature and rates for DEPB entries pertaining certain textile products have been rationalized.
- vi. **Human Resource Development:** GoI supports programs of organizations and institutions engaged in human resource development that addresses the professional manpower needs of the industry. To cater the demand for fashion designers and fashion technologists in the garment sector National Institute of Fashion Technology (NIFT) was set up. GoI has also decided to develop Nodal Centre for Upgradation of Textile Education as an autonomous national level Textile Education Resource Centre.
- vii. **Construction of Apparel International Mart:** Apparel Export Promotion Council has constructed an Apparel International Mart (AIM) at Gurgaon with assistance from Government. The project cost of AIM is Rs.63.62 crore (including the cost of land Rs.12.10 crore) and will be borne by Government of India. An amount of Rs.57.10 crore has been released so far. The Mart will house centrally air-conditioned showrooms (about 250 nos), which will be given on lease and license basis to the established garment exporters in India. This will provide a world class facility to the apparel exporters to showcase their products and will serve as one stop shop for reputed international buyers.

The Union Budget for the Year 2006-07

Excise Duty on Man-made Fibre and Filament yarn reduced from 16% to 8% contributed 62% of the total cloth produced in the country (28,325 mn. sq. mtrs.), and provided employment to about 4.76 million persons. There are 19.23 lakh Powerlooms in the country, distributed over approximately 4.30 lakh units

The major problems and challenges to the decentralized powerloom sector include

- Technological obsolescence & the small size of units leading to fragmentation.
- High power tariffs with uncertain power supply.
- Lack of credit availability & poor marketability.
- Low HRD skill levels and poor quality consciousness.
- Globalisation of the textile trade & threat of import penetration

BUSINESS OVERVIEW

Indus Fila Limited, the flagship company of the group is a new age fashion and textile manufacturer with sharp focus on design and backward integration capabilities, thriving under the dynamic leadership of Mr. Nitin Narayandas Mandhana, the prime mover of the Company, supported by two other promoter directors - Mr. Shashikant Govindlal Mandhana and Mr. Prakash Govindlal Mandhana. The promoters are from a family which is associated with the textile industry for a long time since Mr. Narayandas Mandhana, father of Mr. Nitin Mandhana started trading in textiles since past four decades.

We are engaged in yarn dyeing, fabric weaving, fabric processing and apparel manufacturing. The commercial production of Company's expanded activities - weaving and apparels started in the month of November 2004. Currently we manufacture color dyed, solid dyed fabrics for domestic garment manufacturers and exporters. The apparel manufacturing of Men's Shirts and Ladies Tops is mainly for exports. We have positioned ourselves as a multi product, multi fibre and multi market player ensuring that our target market is a diverse mix of the domestic fabrics market, garment export and international market (fabrics exports). We have integrated design-to-delivery capability with emphasis on design excellence and innovative product engineering. We share a close rapport with a number of marquee international and domestic brands - Izod, Arrow, Chaps, Armani Exchange and Levi Strauss due to the international marketing experience of our Managing Director while he was the Managing Director of Mandhana Bornemann Industries which was into the manufacturing of Brand Identification Products for global garment brands.

We have multi-locational production and distribution facilities spread across Bangalore and Mysore, viz. Peenya and Nelamangala in Bangalore, Nanjangud in Mysore fully backed up by the facilities for product development, design studio and efficient sampling infrastructure which consists of a team of designers and pilot sampling machines to provide quality services to our customers in India and abroad. We also have distribution facilities in Chennai and Mumbai which gives us advantage of being able to serve our customers from multi-locations. We currently employ over 480 people.

Presently, we are operating with 156 weaving looms (including 48 looms under 100% manufacturing agreement) producing approximately 20.80 million meters of fabric per annum and 750 sewing machines with production capacity of 2.70 millions garments per annum.

Our Operational Income and Profit after Tax (PAT) as per the restated financial statements for the financial year ending March 31, 2006 is Rs 8,249.13 lacs and Rs 548.96 lacs and for the half year ended September 30, 2006 is Rs 10917.81 lacs and Rs 1063.44 lacs respectively. Our Operational Income and PAT have grown at a CAGR of 99.29% and 147.23% respectively over the period of five years and six months.

VISION

Our vision statement is - "To be a dominant player in fashion textile and apparel by focusing on product innovation, design leadership and superior service"

COMPETITIVE STRENGTHS

a. *Centre of Excellence*

One of the few in the industry with the business model driven by "Centre of Excellence" comprising designing and sampling set up from yarn dyeing, to garment designing and advanced logistics systems to reduce turnaround time for clients while retaining flexibility in product mix between fabric and apparels to address changing market dynamics. Our strength also lies in our ownership of designs which is backed up by our team of 6 designers which are constantly creating new designs for the market. In the textiles and garments industry, focusing on Centre of Excellence as the main point of negotiation with the global brands for their share of business is being done by only a few players in the industry apart from us. For detailed information on Centre of Excellence, kindly refer to the Section titled "Centre of Excellence" on page 63 of the RHP.

b. *Lean Enterprises*

We have started transformation from conventional form of management, administration and manufacturing to the latest enterprise culture called “Lean Enterprise”. The new culture enables us to address the challenges of quick turn-around and zero-quality controls making it a flexible organization. It would enable us to increase employment, stabilize and standardize operations and create the atmosphere for continuous improvement. We are adopting this business model which lays emphasis on flat hierarchical structure along with autonomy in decision making to the employees.

c. *Vertical Integration*

We mean business “from Design to Delivery” which means we have yarn dyeing, fabric weaving, processing, garment making and logistics. With the fashion trends changing and designers wanting to time their creations nearer to the seasons, it is imperative that the lead time required for designing a thought to the actual creation and delivery of garments is shrinking. Since we are vertically integrated, the lead time required by us is only around 90 days as against the industry average of around 150 – 180 days, thus enabling us to be in an advantageous position to fulfill our customer requirements. For a build up of over capacities over the years, kindly refer to Section titled “Our Manufacturing Capacities” on page no. 64 of the RHP.

d. *Promoters’ proven track record and excellent management bandwidth*

Our Promoters have adequate experience in the textile industry and we have successfully implemented expansion projects earlier. All our promoters have prior experience in the textiles and garments industry with our Managing Director, Mr Nitin N Mandhana being part of the team that launched “Vivaldi” brand for Bombay Dyeing. The Promoters family has a long experience in textiles and fashion apparel business with successful entrepreneurial credentials since Mr. Narayandas Mandhana, father of Mr. Nitin Mandhana started trading in textiles since past four decades. There also exists significant depth in senior management capabilities to scale up rapidly. Our top management and key managerial personnel has around 181 man-years of combined experience with an average of around 16 years of experience. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project. For detailed information and background of the promoters, kindly refer Section titled “Our Promoters” on page no 106 of the RHP.

e. *Cost advantage*

Interest - Recent capacity additions in our manufacturing facilities have been carried out under TUFS. Our term loans borrowings are in the range of 9-10% as per the details mentioned in Annexure V of the Restated Financial Statements on page 130 of the RHP. 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%. For detailed information on the TUFS kindly refer to page no 82 of the RHP.

Raw Material Cost - Also fabrics being 65% of the cost component of a garment and coming from our own vertical production facility, we shall have a greater cost advantage as compared with other big players, which will increase in the future with more of our in-house garmenting facilities on account of in-house manufacturing of fabrics, savings in transportation and logistics cost since all our facilities are located in and around Bangalore.

Labor 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 labor friendly policies followed by us. Further we have entered into a Memorandum of Settlement with the Workers Union dated October 9, 2006. For details kindly refer to the Section titled “Outstanding Litigations and Defaults” on page No. 151 of the RHP.

f. *Quality Assurance*

Each of the Company’s products passes through stringent quality checks. Through checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyze areas of improvement, skilled manpower with experience for quality assurance activities, creation of data base for future reference and analysis etc. are in place. Each of the divisions is well equipped with

most modern quality checking and testing equipment like Tex –Cad for designing , Data Color / Minolta Spectrophotometer, Roaches – Mini lab processing , Macbeth - light box , I-TEX EVS Computerized Fabric Quality Check machines with 24 cameras in place for quality assurance and functions on our philosophy of providing quality products to customer.

In addition, we believe our business philosophy focusing on Punctuality, Quality, Reliability, Speed, Transparency and Flexibility further helps us to enhance our competitive strengths:

▪ **Punctuality**

Meeting customer deadlines on a consistent basis is important for our business. Fashion is time bound and any delay in meeting deadlines results in loss of sales or exhibiting incomplete collections on the retailer's shelves.

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.

▪ **Quality**

We are conscious about quality of our products, our processes and our partnerships. Buyers are keen to work with vendors who are capable of meeting quality needs to enable them to maintain their brand equity with their customers and enhance their sales.

▪ **Reliability**

We have built long-term relationships with our buyers. We maintain complete confidentiality of our buyers' designs & innovations so as to avoid any conflict of interest. We also strive to meet our commitments to our buyers. In case of delays we air ship the garments to our buyers at our cost, to meet the client's deadline.

▪ **Speed**

Buyers want to reduce their fashion related risks by shortening the time frame from design to market. Hence, our ability to strategically source raw materials in the shortest time possible contributes to speedy delivery of goods to our buyers. We also take positions on fabric that are commonly used to further reduce lead time.

▪ **Transparency**

Most buyers work backwards from their retail price to work out the optimal garment price at which they can source. We work closely with our key buyers to help them meet their desired purchase price. This is done through a process of identifying areas wherein costs can be reduced by re-engineering the product or sourcing. Transparency helps gain customer confidence and converts us from supplier to partner.

▪ **Flexibility**

We offer flexibility both in sourcing and manufacturing. Our global sourcing capability allows us to procure raw materials from any part of the world. This way, we can ensure that we can get the best quality at competitive rates and at the specified delivery schedules. Even our facilities are equipped to manufacture varied run sizes and can be re-configured to handle different products as per changing seasonal requirements.

▪ **Meeting Customer Deadlines**

The year-wise succession of meeting customer deadlines is as under:

Sr. No.	Particulars	HY ended 30 th Sep 2006	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
1	No. of Invoices raised	2,743	3,725	4,096	5,594	4,213	3,371
2	No. of timely deliveries made	2,331	3,107	3,125	4,251	3,033	2,394
3	% of Success	85	83	78	76	72	71

BUSINESS STRATEGY

1. To focus on innovative designing with fully equipped state of art **‘plug & play’ design facility** with good collection of latest design developed in-house for clients to choose from. *Centre of Excellence to act as a differentiating factor and will play a vital role in the company’s strategy to offer high end fashion designs and innovative product engineering to customer requirements*
2. To compress the ‘design to delivery’ cycle time from current 90 days to 75 days.
3. To optimize utilization of plant with full line balancing resulting in productivity gains
4. To strengthen our fabric business in order to have full control of entire fabric supply chain- from yarn dyeing, weaving to processing of fabrics.
5. To position ourselves in the mid to high end garment segment such that we enhance our acceptance and improve our capabilities to meet the stringent compliances stipulated by such customers. This shall make way for establishing our own brand in a short time.
6. To expand garment capacity to meet the growing opportunity in the market place and in this process captively consume around 42% of our own production of fabrics.
7. *Best practices for a responsible corporate citizen:* We have adopted environment-friendly technologies including Reverse Osmosis (RO) and co-generation power and adherence to international compliance standards and well positioned social compliances for associates
8. *Enhance client relationship:* work closely with large format clients to enhance stickiness while keeping a close watch on changing market behavior and fashion trends
9. To take advantage of the removal of Quota regime by penetrating the regulated markets of U.S and EU.

To build long term client relationship

Long term relations will help us to read the market behavior vis-à-vis the changing fashion trends. Further, we believe that our existing clientele will help us to attract new clients and give us mileage in terms of reach and recognition.

With the acquisition of the plant in Mysore, our weaving capacities have increased to 59,575 meters per day and the same would further go up by 38,000 meters per day. We intend to continue growing our business by adding new customers in existing and new geographies, new market segments.

Mix of Organic and Inorganic Models of Growth

With the recent acquisition we believe that a combination of organic and inorganic models will help us continue to grow. Strategic acquisitions would help us in leveraging complementary skills to capture market opportunities as well as reduce time-to-market and accelerate growth. We have identified more preferred locations in Asia Pacific with cost advantage and are making a techno commercial study to decide on the feasibility. For more details on our acquisition of fabric division in Nanjangud, Mysore kindly refer to the Paragraph titled “Other Agreements” on page no. 88 of the RHP.

Adding to our manufacturing facilities

Expanding capacities in fabrics will be a continuous process. We will constantly endeavour to acquire new technologies, latest developments and value adding processes to make our products techno savvy, contemporary in outlook, trendy in fashion and top class in quality. Our target segment of mid to high end customers would give us sufficient room for expansion of capacities in years to come.

Reduction of operational costs

To improve the margins it is very important to reduce the operational costs. In our industry apart from raw material costs, other inputs and overheads account for 30-35% of our total costs. Raw material costs are controlled through centralised purchases. Consumption and wastages are controlled on the shop floor through effective supervision and

systems. Other costs are reduced through proper training, new technologies and periodic reviews. Our focus has been to reduce the operational costs and leverage the fixed cost and overheads against higher production capabilities and utilization to gain competitive edge. We are quite successful in our efforts and hope to continue more vigorously to bench mark ourselves with the best in the industry.

Continued focus on Innovative Designs

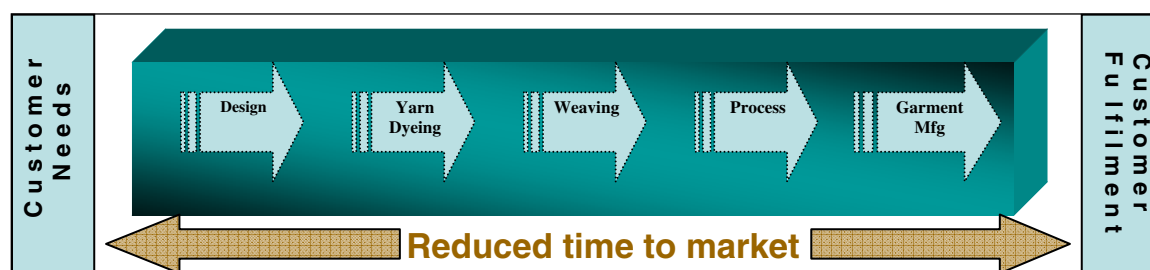
We are into high end products in our garmenting business, which requires creation of designs contemporary in terms of prevailing fashion. Going forward our strategy is to further improvise on designs development.

Adding of new products in our garmenting division

Presently, we are mainly into the development and manufacturing of men's shirts and ladies tops. While we intend to continue to be focused into men's shirts and ladies tops, our strategy is to add men and women bottoms so as to have adequate diversification in our garmenting business. We also intend to enter into different types of fabrics like linen and garments and also sportswear and swimwear as the current trend show great potential for such products. Also it helps in risk mitigation arising out of concentrated portfolio.

FUTURE PROSPECTS

Centre of Excellence:



We have started implementing our product development project which we have christened as “Centre of Excellence”. This project is to create a global standard design and product development centre, being one of its kinds in the world. The implementation of the same would be done in phases over the next 18 months. This facility would house the company's corporate and business development offices, a design and virtual studio and complete range of equipments to develop product from yarn to textile and to apparel backed with all utilities required like effluent treatment plant, power generation and steam generation. The implementation of this project is spread over 20 acres of land in the outskirts of Bangalore. This makes it the only campus of its kind in the industry for textile and apparel product development.

The pilot phase has been implemented in which modern equipments have been installed to enable quality and speedy product development. In the next phase the company would set up a design and virtual studio along with residential enclave for the visiting International designers.

We believe that India has all the ingredients to participate and contribute in designing and product development requirements of the global fashion industry and this could generate partnership / long term relationship with customers and International brands through this route. By taking up this project Indus Fila would become “one Stop-Shop” for designs and product development for our present and future customers. This would enable us to get close to our vision of “being a dominant player in fashion textiles and apparel by focusing on product innovation, design leadership and superior service

We are targeting significant growth in Company's performance by way of organic and inorganic growth in diversified areas of textile, branding and retailing in different locations across India and abroad with good potential for growth and investment.

The development of successful textile export business encourages us to believe that we can replicate the revenue generation and improve margins through entry into domestic and global markets. As per Agreement on Textiles & Clothing (ATC), the textile quota regime is completely abolished leading to full integration of “Textiles and Clothing” into normal GATT 1994 rules with effect from 1st January 2005.

OUR MANUFACTURING CAPACITIES

Currently we are in the business of yarn dyeing, weaving, processing and garmenting. The installed and utilized capacities for each of this division are set out below:

Products	Capacity	Unit	2003-04	2004-05	2005-06
Yarn Dyeing**	Installed Capacity	Kgs.	750,000	750,000	750,000
	Utilised Capacity	Kgs.	545,684	457,519	344,845
		%	73%	61%	46%
Weaving	Installed Capacity	Mtrs.	-	1,600,000	3,000,000
	Utilised Capacity	Mtrs.	-	641,289	2,499,014
		%	-	40%	83%
Processing	Installed Capacity	Mtrs.	-	-	-
	Utilised Capacity	Mtrs.	-	-	-
		%	-	-	-
Garment Manufacturing	Installed Capacity	Pcs	-	2,550,000	2,925,000
	Utilised Capacity	Pcs	-	44,043	2,140,842
		%	-	2%	73%

** From FY 2004-05, dyeing facility was used to dye cotton yarn, which was captively used for weaving.

Expansion Project:

Activity	Existing Capacity (post acquisition)	Capacity under Expansion project	Capacity post Expansion
Yarn Dyeing	2,300 kgs. Per day	10,000 kgs. Per day	12,300 kgs. Per day
Weaving	59,575 mtrs. Per day	38,000 mtrs. Per day	97,575 mtrs Per day
Processing	69,000 mtrs. Per day	31,000 mtrs. Per day	100,000 mtrs. Per day
Garment Manufacturing	9,000 pieces Per day	33,000 pieces Per day	42,000 pieces Per day

Capacity utilization for the next 3 years:

Products	Capacity	Unit	2006-07	2007-08	2008-09
Yarn Dyeing (captive use)	Installed Capacity	Kgs.	805,000	4,305,000	4,305,000
	Utilized Capacity	Kgs.	700,000	3,780,000	3,850,000
		%	86%	88%	89%
Weaving	Installed Capacity	Mtrs.	20,851,250	24,478,300	30,861,950
	Utilized Capacity	Mtrs.	17,171,700	21,540,420	27,186,600
		%	82%	88%	88%
Processing	Installed Capacity	Mtrs.	24,150,000	28,000,000	31,500,000
	Utilized Capacity	Mtrs.	20,350,800	23,952,600	28,586,600
		%	84%	86%	91%
Garment Manufacturing	Installed Capacity	Pcs	3,150,000	6,300,000	10,500,000
	Utilized Capacity	Pcs	2,700,000	5,400,000	9,000,000
		%	86%	86%	86%

Infrastructure and Utilities

Raw Materials

The raw material required by the Company is *grey yarn* which is outsourced from Mumbai, Guntur, Davangere, Coimbatore and Silvassa either directly or through brokers. The main suppliers are Idupulapadu Cotton Mills, Vippy Spinpro and Nagreeka Exports and others.

The *fabric* required for garmenting is sourced from Golden Sun Industries – Coimbatore, Thangavelu Fabrics (P) Ltd – Erode and others.

Dyes and Chemicals used in the dyeing and processing are sourced from B.R. Corporation – Mumbai, Pioneer Chemicals and S.F. Dyes – Bangalore.

Trims for garments are sourced from Ritz Resources Ltd – Sri Lanka, Sharman Udyog – Delhi and Mainetti India (P) Ltd – Chennai.

Water: The water requirement for our different divisions is given in the following table:

Sr. No.	Division	Water (KLD)		
		Existing	Expansion	Total
1	Yarn Dyeing	300	800	1,100
2	Weaving	100	200	300
3	Fabric Processing	3,000	2,500	5,500
4	Garmenting	60	75	135

Water is sourced mainly from our own bore-wells, purchased from outside and from KIADB at Rs 13/- per kilolitre.

Power and Fuel: We meet our electricity requirement by purchasing electricity from State Electricity Board. At our Nanjangud plant we have captive power generation of 6MW which is self-sufficient to meet our requirements. We have 2 DG sets of 800KVA each at Nanjangud, 2 DG sets of 500KVA each at Nelamangala and 1 DG set of 380 KVA at Peenya for any contingency.

Sr. No.	Division	Power (KVA)	
		Existing	Expansion
1	Yarn Dyeing	200	900
2	Weaving	425	2,100
3	Fabric Processing	1,100	350
4	Garmenting	250	250

Effluent Treatment:

Sr. No.	Division	Effluent discharged and processed (KLD)		
		Existing	Expansion	Total
1	Yarn Dyeing	270	720	990
2	Weaving	90	180	270
3	Fabric Processing	2000	800	2800
4	Garmenting	50	60	110

For the plant and machineries required under our Expansion project kindly refer to the Section titled “Objects of the Issue” on page 25 of the Red Herring Prospectus.

Manufacturing of Fabrics and Garments

We are in the complete value chain of yarn dyeing, fabric weaving, fabric processing and apparel manufacturing. Apparels are exported and the fabric is made to order for domestic garment manufacturers and exporters. Currently, we have 156 weaving looms (including 48 looms under 100% manufacturing agreement) producing approximately

20.80 million meters of fabric per annum and 750 sewing machines with production capacity of 2.70 millions garments per annum.

Our strength also lies in our ownership of designs which is backed up by our team of 6 designers which are constantly creating new designs for the market. This gives us an inherent advantage of showcasing our sample collection to our clients which in turn can choose from a wide array of samples and place the orders. We also outsource fabric both grey and finished from the unorganized market to meet our customer requirement. We export majority (almost 95%) of our garments to USA. We also supply fabrics to a number of domestic players as well as domestic garment exporters like Izod, Arrow, Chaps, Armani Exchange and Levi Strauss amongst others.

Manufacture of Fabrics

We are in the manufacture of woven fabric and apparels. We manufacture colour dyed, solid dyed and grey yarn for domestic garment manufacturers and exporters. Our manufacturing and distribution facilities are spread across five locations - Peenya and Nelamangala at Bangalore, Nanjangud at Mysore, Mumbai and Sangli. All our facilities for manufacture of fabric use modern technology using imported SMIT Sulzer based rapier looms, Automatic Picanol omni-plus Airjet, Toyota Airjet looms weaving machines,. Currently, we have 156 weaving machines in our fabric manufacturing units. Besides the weaving machines, most modern preparatory machines such as Benninger direct warper/sizer Osthoff/ Brugman singeing and de-sizing range, Brugman CBR/mercerizer, Biancalani –Airo finish are also installed at our plants.

Our total fabric manufacturing capacity is about 20.80 million meters per annum. We supply fabrics in both domestic and overseas markets.

MANUFACTURING PROCESS FOR FINISHED FABRIC AND GARMENTS

We have the infrastructure for dyeing and processing of fabrics with the capacity of 21 million meters of fabric per annum. The manufacturing process is described below:

Procurement of Grey Yarn

Grey yarn is purchased from various suppliers depending upon orders on hand for manufacture of woven fabric. After procurement, yarn is checked for quality and is stored in the warehouse.

Sizing and Warping

Sizing is required to be done with certain yarns so as to give them strength to make them weavable. In this process the yarn is passed through chemicals and steam in the sizing machines.

Warping is a process in which yarn is put on a beam for being fit to be used on the weaving machines. For overcoming excess heat and provide humid conditions, humidification plants are used in the weaving sections.

Weaving

We currently have 156 looms across all our facilities. Our production capacity ranges from 225 meters to 450 meters per loom per day depending on the fabric consumption / type of the loom.

After warping the beam is loaded on the weaving machines which produce woven fabric. Weaving is interlacing two sets of yarn and making fabric. One set is called warp thread which is in sheet form, the other one is called weft thread which is inserted between two layers of warp sheet by means of a suitable carrier i.e. Rapier, Air current, etc, depending upon the type of the weaving machines.

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

We have 114 Air Jet Looms and 42 Rapier Looms which are briefly discussed hereunder.

1. Air Jet Looms

These types of looms are the latest development in Weaving Technology where weft insertion is done with the help of compressed air. A very high weft insertion rate up to 950 picks per minute is achieved. Compared to rapier and projectile looms, these looms are highly productive and suitable for producing sheeting fabrics up to 190 cm width.

2. Rapier Looms

In this case, weft insertion is achieved with the help of rapiers. These looms are versatile and can be suitable for weaving all types of fabrics, including fancy fabrics. Rate of weft insertion is 550 picks per minute. These looms are mainly used for yarn dyed fabrics of size upto 190 cms.

Grey Fabric Inspection

The woven fabric wound on a cloth roll is taken out from weaving machines at certain intervals and checked on inspection machines for possibilities of any weaving fault. If such faults are seen anywhere in fabric during inspection, certain corrective steps are taken at weaving, warping, sizing, etc. This is a quality control exercise. Mending operations are carried out which manually rectifies the fault observed during the inspection in fabric. Also the loose threads if any left out at fabric body / selvedge are clipped off to improve the overall quality and look of the fabric.

Fabric Processing

The grey fabric produced needs to be processed further to give it an attractive look and stability. The following steps are taken to process the grey fabric into a finished fabric.

Singeing & Desizing

In Singeing the fabric runs on gas flame at a speed of about 120 Mtrs /min and the protruding fibres on the surface of fabrics are burnt during this process. After singeing the fabric appears as clean shave look and then sent for next process of desizing.

During desizing the fabrics are impregnated with enzyme solution to remove size chemicals (used prior to weaving during sizing process). Impregnated Desized fabrics are kept on rotating batches for a period of 10 to 12 hours for effective removal of sizing chemicals.

Open width scouring and bleaching

Desize fabrics are first washed in water and then treated for scouring and bleaching with caustic soda, good detergent /soap and peroxide with stabilizer. Fabric then passed through steamer so that reaction takes place with impurities and they are fully dissolved. The fabrics so washed are then clean and absorbent. This process is very important for obtaining good quality results in dyeing and printing.

Open-width Mercerizer

Fabrics are treated on Mercerizer to obtain luster for good appearance and dye absorbency. This also results in saving in quantity of dyes and hence cost of dyeing. Also it improves strength of fabrics for better life. To achieve this, fabrics are impregnated with caustic soda solution of 57° Tw (Treated water) along with wetting agent, processed further under tension and washed to remove surplus caustic soda and neutralized before drying.

Dyeing

Fabrics are normally dyed with reactive dyestuffs on PAD/BATCH process and washed subsequently. Pad Batch Process is the widely accepted process for dyeing cotton fabrics with reactive dyes and is called cold pad- batch process. As the method name suggests, it is a process wherein the cotton fabrics are padded with reactive dyes and batched in the form of rolls. The rolls are then wound with the help of a polyethylene wrapper and kept rotating for 8-12 hours for fixation. The unfixed dyes are washed off so as to achieve the desired fastness characteristics.

PAD DRY is also a widely accepted process for dyeing pigments on cotton fabrics. This process of dyeing would be used in dyeing of cotton fabrics with pigments, vat dyestuffs and certain reactive dyestuffs. The process involves

padding the Pigments on the fabric followed by drying and curing for pigments. In case of vat dyes, the dye would be padded on the fabric and dried. Development of the vat colour after padding and drying would take place in jiggers. Certain reactive colors can also be dyed using pad dry process. In this project, the pad dry process would be predominantly used for dyeing of cotton fabrics with pigments and vat dyestuffs. Some shades are also dyed in open width Jigger. In the Project, Jiggers shall be used for development of vat dyestuffs and for batch corrections and washing.

Finishing

Cloth is finished to finally keep control on width, bow and skew and its shrinkage. Also to improve handle of fabrics special chemicals are used. Finishing is also done for obtaining stain free, soft and supple finish on fabrics. At Present eco-friendly process are used so that skin of younger/older people does not get affected. By using properly processed fabrics with appealing colors fast to washings, light, rubbing perspiration and having specialty finishes, fabrics look and value is added.

Stenter

The final finishing of fabric is always done on a stenter. The stenters are normally provided with a padder in the front, a bow and weft straightener device. The cloth to be finished passes through the padder, where finishing chemicals are added and goes through bow and weft correction device before entering the drying chamber. It can be either pad or dip stenter. The pair chains hold the cloth horizontally. The process is pad-dry and drying is achieved by blowing hot air in the stenter chamber. The stenter is the most important machine in the finishing.

Sanforizer

This is the last process in the fabric finishing. The basic function of this machine is to control the shrinkage warp wise and weft wise. Any cloth having undergone Sanforizing will not shrink abnormally any further even after repeated wash, meaning dimensional stability is maintained on the fabric.

Over and above laboratory is provided to keep quality control on bleaching, dyeing and printing process. Various fastness tests are carried out before final finishing is done on the fabrics. Similarly lab is also planned to exercise control on the quality of dyes and chemicals and other materials of dyes/printing auxiliaries. The plant and machinery have been so envisaged to meet the International standards. Fabrics are processed, dyed and printed in the manner described meets International quality standards and therefore marketing them in Indian as well as in export markets will not be difficult. The fabrics manufactured in above manner will have ready acceptance in countries like America, Europe, Japan, Middle East and Canada.

Packing and inspection

The finished fabric is thoroughly checked for various types of defects such as:

1. Weaving Defects
2. Uneven Dyeing
3. Bleaching and Dyeing Defects.
4. Stitching Defects.

The fully inspected non-defective products are segregated and 8% of the finished fabric is sent to our garment manufacturing division and the rest is sent to packing department and dispatched as per orders whereas defective ones are sent for correction.

Garment manufacturing

After the fabric is processed it is inspected and sent to our stitching division. We use the fabric manufactured by us as well as buy the fabric from outside to manufacture garments.

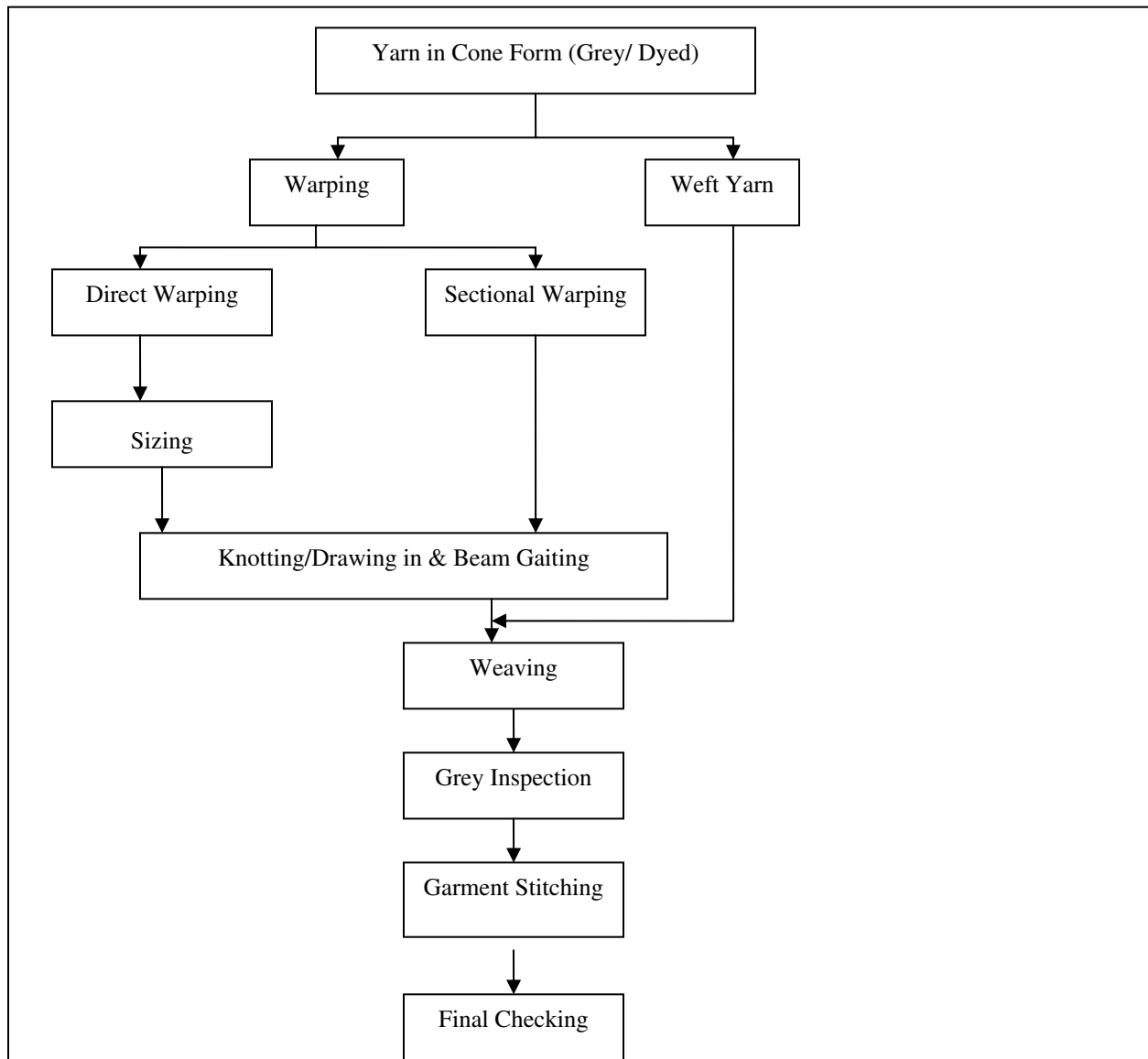
The fabric is laid on the cutting table and then plotted with the help of CAD / CAM machinery as per the specific patterns. This is a system for consumption planning and ensures optimum usage of fabric keeping the cutting wastage at the minimum level. After plotting the fabric is cut with the help of cutting machines. Different parts of shirt are then stickered for identification of size and shade. This process is known as sorting of fabric. The sorted

fabric is then bundled and sent for fusing of the three main parts namely collars, cuffs and plackets. Then collars and cuffs are attached to the main body completing the first stage. Then buttonholes are made and the buttons are attached. This is done with the help of specialised machinery. After the completion of manufacturing process finishing process starts. The shirt is now checked manually for loose threads and, if any, the same is cut off.

Final Checking of Garments

Once the Garment is ready it undergoes 100% checking. To ensure that every piece manufactured is as per specification and the required quality standards. There is a separate quality assurance department. This department is solely responsible for ensuring that all finished goods are free from defects and stitched as per measurement. This team compares the final product with the measurement chart and style chart given by the design department. Any variance beyond acceptable limits is rejected.

PROCESS FLOW CHART OF MANUFACTURING OF GARMENTS



Marketing and Selling Strategy

We emphasise our USP on two broad parameters:

1. Vertical set up with “Design to Delivery” i.e from yarn to fabric to garmenting which benefits us with better delivery dates and cost advantage.
2. Quality Control : Being all the process under our supervision there are little chances of errors or surprises as regards the raw materials input / supply line being partially feed etc. Our quality control management systems and quality improvement systems are already in operations across the units.

We are in compliance with the following requirements:

- a. Compliance with laws and work place regulations
- b. Prohibition of Forced Labour
- c. Prohibition of Child Labour
- d. Prohibition of harassment or abuse
- e. Compensation & benefits
- f. Hours of work
- g. Health & Safety
- h. Security

Being in this industry we have developed a good relationship with our buyers both domestic and international. We will also endeavor to broaden our existing client base to prevent client concentration of business.

Our marketing department is headed by our Vice Chairman & Managing Director - Mr. Nitin N. Mandhana with a well- experienced team to procure new orders. Our experienced marketing teams devise different strategies to suit the buyers need. We have some well known names in our clientele like Izod, Arrow, Chaps, Armani Exchange and Levi Strauss. Besides, trade fairs /exhibitions / publications personal relationships developed during the related business activities plays a vital role to tap our target customers.

Our Distribution Channels

We use the following distribution channels for marketing our products:

Products / Market Segments	Distribution Channel
Fabrics-Domestic Sale	IFL ---- Garment Manufacturers/Marketing Agents / Wholesalers
Fabrics-Exports	IFL ---- Exporters / International buying houses.
Garments-Exports	IFL ---- International Brands / Buying Houses

Domestic Sale - Fabrics

a. Sale to Readymade garment manufacturers operating in domestic market

This is another fast growing segment mainly catering to domestic garment industry. Many Indian and international brands have set shop to grab this ever growing market. With the popularity of readymade garments going up, the Indian customers have almost stopped buying fabrics from retails shops and getting the garment stitched from local tailors. Buying a readymade garment frees the customer from all these hassles. With the retailing concept through shopping malls booming, the demand for fabrics from this segment is growing fast. We intend to put more efforts in this market.

b. Sale to Readymade garment manufacturers - exporters

This is the fastest growing market segment. With our range of fabrics, the buyers of these garment exporters specify and approve fabrics made by us. Thus it is a custom made product for these garment exporters. These are bulk and repeat orders. Normally once our fabrics is approved the overseas buyers is comfortable and prefers to deal with us for continuing supplies to the chosen garment manufacturer for his orders.

Export of Garments

We have been able to attract well know names in overseas fashion garment industry, due to our ability to offer garments based on seasonal fashion trends and colour choices. Our expertise in design of fabrics as per customers specifications, garment designs and garment samples meeting the stringent quality requirements has made us a preferred garment supplier to discerning customers like Izod, Arrow, Chaps, Armani Exchange and Levi Strauss to name a few.

QUALITY CONTROL MEASURES

We maintain strict quality control measures for complying with the customer's requirement. We have internalized quality control management systems and quality improvement systems in all our plants. We have quality audit teams, comprising of 6 individuals, reviewing all aspect of quality assurance at all our units. Apart from that a dedicated in-house management team which undertakes review every fortnight and overlooks the implementation and adherence to quality control policies across all our establishments. Each of the divisions is well equipped with most modern quality checking and testing equipment like Tex –Cad for designing , Data Color / Minolta Spectrophotometer, Roaches – Mini lab processing , Macbeth - light box , I-Text EVS Computerized Fabric Quality Check machines with 24 cameras in place for quality assurance and functions on our philosophy of providing quality products to customers.

COMPETITION

We face competition from both domestic fabric and garment manufacturers. We also face intense competition from international players. Countries like Mexico and Turkey pose great threat to us with their increasing market share in the exports to the US and Europe. We also face competition from cost efficient manufacturing countries like China, Pakistan, Bangladesh, Vietnam, Spain, Brazil, Romania and Sri Lanka.

We intend to meet this competition through product differentiation by providing value added product to the mid and high end segment. With our strong and focused marketing network and quality manufacturing, we would meet the intense competition imminent from the unorganized small and medium sized domestic and global players.

EXPORT OBLIGATIONS

Our export obligations as on September 30, 2006 are as under:

Sr No	EPCG License No	Date	Export Obligation	Obligation Period	Export Obligation fulfilled (Rs. In Lakhs)	Balance Export Obligation (Rs. In Lakhs)	Value of the machinery /Spares imported (Rs)
1	0730003125	01.08.05	\$1,65,74,495.48	8Years	0.00	\$1,65,74,495.48	9,63,39,255
2	0730000796	15.11.02	\$4,40,790.00	8 Years	19.83	\$3,96,711.00	42,80,071
3	0730004596	18.09.06	\$2,35,385.00	8Years	0.00	\$2,35,385.00	84,37,500
4	0730004584	15.09.06	\$54,400.00	8Years	0.00	\$54,400.00	19,50,016
5	0730001809	19.05.04	\$6,69,980.54	8Years	304.00	NIL – Yet to submit for closure	36,98,183
6	0730001867	14.06.04	\$2,69,646.25	8Years	121.00	NIL – Yet to submit for closure	87,39,444
7	0730002930	06.06.05	\$79,827.61	8Years	3.00	\$72,907.20	2,44,708

8	0730003111	26.07.05	\$1,88,298.44	8Years	84.73	NIL – Yet to submit for closure	82,47,472
9	0730004077	28.04.06	\$9,461.00	8Years	4.25	NIL – Yet to submit for closure	3,25,000
10	0730004207	07.06.06	\$1,41,441.21	8Years	63.64	NIL – Yet to submit for closure	8,16,826
11	0730004228	12.06.06	\$66,990.12	8Years	30.00	NIL – Yet to submit for closure	3,81,970
12	0730004300	30.06.06	\$8,138.87	8Years	3.66	NIL – Yet to submit for closure	3,76,016
13	0730004394	21.07.06	\$12,579.19	8Years	5.66	NIL – Yet to submit for closure	5,85,562
	ADVANCE LICENCE						Value of Raw Materials Imported (Rs)
1	0710045696	26.06.06	\$20,192.00	2Years	7.73	\$3,016.18	4,61,454
2	0710044639	01.05.06	\$15,579.00	2Years	6.92	\$734.34	2,99,822

COLLABORATIONS

We have not entered into any collaboration with anyone as on the date of filing the Red Herring Prospectus.

SWOT ANALYSIS

Strengths

a. *Centre of Excellence*

One of the few in the industry with the business model driven by “Centre of Excellence” comprising designing and sampling set up from yarn dyeing, to garment designing and advanced logistics systems to reduce turnaround time for clients while retaining flexibility in product mix between fabric and apparels to address changing market dynamics. Our strength also lies in our ownership of designs which is backed up by our team of 6 designers which are constantly creating new designs for the market. In the textiles and garments industry, focusing on Centre of Excellence as the main point of negotiation with the global brands for their share of business is being done by only a few players in the industry apart from us. For detailed information on Centre of Excellence, kindly refer to the Section titled “Centre of Excellence” on page 63 of the RHP.

b. *Lean Enterprises*

We have started transformation from conventional form of management, administration and manufacturing to the latest enterprise culture called “Lean Enterprise”. The new culture enables us to address the challenges of quick turn-around and zero-quality controls making it a flexible organization. It would enable us to increase employment, stabilize and standardize operations and create the atmosphere for continuous improvement. We are adopting this business model which lays emphasis on flat hierarchical structure along with autonomy in decision making to the employees.

c. *Vertical Integration*

We mean business “from Design to Delivery” which means we have yarn dyeing, fabric weaving, processing, garment making and logistics. With the fashion trends changing and designers wanting to time their creations nearer to the seasons, it is imperative that the lead time required for designing a thought to the actual creation and delivery of garments is shrinking. Since we are vertically integrated, the lead time required by us is only around 90 days as against the industry average of around 150 – 180 days, thus enabling us to be in an advantageous position to fulfill our customer requirements. For a build up of over capacities over the years, kindly refer to Section titled “Our Manufacturing Capacities” on page no. 64 of the RHP.

d. Promoters' proven track record and excellent management bandwidth

Our Promoters have adequate experience in the textile industry and we have successfully implemented expansion projects earlier. All our promoters have prior experience in the textiles and garments industry with our Managing Director, Mr Nitin N Mandhana being part of the team that launched "Vivaldi" brand for Bombay Dyeing. The Promoters family has a long experience in textiles and fashion apparel business with successful entrepreneurial credentials since Mr. Narayandas Mandhana, father of Mr Nitin Mandhana started trading in textiles since past four decades. There also exists significant depth in senior management capabilities to scale up rapidly. Our top management and key managerial personnel has around 181 man-years of combined experience with an average of around 16 years of experience. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project. For detailed information and background of the promoters, kindly refer Section titled "Our Promoters" on page no 106 of the RHP.

e. Cost advantage

Interest - Recent capacity additions in our manufacturing facilities have been carried out under TUFS. Our term loans borrowings are in the range of 9-10% as per the details mentioned in Annexure V of the Restated Financial Statements on page 130 of the RHP. 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%. For detailed information on the TUFS kindly refer to page no 82 of the RHP.

Raw Material Cost - Also fabrics being 65% of the cost component of a garment and coming from our own vertical production facility, we shall have a greater cost advantage as compared with other big players, which will increase in the future with more of our in-house garmenting facilities on account of in-house manufacturing of fabrics, savings in transportation and logistics cost since all our facilities are located in and around Bangalore.

Labor 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 labor friendly policies followed by us. Further we have entered into a Memorandum of Settlement with the Workers Union dated October 9, 2006. For details kindly refer to the Section titled "Outstanding Litigations and Defaults" on page No. 151 of the RHP.

f. Quality Assurance

Each of the Company's products passes through stringent quality checks. Through checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyze areas of improvement, skilled manpower with experience for quality assurance activities, creation of data base for future reference and analysis etc. are in place. Each of the divisions is well equipped with most modern quality checking and testing equipment like Tex -Cad for designing , Data Color / Minolta Spectrophotometer, Roaches - Mini lab processing , Macbeth - light box , I-TEX EVS Computerized Fabric Quality Check machines with 24 cameras in place for quality assurance and functions on our philosophy of providing quality products to customer.

Weakness

- a. Competition from the unorganized sector.
- b. Dependence on cotton yarn which at present is sourced from various suppliers across India.

Opportunities

- a. Global market size of clothing and textiles is expected to grow from current US\$ 450 bn to US\$ 685 bn by 2010, CAGR of 8.8% (Source : CII - Mckinsey Report 2004, Technopak)
- b. The primary markets for Indian textiles are the US and the EU markets which together form 54% of the global market size i.e., roughly US\$ 243 bn (Source : CII - Mckinsey Report 2004, Technopak)
- c. India's exports of US\$16b comprising 3.5% market share is expected to grow to US\$50bn and 7.3% market share by 2010 (Source : CII - Mckinsey Report 2004, Technopak)

- d. India has become the biggest beneficiary after China in the post-2005 WTO scenario. Its exports to US has increased by 27% and has also increased its market presence in the EU when most other textile exporting nations have shown negative growth
- e. India's major advantage in textile industry – raw materials availability, abundant skilled labour, innovation and design skills and multi-fibre base.
- f. Indian domestic textile industry is witnessing strong growth led by a young consuming population, high GDP growth and rising income levels.
- g. *Effects of quota phase out*
 - Textiles capacities shrinking in the US and EU. India and China are the favourite outsourcing destinations
 - A shake-out is happening in terms of suppliers – Country production shares are being redefined based on competitiveness
 - Shipment prices have gone down due to competition & removal of quota premiums
 - Lead times constantly being squeezed
 - “Operational Excellence” and “Meeting Buyer Needs” more important than ever before
 - Buyers looking for more services (beyond just products) to reduce ‘time to market’
- h. India and China (post-2008) to be the biggest beneficiaries in the emerging post-quota scenario
- i. Weaving & processing are the weakest links in the sector today – companies with integrated fabric manufacturing facilities will benefit most since 65% of the garment value is processed fabric
- j. Vendors with high process efficiency, technology & product innovation capabilities with greater economies of scale to benefit most

Threats

- a. *Competition from other emerging countries:* International competition from other Asian countries like China, Bangladesh, Pakistan, Sri Lanka, Vietnam, etc., which more or less have similar cost efficiencies as enjoyed by India. A few countries may also have FTAs / PTAs with major importing countries that could provide them with added advantage
- b. *Countries with proximity to US and EU to have edge :* Proximity to major markets like the US and EU may offer certain countries like Mexico and Turkey advantage of shortened lead time
- c. *Competition in the domestic market:* Competition in the domestic market arises from both organized and unorganized sectors. Future competition may emerge from established MNCs or Indian corporates setting up large textiles facilities in the country
- d. *Domestic competition for exports :* Competition from other large and integrated players in the domestic market could put pressure on margins and erode market share

OUR BUYERS

As mentioned earlier majority (almost 95%) of our garments are exported to buyers in the United States of America (USA). Some of our clients include big names like Izod, Arrow, Chaps, Armani Exchange and Levi Strauss and other major players.

Our client concentration for the past three financial years is as follows:

(Rs. in lakhs)

	2005-2006		2004-2005		2003-2004	
	Sales	% of total sales	Sales	% of total sales	Sales	% of total sales
Top 1 customer	1,752.01	21.24	1,550.42	39.23	163.72	10.09
Top 5 customers	4,696.17	56.93	2,524.22	63.87	558.07	34.39
Top 10 customers	5,437.05	65.91	2,803.25	70.93	770.70	47.49

OUR SUPPLIERS

Our experts visit the factories of our suppliers and select the grey yarn and fabric as per our requirement. We have developed long term relations with our suppliers and purchase the required raw material from these suppliers only. However, each raw material undergoes sample checking for quality before going into the process.

Our supplier concentration is as follows:

	2005-2006		2004-2005		2003-2004	
	Value of the raw material sourced (Rs. in Lakhs)	As a % of total expenditure on purchases	Value of the raw material sourced (Rs. in Lakhs)	As a % of total expenditure on purchases	Value of the raw material sourced (Rs. in Lakhs)	As a % of total expenditure on purchases
Top 1 Supplier	2,794.04	43.72	8,58.47	27.97	292.95	31.19
Top 5 Suppliers	4,169.70	65.25	2,100.94	68.46	730.50	77.78
Top 10 Suppliers	4,594.05	71.89	2,450.11	79.83	892.90	95.07

INSURANCE

The various kinds of insurance policies we have taken are as follows:

Sr. No.	Perils Covered	Policy No.	Sum Insured (Rs lakhs)	Sum Insured Includes			Insure With	Expiry Date
				Description	Amount	Location		
1	Standard Fire & Special Perils Policy	15-21-11-00753-06	3,823.24	Plant & Machinery, Furniture, Fixtures & Fittings, Stock-in-Trade, Office Equipment	3,823.24	Nelamangala, Peenya & Mumbai	Reliance General Insurance Company	28.04.07
2	Burglary & Housebreaking Insurance	15-29-11-00919-06	571.40	Stock of Garments at the scheduled locations	50.00	Nelamangala	Reliance General Insurance Company	19.07.07
					400.00	Peenya		
					50.00	Peenya		
					71.40	Peenya		
3	Boiler and Pressure Plant Insurance	671006/44/06/52/30000006	725.00	Boiler and Pressure Plant	725.00	Nanjangud	The New India Assurance Co. Ltd.,	24.05.07
4	Boiler and Pressure Plant Insurance	67100644065230000007	45.00	Thermopac	45.00	Nanjangud	The New India Assurance Co. Ltd.,	24.05.07
5	Machinery Insurance	671006/44/06/51/30000008	67.50	Thermic Fluid Heaters	67.50	Nanjangud	The New India Assurance Co. Ltd.,	24.05.07
6	Machinery Insurance	671006/44/06/51/30000009	95.50	HT Switchgears, Boilers, Lighting Arrestors, Turbine Control Panel	95.50	Nanjangud	The New India Assurance Co. Ltd.,	24.05.07
7	Marine Cargo - Open Policy	671006/21/06/02/00000020	350.00	Transit of Dyes, Chemicals, yarn, Fabrics, Machinery & Spares, Raw Materials, Finished Goods and such other items pertaining to the trade	350.00	Nanjangud	The New India Assurance Co. Ltd.,	24.05.07

8	Marine Cargo - Open Policy	671006/21/06/02/00000025	3,100.00	Commodities in Transit(Textiles, yarn, Chemicals, Garments, Machineries, Spares & Consumables whether in cartoons or otherwise)	3,100.00	Transit in India	The New India Assurance Co. Ltd.,	01.06.07
9	Money Insurance	671006/48/06/07/00000025	350.00	Cash in Transit	350.00	Nanjangud	The New India Assurance Co. Ltd.,	24.05.07
10	Fire Declaration Policy	671006/11/06/12/00000039	1,400.00	Stock in Trade	1,400.00	Nanjangud	The New India Assurance Co. Ltd.,	08.05.07
11	Standard Fire & Special Perils Policy	671006/11/06/11/00000040	8,914.00	Building(s) Only	2,127.00	Nanjangud	The New India Assurance Co. Ltd.,	08.05.07
				Plant & Machinery	6,712.00	Nanjangud		
				Furniture, Fixture & Fittings	75.00	Nanjangud		
12	Standard Fire & Special Perils Policy	671006/11/11/00000045	168.00	Temple Building and Dwellings	168.00	Nanjangud	The New India Assurance Co. Ltd.,	24.05.07
13	Standard Fire & Special Perils Policy	671902/11/06/11/000000734	1,295.00	Building, P&M, Fur. & Fix., Stock-in-Trade, Stock-in-Progress, Finished & Semi Finished Goods, Office Equipment, Computer System.	1,295.00	Peenya & Nelamangala	The New India Assurance Co. Ltd.,	26.08.07
14	Machinery Breakdown Insurance Policy	1501 06 22 17 000005	808.72	Various Plant & Machinery	808.72	Nanjangud	Reliance General Insurance	11.08.07
Total			21,713.36		21,713.36			
1	Overseas Medclaim	672300/46/06/44/70000029	\$500,000	Mr.Kadenahalli Venkategowda Manjappa	\$500,000	Bangalore	The New India Assurance Co. Ltd.,	15.06.07
2	Employees Deposit Linked Insurance (EDLI)Scheme, 1976	88000171	180.00	Group Term insurance in lieu of EDLI	180.00	Bangalore	ING Vysya Life Insurance	28.02.07

INTELLECTUAL PROPERTY

We have registered our Trade Mark “Indus Fila” under the Trade Marks Act, 1999 and received the Certificate of Registration on January 9, 2002.

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 a leasehold basis. Our registered office is located in Bangalore and manufacturing plants are at Bangalore and Mysore. Set forth below is a brief summary of our office / production properties:

Particulars	Address
Registered Office	Survey No. 285, 37 th KM Stone, Bangalore – Tumkur Road, Kasaba Hobli, T. Begur, Nelamangala, Bangalore – 562 123
Corporate Office	No.107, Industrial Suburb, II Stage, Yeshwanthpur, Bangalore – 560 022.
Production Facilities	Plot No 21-D-2, II Phase, Peenya Industrial Area, Bangalore - 560 058
	No. 17 D (2), 2 nd Phase, I Main Road, Peenya Industrial Area, Bangalore - 560 058
	No. 134, 3rd Phase, between 7th & 8th Main, Peenya Industrial Area, Bangalore - 560 058
	No. 243/1 to 358/3, Thoramavu & Immavu Village, Thandya Industrial Area, Kempri Siddana Hundi, Nanjangud Taluq, Dist – Mysore
	Survey No. 248, T. Begur Village, Kasaba Hobli, Nelamangala, Bangalore – 562 123
	Survey No. 284, T. Begur Village, Kasaba Hobli, Nelamangala, Bangalore - 562 123
	Survey No. 285, T. Begur Village, Kasaba Hobli, Nelamangala, Bangalore - 562 123
Distribution Offices	210, A-Z Industrial Estate, GK Kadam Marg, Lower Parel, Mumbai – 400 013 AE-10/New No. 19, AE block, 7 th Street, 1 st Flr, 10 th Main Road, Annanagar, Chennai - 600040

PROPERTY

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 a leasehold basis. Our registered office is located in Bangalore. Set forth below is a brief summary of our office/production properties:

Sr. No.	Address	Type	Area	Use
1.	Site No. 107, Industrial Suburb, Yeshwantpur, Bangalore – 560 022	Leasehold	10,800 Sq. Ft.	Corporate Office
2.	Site No. 21- D- 2, II Phase, Peenya Industrial Area, Bangalore – 560 058.	Leasehold	75,000 Sq. Ft.	Apparel unit
3.	No. 134, 3rd Phase, between 7th & 8th Main, Peenya Industrial Area, Bangalore - 560 058	Leasehold	10,035 Sq. Ft.	Apparel unit
4.	No. 17 D(2), II Phase, Peenya Industrial Area, Bangalore – 560 058	Leasehold	3,100 Sq. Ft.	Apparel unit
5.	Survey No. 248, T. Begur Village, Kasaba Hobli, Nelamangala, Bangalore – 562 123	Freehold	76,230 Sq. Ft.	Fabric Weaving
6.	Survey No. 285, T. Begur Village, Kasaba Hobli, Nelamangala, Bangalore – 562 123	Freehold	28,315 Sq. Ft.	Registered Office, Yarn Dyeing / Effluent Treatment Plant
7.	Survey No. 284, T. Begur Village, Kasaba Hobli, Nelamangala, Bangalore - 562 123	Freehold	83,853 Sq. Ft.	
8.	Survey No. 285, T. Begur Village, Kasaba Hobli, Nelamangala, Bangalore - 562 123	Freehold	27,225 Sq. Ft.	
9.	Survey No. 285, T. Begur Village, Kasaba Hobli, Nelamangala, Bangalore - 562 123	Freehold	31,580 Sq. Ft.	
10.	No. 243/1 to 358/3, Thoramavu & Immavu Village, Thandya Industrial Area, Kempri Siddana Hundi, Nanjangud, Dist – Mysore – 571 302	Freehold	27,75,860 Sq. Ft.	Fabric Weaving & Processing Unit & captive Power Plant
11.	210, A-Z Industrial Estate, GK Kadam Marg, Lower Parel, Mumbai – 400 013 AE-10/New No. 19, AE block, 7 th Street, 10 th Main Road, Annanagar, Chennai - 600040	Leasehold	1260 Sq. Ft	Distribution Centres
		Leasehold	850 Sq. Ft.	

The Lease Deeds in respect of the Lease Hold Properties have not yet been registered and the management is taking steps to procure stamping and registration in accordance with the applicable provisions. The Total amount of Stamp Duty and Registration fees payable by us in respect of Lease Deeds, the registration of which are pending, would amount to approximately Rs.12,00,000/-.

The details of acquisition of property for the proposed projects are mentioned in the section titled “Objects of the Issue” on page 25 of the Red Herring Prospectus.

Restrictive Covenants under our Loan Agreements

Some of the major covenants under our Loan agreements are as under:

Karnataka Bank Ltd

- a. The Company should not divert the funds to its group companies. An undertaking letter from the Company / Directors to this effect should be submitted.
- b. The Company has to furnish a certificate from the Statutory Auditors confirming that the Company has no outstanding dues towards small depositors (deposits of less than Rs.20,000/-) and that the Company has complied with the provisions of Section 58AA of the Companies Act, 1956.
- c. Company should not repay the funds raised by way of deposits / loans from friends and relatives during the tenure of the bank credit. An undertaking letter shall be furnished from the major lenders / depositors in this regard.
- d. Company has to furnish a certificate from its Statutory Auditors confirming that there are ‘NO DUES’ in respect of SSI units exceeding Rs.1.00 Lakh as required in terms of Section 2(B) and 3 of the interest on delayed Payments to SSI and Ancillary Undertakings act, 1993 and a copy of the same should be submitted to Branch / Head Office.
- e. The Company has to arrange for NOC from existing bankers before release of the loan.
- f. Facility sanctioned as above shall be released only after the completion of IPO.

Corporation Bank

- a. The promoters contribution / internal accruals for the projects shall be brought in proportionally during the implementation period

OR

The loan for civil works shall be released based on the work progress certificate issued by approved engineer maintaining the stipulated margin. The loan for machineries / other fixed assets shall be directly remitted to the suppliers of the machineries along with the margin money. Original invoice and stamped receipt for the full value shall be obtained and held on records.

OR

The Company shall first bring in margin contribution in the project. Thereafter, the loan shall be released ensuring end use of funds.
- b. On completion of the project, the borrow shall submit to the Bank a certificate issued by a Chartered Accountant confirming that a sum of Rs.166.24 Cr has been invested in the project.
- c. The branch shall obtain “NOC” from the existing banks / term loan lenders.

UTI Bank

- a. The terms and conditions under TUFs as modified from time to time shall form part of the Loan Facility Agreement and the Company shall be bound by all the terms and conditions stipulated therein. Any breach or non-compliance thereof by the Company shall be treated as a breach of the Loan Facility Agreement.

- b. UTI BANK LTD shall not be liable for any loss, damages or compensation whatsoever on account of Ministry of Textiles (MoT), Government of India (GOI) deciding to discontinue TUFs or on account of any modification of TUFs or on account of the Company's proposal not being found eligible by IDBI (operating agency under TUFs)/MoT, GOI for assistance under TUFs for any reason whatsoever. The Company agrees and acknowledges that the decision of IDBI/MoT, GOI as to eligibility for assistance under TUFs shall be final and binding.
- c. UTI Bank Ltd. shall not be responsible for rejection of the company's application by IDBI or any modifications in or withdrawal of the TUFs guidelines.
- d. Reimbursement of interest of five percentage points, or as may be eligible under TUFs, shall be made available as and when received by UTI Bank from IDBI/MoT, GOI.
- e. Reimbursement of interest as above will be available only in respect of items of project cost eligible under TUFs.
- f. The Company shall furnish information/data to UTI Bank as may be required by the IDBI/MoT, GOI under TUFs and authorise UTI Bank to furnish any such information to IDBI/MoT, GOI.
- g. The Company shall refund excess amount, if any, of interest reimbursement received, if such of the facility or any part thereof is found to be not eligible to be covered under TUFs.

For more information on the TUFs scheme kindly refer to Section titled "Key Industry Regulations and Policies" on page no. 82 of the RHP. All our term loans are under the TUFs scheme. For details of loans availed under the TUFs scheme kindly refer to Annexure V of "Financial Statements" and Chapter titled "Objects of the Issue" on page no. 130 and page no. 25 respectively of the RHP. For capacity additions under the TUFs scheme and proposed capacity additions kindly refer to Paragraph titled "Our Manufacturing Capacities" on page no. 64 of the RHP.

Human Resources

Recruitment of personnel in different categories is made through the human resources department of our Company. Managing a workforce doing largely repetitive work is one of the challenges that we face. Further, with competition from other companies in our type of 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 favorable work atmosphere have helped us in having lower attrition rates than the rest of the industry. We provide employees with benefits as prescribed by law, such as provident fund, gratuity and employee state insurance as per Employee State Insurance Act, 1948.

Employee Development Policy and Training

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

Our corporate objective is to provide every employee training, which is one of the mandatory leadership competencies for promotion.

Compensation Policy

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

Employee Stock Option Plan

We have instituted a stock option plan to reward and help retain our employees and independent directors and to enable them to participate in our future growth and financial success. The Plan includes provision for the grant of

options to employees and independent directors of Indus Fila Limited. The Plan has been constituted in accordance with the requirements of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. See the section titled “Capital Structure – Notes to Capital Structure” on page 17 of this Red Herring Prospectus.

Corporate Social Responsibility

Corporations do not create a team. It's a good team, which creates a good corporation. We fully realize this fact and therefore provide its team with the best working and social environment. From a highly creative office atmosphere to an eco-friendly production infrastructure, our business philosophy is finely guided by protecting the environment and the interest of its people, customers and business associates. From healthcare to international standards of social compliance, we treat every issue as a means to higher efficiency of our social responsibility.

Health and Safety

We are committed to the health and safety of our employees, the environment and enriching the quality of community life. We intend to expand and manage our business operations in a safe and environmentally sustainable manner. We comply with applicable health, safety and environmental legislation and other requirements in our operations in different jurisdictions. To ensure effective implementation of our practices, we seek to identify and evaluate potential hazards and to develop and put in place adequate controls. We also emphasize training in occupational health and safety procedures as an integral part of our operations.

Environmental Regulation and Initiatives

Good environmental practice has always been a prime consideration in our development, leading us to seek practical solutions to avoid the production of waste. Environmental legislation in India includes the Environmental Protection Act 1986, the Water (Prevention and Control of Pollution) Act 1974 and the Air (Prevention and Control of Pollution) Act 1981. 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. We view all environmental regulations and legislation as the minimum standard to be attained and strive to exceed them significantly where possible as the needs of the retail industry have changed.

We have obtained necessary environmental consents. For more information regarding these licenses and approvals see “Regulatory and Other Approvals” beginning on page 154 of this Red Herring Prospectus.

In the Community

We take our responsibility to contribute to the community in which we operate seriously. We make every effort to support our staff and the wider society in improving our local community. We have always taken an active role in local communities in which it operates, supporting many worthy causes.

We recognize that our employees have an important role to play within the wider community and seek to provide every effort to support its staff with charitable endeavors and local community initiatives. These activities have included promoting and sponsorship of individual and social activities, fund raising for hospitals and schools and coordinating with aid agencies and local authorities for projects around the nation. We have always considered it our duty to help and support socio-economic causes that are beneficial to people and the society at large.

Corporate Values

- We are committed to actions to restore and preserve the environment.
- We are committed to developing safe and clean technologies using the best environmental practices.
- We are committed to minimizing waste and pollutants, conserving resources, and recycling materials at every stage of the product life cycle.

- We will continue to work with customers and public authorities, vigorously pursuing the development, and implementation of improved technologies and products by minimizing their impact on the environment.
- We will develop effective methods and procedures, and will promote a culture in which all employees share this commitment.

In this way, we aim to have an environmental performance we can be proud of, to earn the confidence and respect of customers, shareholders, and society at large, and to contribute to sustainable development.

KEY INDUSTRY REGULATIONS AND POLICIES

The Government of India, has over the years, formulated various policies and schemes and enacted legislations which apply to companies engaged in the Textiles in India. The Statutes, Orders, Regulations and some recent initiatives taken by the Government to help Indian Textile Industry are detailed as follows:

A. THE NATIONAL TEXTILE POLICY – 2000

The National Textile policy of the Government aims to develop a strong and vibrant industry that can compete in the international market as a manufacturer of good quality cloth at competitive prices. The Policy aims to facilitate the development of the Textile Sector by liberalizing controls, modifying regulations, encourage product diversification and upgradation, sustain traditional knowledge and skills, integration of Information Technology into the entire value chain and cause the co-operation of different players like the State and Central Governments, financial institutions, entrepreneurs, farmers and non-governmental organizations in this endeavor.

The Policy identified various sector specific measures in respect of Raw Materials, Processing & Finishing, Carpets, Made Ups, Spinning and Weaving Sectors that shall be provided and facilitated by the government in order to achieve the above objectives.

B. SCHEME FOR INTEGRATED TEXTILE PARKS (SITP) :

The Scheme for Integrated Textile Parks (SITP), introduced by the Government of India in October 2005 for the purpose of providing infrastructure facilities to the textile industry for setting up textile units is launched by merging two existing Schemes - Apparel for Export (APE) Scheme and the Textile Centre Infrastructure Development Scheme (TCIDS). The Scheme envisages setting up of Integrated Textile Parks based on the Public Private Partnership model. The Ministry of Textiles shall implement the Scheme through Special Purpose Vehicles.

C. TECHNOLOGY UPGRADATION FUND SCHEME:

In order to provide impetus to the modernization of textile and jute industry, Government of India, Ministry of Textiles has launched a Technology Upgradation Fund Scheme (TUFS), which is in operation from 1.4.1999 to 31.03.2007. 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. 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 Powerloom units, with effect from 6.11.2003 an additional option of credit linked upfront 20% capital subsidy for Powerloom. The government has approved the extension of the benefit of the credit linked capital subsidy at 10% under TUFS (in addition to the existing 5% interest reimbursement) to the specified textile processing machinery further upto March 31, 2007.

Applicability to Our Company:

The entire rupee term loan of the Expansion Project amounting to Rs.5,200 lakhs is eligible for a 5% interest subsidy under the Technology Upgradation Fund Scheme (TUFS) subject to conditions specified therein.

Further, under the amended provisions of TUFS we will also be eligible for an additional incentive of 10% capital subsidy for the specified textile processing machinery if we make investments in such specified processing machinery in prescribed timeframe. This capital subsidy will be over and above the 5% interest subsidy to which we are entitled.

D. COTTON ORDER 1986

The Cotton Order 1986 was issued under Section 3 of the Essential Commodities Act 1955 and it provides that the Textile Commissioner may lay down the maximum amount of cotton that may be in the possession of a manufacturer, cotton ginning factory or a cotton pressing factory; the packaging requirements in respect of ginned and unginned cotton and power of search and seizure to secure compliance with the Order.

E. TEXTILES (DEVELOPMENT AND REGULATION) ORDER, 2001

The Central Government under the Essential Commodities Act, 1955 issued the Textiles (Development and Regulation) Order 2001. The Order requires maintenance of books of account and data relating to the production, processing, import, export and consumption by every manufacturer or dealer of textiles, textile machinery etc. The Order requires filing of Form IA with the Textile Commissioner on the installation of textile machinery. The Order empowers the Textile Commissioner to issue Directions relating to the production, supply and marking of textiles.

F. TEXTILES COMMITTEE ACT, 1963

The Textiles Committee was established under the Textiles Committee Act, 1963 for the purpose of ensuring standard qualities of textiles, both for internal marketing and export purposes and also the manufacture and use of standard type of textile machinery. In this regard, the Committee may, adopt or recognize standard specifications for textiles, packaging materials and textile machinery. The Committee is also empowered to impose a Cess on all Textiles and textile machinery manufactured in India subject to a ceiling of 1% ad valorem.

As per the recent Notification No: 12020/2/2002-A&MMT(TC) dated January 17, 2007, the cess on ready made garments is exempt from the date of said notification.

G. THE ADDITIONAL DUTIES OF EXCISE (TEXTILES AND TEXTILE ARTICLES) ACT 1978

The Additional Duties of Excise (Textiles and Textile Articles) Act 1978 provides for the levy and collection of an additional 15% of the total amount of excise duty chargeable on certain textiles and textile articles as specified in the schedule to the said Act.

H. 100% FOREIGN DIRECT INVESTMENT (FDI) IN THE TEXTILE SECTOR:

The Government of India under the provisions of the Foreign Exchange Management Act 1999 and the Foreign Exchange Management (Transfer or Issue of Security by Persons Resident Outside India) Regulations 2000 has allowed foreign equity participation upto 100%, through automatic route, in the textile sector. 100% FDI in trading is permitted under the Prior Approval Route in case of trading companies for exports; bulk imports with export sales; cash and carry wholesale trading etc.

We have enjoyed FDI under the Regulations to the tune of Rs 308.49 lakhs through investments made by foreign individuals the details of which are given in the “Notes to Capital Structure” on page 21 of the RHP.

I. PRESS NOTE 17 OF 1998

With a view to encourage investment and reduce operational difficulties for Export Oriented Units (EOU) in the cotton yarn sector, the government has allowed export of cotton yarn and cotton cloth without any count restrictions in the manner laid out below:

(i) Those 100% EOUs that are manufacturing cotton yarn and are subject to count restrictions may be permitted to export cotton yarn without any count/domestic cotton use restriction upto 31st December, 1998 subject to the condition that such exports are within the overall quantitative ceiling on cotton yarn exports of counts 1- 40 (which is 175 million Kgs for the calendar year 1998 as of date). For such exports, the EOUs will have to apply to the Cotton Textile Export Promotion Council (TEXPROCIL) for allocation of ceiling.

(ii) The composite units manufacturing cotton yarn as well as fabrics both existing and new as may be provided in the Letter of Permission (LOP) under the 100% EOU sector, would be allowed the flexibility to export cotton yarn also, without any count restriction/sourcing of domestic cotton condition. This dispensation would be contingent upon the following conditions:-

(a) Special eligibility would accrue only after the weaving capacity has been fully installed, certified as balanced unit of spinning and weaving capacity by Textile Commissioner, and its commercial production has started.

(b) The export of yarn at any time would not be more than exports effected in the form of fabric in value terms and will be overall governed by the Letter of Undertaking (LUT) regarding export obligation

J. FOREIGN TRADE POLICY 2004-09

For India to become a major player in world trade, an all encompassing, comprehensive view needs to be taken for the overall development of the country's foreign trade. The Foreign Trade Policy provides certain promotional measures which are given as under:

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

The Department of Commerce has formulated a scheme called ASIDE to encourage state government to participate in promoting exports from their respective States. For this purpose. Suitable provision has been made in the Annual Plan of the Department of Commerce for allocation of funds to the states on the twin criteria of gross exports and the rate of growth of exports.

a. Market Access Initiative (MAI)

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

b. Marketing Development Assistance (MDA)

The Marketing Development Assistance (MDA) Scheme is intended to provide financial assistance for a range of export promotion activities implemented by export promotion councils, industry and trade associations on a regular basis every year.

K. DUTY EXEMPTION & REMISSION SCHEMES

The Ministry of Commerce and Industry provides for the certain incentives to the exporters in the form of duty exemption/remission schemes. Duty exemption schemes enable duty free import of inputs required for export production, whereas Duty Remission Scheme enables post export replenishment/ remission of duty on inputs used in the export product.

ADVANCE AUTHORISATION SCHEME (ERSTWHILE ADVANCE LICENSE SCHEME)

An advance authorisation is issued to allow duty free import of inputs (exemption from payment of basic customs duty, additional customs duty, education cess, anti-dumping duty and safeguard duty), which are physically incorporated in the export product (making normal allowance for wastage) subject to actual user condition even after completion of export obligation. In addition, fuel, oil, energy, catalysts etc. which are consumed in the course of their use to obtain the export product, may also be allowed under the scheme.

Advance Authorisation may also be obtained on an annual basis for physical exports, intermediate supplies and/or deemed exports, which entitles the holder to authorization of upto 300% of the FOB value of the physical export/ FOB value of the deemed export or Rs. 1 crore, whichever is higher.

Drawback shall be available in respect of duty paid on imported materials used in exported goods.

We have benefited from duty free import of inputs for our exports. For more details on our Advance Licence under the Paragraph titled "Export Obligations" refer page no. 71 of the RHP.

DUTY FREE REPLENISHMENT CERTIFICATE (DFRC)

DFRC permits the import by merchant-exporter/manufacturer-exporter of inputs used in the manufacture of goods without payment of basic customs duty, subject to payment of additional customs duty. DFRC shall be issued on minimum value addition of 25% except where otherwise prescribed. However, the Foreign Trade Policy 2004-09 provides that the DFRC Scheme shall only be available for exports effected upto 30-4-2006.

DUTY ENTITLEMENT PASSBOOK SCHEME

The DEPB Scheme entitles the holder to duty credit on the import content of the export product to the extent of a specified percentage of the FOB value of the said export, made in freely convertible currency. The Scheme shall be applicable to import of raw materials, intermediates, components, parts, packaging materials etc. The credit may also be utilized for payment of customs duty on any item which is freely importable.

DUTY FREE IMPORT AUTHORISATION

The Scheme permits the duty free import of inputs used in the manufacture of export product as also the fuel, energy, catalyst used in the course of such manufacture, subject to minimum value addition of 20%. The Scheme also prescribes actual user condition, though, application for transferability of the inputs may be made on the completion of the export obligation. Drawback facility shall be available for all duty paid materials under this Scheme.

L. THE EXPORT PROMOTION OF CAPITAL GOODS (EPCG) SCHEME

The scheme allows import of capital goods for pre production, production and post production at 5% Customs duty subject to an export obligation of 8% of the duty saved on the capital goods imported under the Scheme to be fulfilled over a period of 8 years from the date of Issuance of Authorisation. The scheme covers manufacturer exporters with or without supporting manufacturer(s)/ vendor(s), merchant exporters tied to supporting manufacturer(s) and service providers.

We have benefited from duty free import of capital goods at a concessional rates of custom duties subject to export obligations. For more details on our EPCG Licence under the Paragraph titled “Export Obligations” refer page no. 71 of the RHP.

M. FINANCE ACT, 2007

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

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

The above policies whenever applicable to us, will be applicable in the normal course of operations, as they are applicable to any other textiles and garment company operating in the industry.

OUR HISTORY AND CORPORATE STRUCTURE

ABOUT US

Indus Fila Limited, the flagship company of the group is a new age fashion and textile manufacturer with sharp focus on design and backward integration capabilities, thriving under the dynamic leadership of Mr. Nitin Narayandas Mandhana, the prime mover of the Company, supported by two other promoter directors - Mr. Shashikant Govindlal Mandhana and Mr. Prakash Govindlal Mandhana. The promoters are from a family which is associated with the textile industry for a long time since Mr. Narayandas Mandhana, the father of Mr Nitin Mandhana started trading in textiles since past four decades.

We are engaged in yarn dyeing, fabric weaving, fabric processing and apparel manufacturing. The commercial production of Company's expanded activities - weaving and apparels started in the month of November 2004. Currently we manufacture color dyed, solid dyed fabrics for domestic garment manufacturers and exporters. The apparel manufacturing of Men's Shirts and Ladies Tops is mainly for exports. We have positioned ourselves as a multi product, multi fibre and multi market player ensuring that our target market is a diverse mix of the domestic fabrics market, garment export and international market (fabrics exports). We have integrated design-to-delivery capability with emphasis on design excellence and innovative product engineering. We share a close rapport with a number of marquee international and domestic brands - Izod, Arrow, Chaps, Armani Exchange and Levi Strauss due to the international marketing experience of our Managing Director while he was the Managing Director of Mandhana Bornemann Industries which was into the manufacturing of Brand Identification Products for global garment brands.

We have multi-locational production and distribution facilities spread across Bangalore and Mysore, viz. Peenya and Nelamangala in Bangalore, Nanjangud in Mysore fully backed up by the facilities for product development, design studio and efficient sampling infrastructure which consists of a team of designers and pilot sampling machines to provide quality services to our customers in India and abroad. We also have distribution facilities in Chennai and Mumbai which gives us advantage of being able to serve our customers from multi-locations. We currently employ over 480 people.

Presently, we are operating with 156 weaving looms (including 48 looms under 100% manufacturing agreement) producing approximately 20.80 million meters of fabric per annum and 750 sewing machines with production capacity of 2.70 millions garments per annum.

Our Operational Income and Profit after Tax (PAT) as per the restated financial statements for the financial year ending March 31, 2006 is Rs 8,249.13 lacs and Rs 548.96 lacs and for the half year ended September 30, 2006 is Rs 10917.81 lacs and Rs 1063.44 lacs respectively. Our Operational Income and PAT have grown at a CAGR of 99.29% and 147.23% respectively over the period of five years and six months.

MAJOR EVENTS IN OUR HISTORY ARE GIVEN BELOW:

Year	Key Events
1999	Incorporation of Indus Fila Private Limited
2000	Commencement of business with yarn dyeing in Nelamangala.
2001	Capex incurred to increase capabilities of yarn dyeing.
2004	Commenced weaving and garmenting activity
2005	First export order received in February 2005 Capex of Rs 870 lakhs for further addition of capacity in weaving and garmenting.
2006	Agreement entered for acquiring fully integrated weaving, processing and finishing unit in Mysore for a consideration of Rs 90 crores
May 2006	Sale deed executed for acquisition of the fully integrated weaving, processing and finishing unit in Mysore with a capacity of 50,000 meters per day and a co generation power plant of 6 MW.

MAIN OBJECTS OF OUR COMPANY

The main objects pursued by the Company on its incorporation are :

1. To carry out the business of Manufactures, Processors, Purchasers, Sellers, Importers, Exporters, Marketing Agents, Distributors, Stockists, Wholesale, Retail dealers, Printers, Bleachers, Dyers, Spinners, Twistors, Reelers, Designers, Weavers of Garments, Fabrics, Apparels, Hosiery and Textiles of all nature and description including those made from Polyester, Silk, Rayon, Nylon, Terene, Cotton, Wool, Leather, Man-made Fibres, Synthetic Fibres, and in men's, women's and children's clothing and wearing apparel of every kind, nature and description including blankets, shawls, tweeds, linens, flannels and material of every kind, nature and description including buttons, labels, zip fasteners, lining material, buckles, cufflinks, stitch buttons, articles of wool, worsted materials and of all the articles similar to the foregoing and any of them or connected therewith and to act as Technical Consultants in these fields and to render such technical assistance or services in India and abroad.
2. To undertake and engage in or to carry on the activity of textile processes like calendaring, sizing, dyeing, bleaching, shrinking, finishing, mercerizing, texturing, printing, stamping and other textile processes for yarns, threads, woven or non-woven fabrics, hosiery, knitted garments and apparels, made of cotton, jute, hemp silk, art-silk, nylon, wool, synthetic, man-made fibres and filaments like terence, terecot, polyester and others being produced and used at present and as may be produced and used in future.
3. To carry on the business of importers, exporters, bleachers, dyers, printers, spinners, doublers, weavers, manufacturers, ginners, packers, buyers, sellers, dealers of raw cotton or finished cotton, bales, cotton yarn, cloth, linen, flax, jute, hemp, silk, wool and any other fibrous materials and all other natural, man-made, synthetic fibre, the cultivation thereof, fabric whether netted or looped and process all such fibres and to carry on anywhere in India or abroad the business as importers, exporters, manufacturers of and dealers in all types of plant and machinery and chemicals used in production of the above products and the business of consultancy in all its branches and without limiting the generality of the foregoing to render designing and engineering services and provide technical know-how to run and maintain plants and machinery for manufacture of the above products.
4. To appoint dealers, stockists, agents and to establish branches, sales depots / retail outlets for all or any of the above mentioned products and related items and to act as exporters, importers, indentors, stockists, sales / service agents for the India/overseas principals of all or any of the above products and related items.

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

CHANGE OF ADDRESS OF THE REGISTERED OFFICE OF THE COMPANY

Date of Shareholders' Approval	Old Address	New Address
December 12, 1999	No. 27, Ground Floor, 1 st Floor, 'A' Main, II-Cross, Ashwathnagar, New Extension, RMV II Stage, Bangalore – 560 094	No. 90/91, 7 th Main Road, Phase II, Peenya Industrial Area, Bangalore – 560 058.
May 28, 2001	No. 90/91, 7 th Main Road, Phase II, Peenya Industrial Area, Bangalore – 560 058.	Survey No. 285, 37 th KM Stone, NH4, T.Begur, Kasaba Hobli, Nelamangala – 562 123.

CHANGE IN MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

Date of Shareholders' Approval	Changes made
April 1, 2000	Authorised capital increased from Rs.1 crores to Rs.3 Crores
March 31, 2005	Authorised capital increased from Rs.3 Crores to Rs.5.50 Crores
March 31, 2006	Authorised Capital Increased From Rs.5.50 Crores to Rs.25 Crores
March 31, 2006	Effectuated change in the status of the company from "Indus Fila Private Ltd." to "Indus Fila Ltd." consequent to the conversion of the company into a public company.
November 18, 2006	Alteration of Articles of Association of the Company by deleting the existing Articles Clauses 1 to 80 and substituting with the new clauses due to change in the status of the Company from Private to Public. For more information on our Memorandum and Articles of Association, refer to page 202 of the Red Herring Prospectus

SHAREHOLDERS AGREEMENT

Our Company has not entered into any shareholders agreement as on the date of filing the Red Herring Prospectus.

OTHER AGREEMENTS**1. Agreements with SSI Units**

We had entered into long term outsourcing agreements dated April 22, 2004 with 12 SSI units at Miraj in Maharashtra in Fiscal 2004 for weaving of grey fabrics on job work, which gives the advantage of control of production, quality and cost effectiveness available to SSI units. To have an advantage of lower outsourcing price on account of lower capital and power cost, we have encouraged them to set up the units to have the above advantage. The names of the SSI units are as under:

Sl. No.	Name of the SSI Unit
1	Abhay Weaving Mills Private Limited
2	Abhijeet Weaving Mills Private Limited
3	Ahaan Textiles Private Limited
4	Avinash Weaving Mills Private Limited
5	Kavita Weaving Mills Private Limited
6	Neeta Weaving Mills Private Limited
7	Niharika Weaving Mills Private Limited
8	Nirmala Hosieries Mills Private Limited
9	Savita Textiles Private Limited
10	Siddhant Spinning & Weaving Mills Private Limited
11	Sneha Textiles Private Limited
12.	Vedant Weaving Mills Private Limited

The major features of the agreement are as follows:

- Indus Fila shall supply Sized beams, Warp rolls, Wept Yarn, etc as per their requirement on regular basis.
- Indus Fila agrees to pay weaving charges @ 22 paise per pick as a general rate on arms length basis for any quality and the SSI unit would raise and send invoice with every consignment dispatched. However the prices may be changed at any time with the mutual consent of both the parties.
- Weft yarn consumption shall be calculated considering a maximum 2 % wastage allowance.

2. Buying of fabric division on ‘going concern basis’

We have executed an agreement for buying of fabric division of M/s Sai Lakshmi Industries Pvt Ltd on ‘going concern’ basis including moveable, immovable assets, current assets and current liabilities along with license, permits for a cash consideration of Rs 8839.25 lakhs duly registered in our name on May 6th, 2006. The same is being executed and the transfer of the assets is being done in full. We have acquired the total assets which includes 63.29 acres land, 470,000 Sq Ft. of building, state-of-the-art plant and machinery along with required utilities on a going concern basis.

The valuation was done by M/s Nakasha Blossoms, Chartered Engineers, Registered valuers and Architects and the report dated April 13, 2006 and the basis of calculation was done on a “going concern” basis.

The major features of the agreement are as follows:

For Movable assets:

- A. The Seller owns, maintains and operates inter-alia, a textile manufacturing facility which constitutes a business activity as a whole as a separate division and undertaking under the name “Fabric Division” (herein after referred to as the “Undertaking”) and is engaged in the business of manufacture and sale of ‘Textile Fabric’ (“the Products”) in the said Undertaking located at Thandya Industrial Area, Thoramavu & Immoyu Villages, Nanjangud and the Buyer is engaged in the similar business of manufacturing and sale of the Products;
- B. The Seller, agreed to sell and the Buyer agreed to purchase and accept all the Movable Assets (herein after referred to as the “Assets”) comprising of Industrial Machinery and related accessories forming part of or used in the Undertaking, set forth in Annexure to this Deed.
- C. Further, the Seller agreed to sell and the Buyer agreed to purchase and accept all the licences, permissions, privileges, approvals and concessions obtained or enjoyed by the Seller from the Central and State Governments, Local Bodies, Statutory and Regulatory Authorities, in relation to the Business of the Undertaking and Assets forming part thereof.

For Immovable assets:

- A. The Seller is the absolute owner, fully seized and possessed of the property being an industrial land in Thandya Industrial Area along with the buildings thereon and situated at several Survey Numbers of Thoramavu, Himavu and Thandavapura Village, Chikkaiahna Chatra Hobli, Nanjangud Taluk, Mysore District.
- B. The Seller herein constructed a building and other facilities for its factory comprising about 46,777 Square Metres, on the aforesaid land in accordance with the plans sanctioned by the Karnataka Industrial Area Development Board.
- C. The Seller grants, conveys, transfers and assigns unto the Purchaser all that piece and parcel of property being an Industrial Land together with building & structures thereon and situated at various Survey Numbers of Thoramavu, Himavu and Thandavapura Village, Chikkaiahna Chatra Hobli, Nanjangud Taluk, Mysore District, free from all encumbrances, charges and liens together with all estate, right, title, interest, property, claim and demand of the vendor into and upon the said property.

The sale deed is registered for movable and immovable assets and the possession of fabric division assets is taken over by us.

STRATEGIC AND FINANCIAL PARTNERS

We do not have any strategic or financial partner as on the date of filing the Red Herring Prospectus.

OUR MANAGEMENT

Board of Directors

Presently we have six directors on our Board including the Non Executive Chairman. The day to day affairs of the Company is being handled by Mr. Nitin N. Mandhana, Vice Chairman & Managing Director under the overall supervision and control of the Board of Directors.

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

Sr. No.	Name, Designation, Father's Name, Address & Occupation	Age	Date of Appointment	Other Directorships
1	Mr. Gerhard Bornemann <i>Non Executive Chairman & Director</i> S/o. Mr. Wilhelm Schmie De Str.5 D45549 Sproauhoeval, Germany Business	67	April 11, 2006	<ul style="list-style-type: none"> • Nil
2	Mr. Nitin Narayandas Mandhana <i>Vice Chairman & Managing Director</i> S/o. Mr. Narayandas C. Mandhana No. 333, 6a, Embassy Woods, Cunningham Road, Bangalore - 560 052 Business	39	April 01, 2006	<ul style="list-style-type: none"> • Indus Infoways Private Limited • Parag Investment Private Limited • Kamal Kishor Finvest Private Limited
3	Mr. Shashikant Govindlal Mandhana <i>Executive Director</i> S/o. Mr. Govindlal C Mandhana Bungalow No. 106, 3rd Main, 1st Block, 2nd Stage, Ashwathnagar, Dollars Colony, Bangalore-560 094 Business	48	April 01, 2006	<ul style="list-style-type: none"> • Andrew Finvest Private Limited
4	Mr. Prakash Govindlal Mandhana <i>Executive Director</i> S/o. Mr. Govindlal C Mandhana, 12A, Lotus Court, Dr. Annie Besant Road, Worli, Mumbai - 400 018. Business	41	April 01, 2006	<ul style="list-style-type: none"> • Andrew Finvest Private Limited • Siddmeshwar Investment Private Limited.
5	Mr. Balaji V. Bhat <i>Independent Director</i> S/o. Mr. Venugopal Bhat No. 302, 2nd Floor, Embassy Orchid, 8th Main, RMV Extension, Bangalore - 560 080. Business	42	April 11, 2006	<ul style="list-style-type: none"> • Subex Technologies Ltd • Yuken India Ltd. • Natural Capsules Ltd. • Subex Azure Ltd. • Indusage Advisors Pvt. Ltd. • Apar Enterprise Solutions Pvt. Ltd. • K. Mohan & Company (Exports) P Ltd. • Primus Retail Pvt. Ltd. • Indusage Advisors (Asia Pacific) Pte Ltd. • Primus Brands Pvt. Ltd
6	Mr. Venkatesh Sivaraman <i>Executive Director</i> S/o. Mr V. Sivaraman Old No. 250A & New No. 208/1, Alagesan Road, Saibaba Colony, Coimbatore – 641 011	43	August 17, 2006	<ul style="list-style-type: none"> • Sivasa Intex (India) Ltd • Shivram Associate Pvt Ltd.

Brief Profile of our Directors:

- **Mr. Gerhard Bornemann**, aged 67 years, is our Non Executive Independent Chairman. He is a German National. Mr. Gerhard Bornemann promoted the B&B (Bornemann & Bick) group of companies to manufacture a broad range of apparel identification products and had operations in India, Germany, Hong Kong, China, Turkey, Poland and Spain. He sold the business and diversified into shipping, construction and investment activities.
Our Company would be benefited with his global vision and knowledge of International Trade.

- **Mr. Nitin Narayandas Mandhana**, aged 38 years, holds a commerce degree from Mumbai University. He is the Vice Chairman & Managing Director of the Company. He has a track record in textiles business with wide contacts and international marketing experience. He was a part of the team which launched “Vivaldi” brand for Bombay Dyeing in 1988. From 1993 to 2005 he was the Managing Director of Mandhana Bornemann Industries which manufactured Brand Identification products for all global garment brands. He looks after marketing and customer relationships and is responsible for the day-to-day operations of the Company. He started his career by joining family business of textile, garmenting and easily took the business to a comfortable level. With over 15 years of experience in this industry, he has been the driving force behind the growth of the Company.

- **Mr. Shashikant Govindlal Mandhana**, Executive Director, aged 48 years is a Commerce Graduate. He started his career by joining his family business of textile processing and garmenting at Mumbai. With his skill, hard work and 25 years of experience in this industry he has been running business under his directorship. He commenced the export division of the textile and processing business of the family prior to joining our Company.

He is involved in the operations and marketing of Apparel business of the Company which needs very meticulous follow up and planning for timely order servicing. Being from a business background, his entrepreneurial ability motivates his team towards the achievement of the determined target by improving morale and advancing their confidence in themselves and in the Company.

- **Mr. Prakash Govindlal Mandhana**, Executive Director, aged 40 years is a B. Tech (Textiles). He heads the Marketing and Product Development of Fabric division and is based in Mumbai. He has 18 years of experience. He is specialized in designing and marketing of specialized design fabrics and also controls the administration and HR functions for the Company. With his able administration and hard work he has been running successful business establishment under his directorship. Prior to joining our Company, he was heading a team of marketing professionals for fabric division in the family business.
- **Mr. Venkatesh Sivaraman**, Executive Director, Venkatesh (43 years) has a rich experience in retailing and brand building. He started his career with Bombay Dyeing in Retail Stores Development, building of “Vivaldi” brand and development of 172 stores. He was also the MD of Mafatlal SA Intex Ltd., where he developed 75 exclusive retail chain stores. Between 1997 and 2006, he was the MD of Crocodile India, a JV with Crocodile Intl. PTE Ltd., Singapore. He is a commerce graduate with a Diploma in Textiles from University of Strathclyde (UK).
- **Mr Balaji V Bhat**, Independent Director, Balaji (42 yrs.) is a qualified Chartered Accountant and was heading a leading Assurance practice firm, Gnanoba & Bhat in Bangalore for 12 years before co-founding Indusage Advisors Pvt. Ltd., an investment banking and business consulting firm in 2000. Indusage specializes in offering advise and consulting services to SMEs. In 2003 Balaji co-founded Primus, a convenience retail chain in branded lifestyle products and has been its whole time director and CEO since then. His experience in the field of finance is instrumental in our growth and expansion plans.

Borrowing Powers

Our Articles of Association authorize our Board, to borrow moneys and secure the payment thereof. Our shareholders at the EGM held on November 18, 2006 authorized the Board to borrow by way of loans (term loans/working capital facilities/external commercial borrowings and securities (debentures) the aggregate value of which (including existing facilities etc.) shall not exceed Rs.250 Crores from financial institutions / banks etc.

For details regarding powers of our Board in this regard kindly refer to the section titled “Main Provisions of the Articles of Association” on page 202 of the Red Herring Prospectus.

TERMS OF APPOINTMENT AND COMPENSATION OF MANAGING DIRECTOR AND WHOLE TIME DIRECTORS

In the EGM held on March 31, 2006, our shareholders have approved the appointment of Non - Executive Chairman, Vice Chairman and Managing Director and Whole Time Directors, except for Mr Venkatesh Sivaraman, who was appointed on August 17, 2006. The following terms and conditions of appointment were finalized, details of which are as under:

A. Major terms of appointment of Mr. Nitin N. Mandhana, Vice Chairman and Managing Director

Mr. Nitin N. Mandhana has been appointed as the Vice Chairman and Managing Director of the Company with effect from April 01, 2006 as per the following terms & conditions:

a.	Date of Commencement	01/04/2006
b.	Tenure of Appointment	5 years
c.	Designation	Vice - Chairman and Managing Director
d.	Responsibility	Overall management of the affairs of the company with substantial powers of management.
e.	Remuneration	Rs.3 Lakhs Per Month

Remuneration :

Salary	Basic: - Rs.1,00,000/- per month with 10% annual increment
Allowance	Special Allowance :- Rs.20,000/- per month
Perquisites	He shall also be entitled to the following perquisites, subject to the condition that the aggregate value of the perquisites availed by him in any year, calculated on the basis of cost to the company as under:

CATEGORY ‘A’

(i) Medical Reimbursement:

He shall be entitled for reimbursement of medical expenses incurred for him and his family subject to a ceiling of Rs.1,250/- per month.

(ii) Leave Travel Concession:

He and his family shall be entitled for leave travel concession for travel to any place within India or outside India at his option in a year with a cost to the company not exceeding Rs.15,000/- per month.

(iii) Club Fees:

He shall be entitled for payment of fees of clubs with a ceiling of Rs.10,000/- per month, which shall not include admission and life membership fees.

(iv) Rent for Furnished Residential Accommodation:

He is entitled for a fully furnished accommodation with an annual cost to the company @ Rs.20,00,000/- per annum.

CATEGORY 'B'

He shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration.

- (i) Contribution to Provident Fund, Super Annuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- (iii) Encashment of leave at the end of every year.

CATEGORY 'C'

He shall be entitled provision of car with a driver for use on Company's business and telephone at residence. However, personal long distance calls on telephone and use of car for private purposes shall be billed by the Company.

B. Major terms of appointment of Mr. Shashikant G. Mandhana, Whole Time Director

Mr. Shashikant G. Mandhana has been appointed as the Whole Time Director of the Company with effect from April 01, 2006 as per the following terms & conditions :

a.	Date of Commencement	01/04/2006
b.	Tenure of Appointment	5 years
c.	Designation	Whole-time Director (designated as Executive Director)
d.	Responsibility	Overall management of the affairs of the Apparel Division of the Company with substantial powers of management.
e.	Remuneration	Rs.2,00,000 per month

Remuneration:

Salary	Basic: - Rs.80,000/- per month with 10% annual increment
Allowance	Special Allowance :- Rs.10,000/- per month
Perquisites	He shall also be entitled to the following perquisites, subject to the condition that the aggregate value of the perquisites availed by him in any year, calculated on the basis of cost to the company as under:

CATEGORY 'A'

Medical Reimbursement:

He shall be entitled for reimbursement of medical expenses incurred for him and his family subject to a ceiling of Rs.1250/- per month.

Leave Travel Concession:

He and his family shall be entitled for leave travel concession for travel to any place within India or outside India at his option in a year with a cost to the company not exceeding Rs.12,000 per month.

Club Fees:

He shall be entitled for payment of fees of clubs with a ceiling of Rs.10,000/- per month, which shall not include admission and life membership fees.

Rent for furnished residential accommodation:

He is entitled for a fully furnished accommodation with an annual cost to the company @ Rs.12,00,000/- per annum

CATEGORY 'B'

He shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration.

- (i) Contribution to Provident Fund, Super Annuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- (iii) Encashment of leave at the end of every year.

CATEGORY 'C'

He shall be entitled provision of car with a driver for use on Company's business and telephone at residence. However, personal long distance calls on telephone and use of car for private purposes shall be billed by the Company.

C. Major terms of appointment of Mr. Prakash G. Mandhana, Whole Time Director

Mr. Prakash G. Mandhana has been appointed as the Whole Time Director of the Company with effect from April 01, 2006 as per the following terms & conditions:

a.	Date of Commencement	01/04/2006
b.	Tenure of Appointment	5 years
c.	Designation	Whole-time Director (designated as Executive Director)
d.	Responsibility	Overall management of the affairs of the Textiles Division of the company with substantial powers of management.
e.	Remuneration	Rs.2,00,000 per month

Remuneration :

Salary	Basic: - Rs.80,000/- per month with 10% annual increment
Allowance	Special Allowance :- Rs.10,000/- per month
Perquisites	He shall also be entitled to the following perquisites, subject to the condition that the aggregate value of the perquisites availed by him in any year, calculated on the basis of cost to the company as under:

CATEGORY 'A'**Medical Reimbursement:**

He shall be entitled for reimbursement of medical expenses incurred for him and his family subject to a ceiling of Rs.1,250/- per month.

Leave Travel Concession:

He and his family shall be entitled for leave travel concession for travel to any place within India or outside India at his option in a year with a cost to the company not exceeding Rs.12,000 per month.

Club Fees:

He shall be entitled for payment of fees of clubs with a ceiling of Rs.10,000/- per month, which shall not include admission and life membership fees.

Rent for Furnished Residential Accommodation:

He is entitled for a fully furnished accommodation with an annual cost to the company @ Rs.12,00,000/- per annum

CATEGORY 'B'

He shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration.

- (i) Contribution to Provident Fund, Super Annuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- (iii) Encashment of leave at the end of every year.

CATEGORY 'C'

He shall be entitled provision of car with a driver for use on Company's business and telephone at residence. However, personal long distance calls on telephone and use of car for private purposes shall be billed by the Company.

D. Major terms of appointment of Mr. Venkatesh Sivaraman, Whole Time Director

a.	Date of Commencement	17/08/2006
b.	Tenure of Appointment	1 year
c.	Designation	Whole-time Director (designated as Executive Director)
d.	Responsibility	Overall Administration and Human Resources function of the Company.
e.	Remuneration	Rs. 2,00,000 per month

Remuneration:

Salary	Basic: - Rs.1,50,000/- per month with 10% annual increment
Allowance	Special Allowance :- Rs.10,000/- per month
Perquisites	He shall also be entitled to the following perquisites, subject to the condition that the aggregate value of the perquisites availed by you in any year, calculated on the basis of cost to the company as under:

CATEGORY 'A'**Medical Reimbursement:**

He shall be entitled for reimbursement of medical expenses incurred for himself and his family subject to a ceiling of Rs.10000/- per month.

Leave Travel Concession:

He and his family shall be entitled for leave travel concession for travel to any place within India or outside India at his option in a year with a cost to the company not exceeding Rs. Rs.50,000 per Annum.

Club Fees:

You shall be entitled for payment of fees of clubs with a ceiling of Rs.10,000/- per month, which shall not include admission and life membership fees.

Rent for furnished residential accommodation:

You are entitled for a fully furnished accommodation with an annual cost to the company @ Rs.3,00,000/- per annum

CATEGORY 'B'

He shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration.

Contribution to Provident Fund, Super Annuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of every year.

CATEGORY 'C'

He shall be entitled provision of car with a driver for use on Company's business and telephone at residence. However, personal long distance calls on telephone and use of car for private purposes shall be billed by the Company.

CORPORATE GOVERNANCE

We stand committed to good Corporate Governance – transparency, disclosure and independent supervision to increase the value of our various stakeholders.

The Guidelines issued by SEBI in respect of Corporate Governance will be applicable to us immediately upon applying for in-principle approval for listing of our Equity Shares on the Stock Exchanges. Accordingly, we have undertaken steps to comply with the SEBI Guidelines on Corporate Governance. We have set up internal policies to ensure best practices in corporate governance. Our corporate governance philosophy is dedicated to the attainment of the highest levels of accountability and transparency in dealings with our stakeholders.

The Board of the Company comprises of 5 Directors and a Non-Executive Independent Chairman. Out of the six Directors two are Independent Directors in accordance with the requirements of Clause 49 of the listing agreement of the Stock Exchanges. Our Chairman is a German national and not related to the Promoters of the Company. We have complied with SEBI guidelines in respect of Corporate Governance specifically with respect to broad basing of Board, constituting the committees such as shareholding / Investor Grievance Committee, etc. We also conform that we are complying with the Corporate Governance requirements in terms of Clause 49 of the Listing Agreements.

Our Company has necessary committees in place in compliance with the said provisions.

Audit Committee

The Audit Committee has been constituted on April 11, 2006. The Committee currently consists of the following Directors:

Mr. Balaji V. Bhat	-	Chairman – Independent Director
Mr. Gerhard Bornemann	-	Member – Independent Director
Mr. Nitin N. Mandhana	-	Member – Whole time Director

The Audit Committee consists of two independent directors.

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

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

Compensation Committee

The Compensation Committee was constituted on October 7, 2006 and comprises of the following Directors:

1. Mr. Balaji Bhat - Chairman – Independent Director
2. Mr. Gerhard Bornemann - Member - Independent Director
3. Mr. Venkatesh Sivaraman - Member – Wholetime Director
4. Mr. Nitin N. Mandhana - Member - Wholetime Director

The Committee has been formed to decide and approve the terms and conditions for allocation of ESOP's to directors and employees of the Company and other matters related thereto.

Shareholder's Grievances Committee

The Shareholder's Grievances Committee has been reconstituted on November 18, 2006. The Committee comprises:

1. Mr. Balaji Bhat – Chairman – Independent Director
2. Mr. Nitin N. Mandhana – Member – Whole time Director
3. Mr. Pradeep Totla – Member (Company Secretary & Compliance Officer)

The terms of reference of the Shareholders Grievance committee are as follows:

- Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non-receipt of balance sheet etc in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

For disposal of investor grievances kindly refer to page no. 166 in the Paragraph titled “Disclosure on Investor Grievances and Redressal System” of the RHP.

Shareholding of the Directors in our Company

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

Sr. No.	Name of the Directors	Number of Shares held	% Post issue paid up Equity Share Capital
1.	Mr. Gerhard Bornemann	Nil	Nil
2.	Mr. Nitin N. Mandhana	9,875	Negligible
3.	Mr. Shashikant G. Mandhana	1,563	Negligible
4.	Mr. Prakash G. Mandhana	1,562	Negligible
5.	Mr. Balaji V. Bhat	5,000	Negligible
6.	Mr., Venkatesh Sivaraman	3,000	Negligible
	TOTAL	21,000	0.10%

For Details regarding Equity Shares held by the promoters and their families and entities controlled by them please see ‘Notes to Capital Structure of the Company’ on page 18 of this Red Herring Prospectus.

Interest of the Directors

All Directors 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 under the Articles of Association. The Executive Directors are interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Company.

All 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.

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

Except as stated in the “Related Party Transactions” on page 115 of the Red Herring Prospectus, The Company has not entered into any contract, agreements or arrangement during the preceding two years from the date of this Red Herring Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

CHANGE IN DIRECTORS DURING LAST THREE YEARS

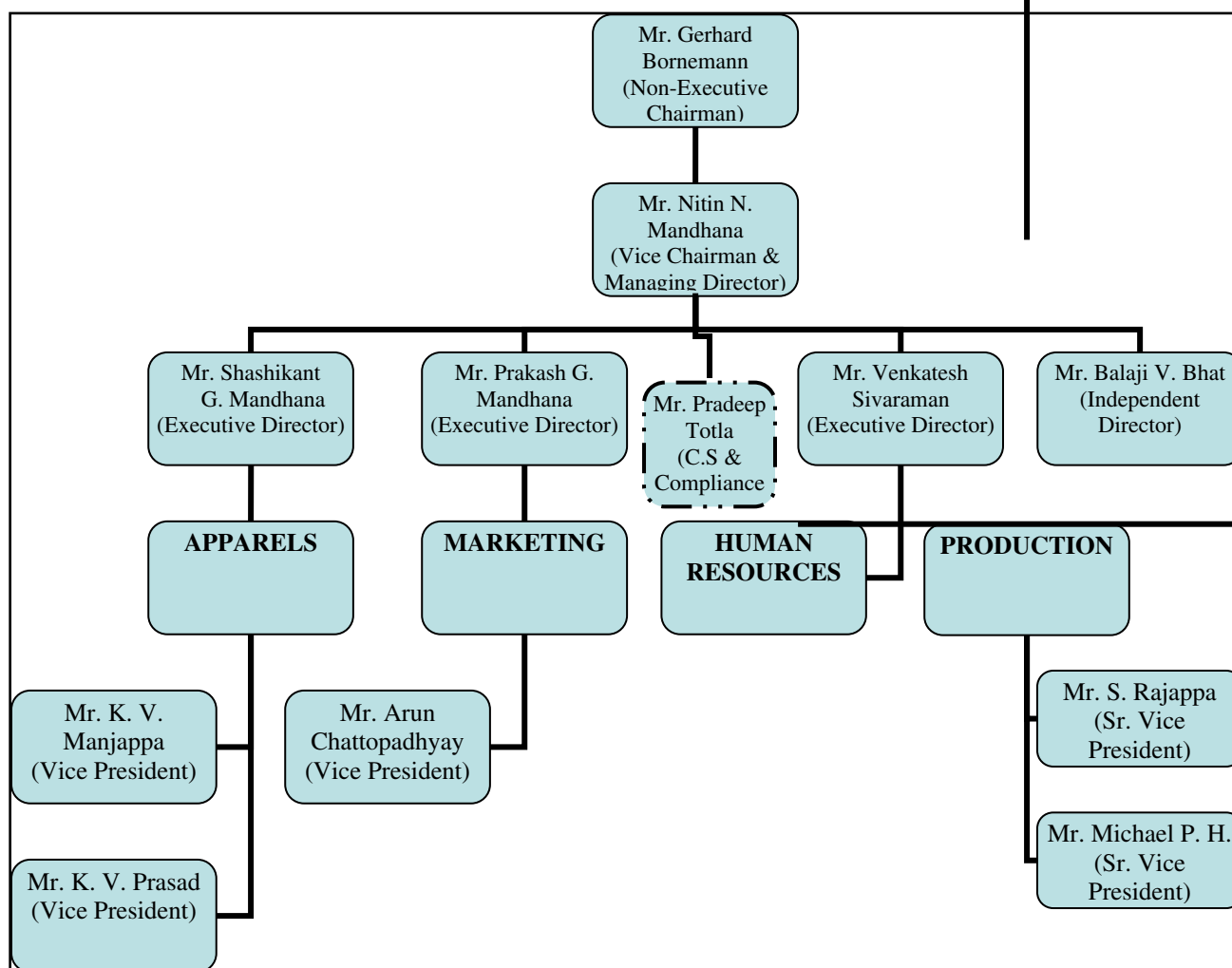
The changes in the Board of Directors of the Company in last three years are as follows:

Name of the Director	Date of Appointment	Date of Cessation/ Resignation	Reasons for Change
Mr. Narayandas C. Mandhana	June 3, 1999	April 25, 2003	Resigned
Mrs. Savita Mandhana	June 3, 1999	April 1, 2003	Resigned
Mr. Gerhard Bornemann	April 11, 2006	-	Appointed
Mr. Balaji V Bhat	April 11, 2006	-	Appointed
Mr. Venkatesh Sivaraman	August 17, 2006	-	Appointed

CHANGE IN AUDITORS

M/s R. Shashidhara & Co., Chartered Accountants, have been replaced with M/s Suri & Co, Chartered Accountants, in the AGM held on September 30, 2004 on account of resignation of the previous auditor.

ORGANIZATIONAL STRUCTURE



KEY MANAGERIAL PERSONNEL

The details regarding our key managerial personnel are as follows:

For a brief profile of Mr. Nitin N. Mandhana, Vice-Chairman and Managing Director, Mr. Shashikant G. Mandhana Executive Director, Mr. Prakash G. Mandhana Executive Director, Mr. Venkatesh Sivaraman Executive Director, kindly refer to the paragraph on 'Our Management' on page 91 of the Red Herring Prospectus.

Our Key Managerial Personnel are disclosed in terms of Accounting Standard 18 issued by ICAI.

Details of our Key Management Personnel:

Michael Peter Hargreaves : Senior Vice President (Nanjangud Plant)

- Previous assignments were with Levi's Strauss, Sulzer Switzerland, Smith & Nephew Hellenic Fabrics, Ambattur Clothing at senior technical and managerial levels for over 38 years.
- Responsible for total Nanjangud plant operations and administrative functions.
- Michael Peter Hargreaves is an Associate of Textile Institute, Manchester and a graduate from Bradford Polytechnic
- His current remuneration per annum is Rs 1,709,880

Rajappa S. : Senior Vice President (Nelamangala plant)

- Has wide experience in large and medium composite textile mills like Ashima, Raymond, Grasim, Morarjee Brembana for over 15 years.
- Responsible for day-to-day plant operations at Nelamangala.
- Also contributes to project management and implementation
- Rajappa is B.Tech in Textiles from Mysore University and an MBA in Operation Management from A.M.Jain Institute of Management, Chennai
- His current remuneration per annum is Rs 1,541,000

Manjappa K.V. : Vice President (Apparels)

- His previous assignment was with Ambattur Clothing, Chennai, as GM – Marketing & Merchandising for over 19 years.
- Heads the entire operations of the Apparels
- Manjappa is B.Com from Mysore University, PGD in Material Management and PG-IM/Exports from Delhi University
- His current remuneration per annum is Rs 941,400

K.V. Prasad : Vice President (Apparels)

- Has experience of 15 years in apparels business
- Previously worked at Leela Scottish, Shahi Export House and Atlast Sportswear, New York.
- He is a B Sc (Electronics) from Mysore University.
- His current remuneration per annum is Rs 1,163,088

Pradeep Totla : Company Secretary & Compliance Officer

- Previous assignment was as with Paxar India (formerly Mandhana Bornemman) as AGM – Corporate Finance for over 10 years.
- Responsible for Finance & Accounting functions and secretarial compliances
- Pradeep is a B.Com from Karnataka University, qualified CA, CS and ICWA (Rank holder)
- His current remuneration per annum is Rs 720,000

Arun Chattopadhyaya: Vice President (Marketing – Textiles)

- Previous assignments were with Bombay Dyeing as DGM - Marketing, BVM Textiles as GM and Madura Coats Ltd., as Manager - Textile Accessories for over 26 years.
- Responsible for marketing of textiles for the group
- Arun is a B.Tech (Textile Technology) from University of Calcutta
- His current remuneration per annum is Rs 1,227,600

All the above mentioned key managerial personnel are permanent employees and are on the rolls of the Company.

Shareholding of the Key Managerial Personnel

Sr. No.	Name of the Key Personnel	Number of Equity Shares held	% of Post - Issue Equity Capital
1.	Mr. Nitin N. Mandhana	9,875	Negligible
2.	Mr. Shashikant G. Mandhana	1,563	Negligible
3.	Mr. Prakash G. Mandhana	1,562	Negligible
4.	Mr. Venkatesh Sivaraman	3,000	Negligible
5.	Mr. Michael Peter Hargreaves	Nil	-
6.	Mr. Rajappa S	3,000	Negligible
7.	Mr. Manjappa K.V.	2,000	Negligible
8.	Mr. K.V. Prasad	2,000	Negligible
9.	Mr. Pradeep Totla	3,000	Negligible
10.	Mr. Arun Chattopadhyaya	Nil	-
	Total	26,000	0.13%

Please refer to page 99 of this Red Herring Prospectus for the shareholding of our Directors.

Bonus or profit sharing plan for the Key Managerial personnel, if any

Currently, we do not have a performance linked bonus or a profit sharing scheme for our Employees. However, Employees are entitled to bonus payable annually. The key managerial personnel do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business and the shares held by them.

Interest of Key Managerial Employees

None of the key managerial employees of the Company have any interest in the Company except to the extent of remuneration and reimbursement of expenses and the shares held by them.

The Executive Directors are interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Company. All 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. Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

Changes in Key Managerial Personnel in last three years

Following are the changes in the key managerial personnel within one year prior to the date of filing this Red Herring Prospectus:

Sr. No	Name	Designation	Date of Appointment	Date of Leaving	Reasons
1.	Mrs. Malini Muddappa	VP Marketing (Apparel)	May 24, 2004	January 13, 2006	Resignation
2.	Mr Santhosh R.M	VP – HR & Administration	May 17, 2005	January 11, 07	Resignation
3.	Mr. Arun Chattopadhyaya	VP - Marketing	November 3, 2005	-	Appointment
4.	Mr. Manjappa K. V.	VP – (Apparels)	February 8, 2006	-	Appointment
5.	Mr. Michael Peter Hargreaves	Sr V.P. – Nanjangud Plant	June 17, 2006	-	Appointment
6.	Mr. KV Prasad	V.P. – (Apparels)	September 2, 2006	-	Appointment

Except as stated above, there has been no change in the Key Managerial Personnel in last three years.

Employees

Sr. No.	Division	Employees		
		Staff	Workers	Total
1	Yarn & Dyeing	35	67	102
2	Fabric & Weaving	102	114	216
3	Processing	40	0	40
4	Corporate Office	126	0	126
Total		303	181	484

Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme**Employee Stock Option Plan**

Our Company by a Ordinary Resolution passed at the Extra Ordinary General Meeting held on November 18, 2006 approved the “Indus Fila ESOS-2006” Scheme under Section 79A of the Companies Act, 1956 to be read along with the SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999 whereby options convertible into Equity Shares shall be issued to eligible Employees of the Company. We have already issued 456,000 shares to the ESOP Trust which in turn will issue options to the employees of the Company. The maximum number of options granted to any one employee in a year will not be equal to or exceed 1% of the issued equity share capital of the Company (excluding outstanding warrants and conversions) at the time of granting the option. The detailed terms and conditions of the ESOS-2006, including the method of implementation, the eligibility of the employees to whom the grant will be made and other terms and conditions of such Scheme will be determined by the Compensation Committee.

The details of the notice given to shareholders for seeking approval for ESOP is as follows:

1. Subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modification as may be prescribed or imposed while Granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee including Compensation Committee which the Board may constitute to Exercise its power, including the powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to create, offer, issue, allot and transfer at any time to or for the benefit of such person(s) who are designated as eligible employees by the Board or Compensation Committee set up by the Board Of Directors of the Company and includes Independent Directors and Working Directors of the Company, whether working in India or out of India under a Scheme titled “Indus Fila Employee Stock Option Plan - 2006” (hereinafter referred to as the “ESOP - 2006” or “Scheme” or “Plan”) such number of equity shares and / or equity linked instruments (including Options), (hereinafter collectively referred to as “Securities”) of the Company not exceeding 5,00,000 Shares, which could give rise to the issue of such number of equity shares as decided by the Board of Directors at such price, in one or more branches and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law and the Plan as may be prevailing at that time;
2. The said Securities may be allotted directly to Trust - “Indus Fila Employee Stock Option Plan - 2006” or in accordance with a Scheme framed in that behalf through a trust which may be setup in any permissible manner and that the scheme may also envisage for providing any financial assistance to the trust to enable the employee / trust to acquire, purchase or subscribe to the securities of the Company.”
3. The new Equity Shares to be issued and allotted by the Company in the manner aforesaid shall rank *pari passu* in all respects, with the then existing Equity Shares of the Company.”
4. For the purpose of giving effect to any creation, offer, issue, allotment or listing of Securities, the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring in to effect the Scheme and make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties, or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.”

5. Mr. Nitin N. Mandhana and Mr. Venkatesh Sivaraman, members of the trust be and are hereby authorized to sign the deed of trust and other documents, papers in relation to create the INDUS FILA EMPLOYEES STOCK OPTION TRUST.”

6. The members be and are hereby authorised to act upon in accordance with the instructions received from the Board of Directors of M/s Indus Fila Limited, Bangalore in order to implement the scheme ESOP- 2006.”

The BRLM confirms that the compliance of SEBI (ESOP) Guidelines regarding he details to be given in the above notice are complied with. See the section titled “Capital Structure – Notes to Capital Structure” on page 21 of this Red Herring Prospectus.

Payment or Benefit to Officers of the Company

No benefit or payments have been made to any officer of the Company except payment of incentives based on performance of the individual employee. The incentive policy is declared from time to time depending upon the performance of the individual departments and that of organization as a whole.




We do not intend to give any benefit or any payment to any of the employees in future except incentive as explained above. As far as payments of key managerial personnel are concerned no benefits have been allowed except as per the terms of the contract for the service.

Relationship amongst Board of Directors and Key Managerial Personnel

There is no relationship amongst the Board of Directors and the key managerial personnel.

OUR PROMOTERS

BACKGROUND

Name of the Promoters	Mr. Nitin Narayandas Mandhana	Mr. Shashikant Govindlal Mandhana	Mr. Prakash Govindlal Mandhana
			
Driving License No.	84/C/16115	625 SANGLI (S-3-192)	83/4651 / SANGLI
Passport No.	Z1557456	Z112144	Z009170
PAN	AATPM6905D	AFSPM0347P	AEQPM8371N
Name of Bank and Branch	HDFC Bank, M. G. Road, Bangalore	HDFC Bank, M. G. Road, Bangalore	HDFC Bank, M. G. Road, Bangalore
Savings Bank Account No.	0761000120414	0761000099470	0761000099463
DIN No.	00025738	00126296	00025842

1. **Mr. Nitin Narayandas Mandhana**, aged 38 years, holds a commerce degree from Mumbai University. He is the Vice Chairman & Managing Director of the Company. He has a track record in textiles business with wide contacts and international marketing experience. He was a part of the team which launched “Vivaldi” brand for Bombay Dyeing in 1988. From 1993 to 2005 he was the Managing Director of Mandhana Bornemann Industries which manufactured Brand Identification products for all global garment brands. He looks after marketing and customer relationships and is responsible for the day-to-day operations of the Company. He started his career by joining family business of textile, garmenting and easily took the business to a comfortable level. With over 15 years of experience in this industry, he has been the driving force behind the growth of the Company.

2. **Mr. Shashikant Govindlal Mandhana**, Executive Director, aged 48 years is a Commerce Graduate. He started his career by joining his family business of textile processing and garmenting at Mumbai. With his skill, hard work and 25 years of experience in this industry he has been running business under his directorship. He commenced the export division of the textile and processing business of the family prior to joining our Company.

He is involved in the operations and marketing of Apparel business of the Company which needs very meticulous follow up and planning for timely order servicing. Being from a business background, his entrepreneurial ability motivates his team towards the achievement of the determined target by improving morale and advancing their confidence in themselves and in the Company.

3. **Mr. Prakash Govindlal Mandhana**, Executive Director, aged 40 years is a B. Tech (Textiles). He heads the Marketing and Product Development of Fabric division and is based in Mumbai. He has 18 years of experience. He is specialized in designing and marketing of specialized design fabrics and also controls the administration

and HR functions for the Company. With his able administration and hard work he has been running successful business establishment under his directorship. Prior to joining our Company, he was heading a team of marketing professionals for fabric division in the family business.

4. M/s Kamal Kishor Finvest Private Limited (KKFPL):

KKFPL was incorporated on July 26, 1995 as a private limited company under the Companies Act, 1956 with the Registrar of Companies, Karnataka, Bangalore. The main business carried on by KKFPL is investments in shares and stocks.

The registered office is situated at 5th Floor, Lotus Court, Dr Annie Besant Road, Worli, Mumbai 400 018.

The main objective of KKFPL is:

- To carry on the business of money lending on any terms that may be thought fit, and particularly to lend money to customers of or other persons or corporation having dealing with the company and to give any guarantees that may be deemed expedient and generally to carry on business as financier and to undertake and carry out all such operations and transaction as an individual capitalist may lawfully undertake and carry out. Nothing contained herein shall entitle the company to carry on the business of banking as defined in the Banking Regulation Act, 1949.
- To carry on the business of investments and to buy, underwrite, invest in, acquire, hold and deal in shares, stocks, debentures-stock, bonds, obligation and securities of any kind issued or guaranteed by any company constituted or carrying on business in India or elsewhere and debentures, debentures-stock, bonds, obligations and securities issued or guaranteed by any government, Central or State, dominions, sovereign rulers, Commissioners, public body or authority, supreme, municipal local or otherwise firm or person whether in India or elsewhere.
- To carry on the business of investors in lands, buildings, factories, houses, flats and other residential, industrial, commercial, agricultural and mining properties.

The promoters of KKFPL are Mr. Narayandas Mandhana and Mr. Nitin N. Mandhana, each holding 50% of the equity capital of the company. The brief profile of the promoters of the Company is as follows:

Mr Narayandas Mandhana - aged 63 years started the business of textiles trading in Mumbai since past four decades. On succession by his family members in the business, he commenced social service and community service. He is the father of our Vice Chairman and Managing Director, Mr Nitin Mandhana.

Mr Nitin Mandhana – Kindly refer to page no. 106 of the RHP under the section titled “Our Promoters”.

Shareholding Pattern:

Name of Shareholder	No. of Equity Shares	% of Total
Mr. Narayandas Mandhana	100	1.00
Mr. Nitin Mandhana	9900	99.00
Total Equity Shares	10,000	100.00

Board of Directors of KKFPL as on March 31, 2006

The Board of Directors of KKFPL is as under:

Name of Directors	Designation
Mr. Nitin Mandhana	Director
Mr. Narayandas Mandhana	Director

Financial Performance:*(Amount in Rs.)*

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Total Income	-	-	-
Profit after tax	(5615)	(5649)	(4514)
Equity Share Capital	100,000	100,000	100,000
Reserves and Surplus	-	-	-
Dividend (%)	-	-	-
Earning/(Loss) Per Share (Rs.)	(0.56)	(0.56)	(0.45)
Book Value per share (Rs.)	9.44	9.44	9.55

The PAN is AABCK8229M and the Bank Account Number is 3663 with Ichalkaranji Janata Sahakari Bank, Kalbadevi, Mumbai. The CIN is U65990MH1995PTC091026

5. M/s Andrew Finvest Private Limited (AFPL):

AFPL was incorporated on July 21, 1995 as a private limited company under the Companies Act, 1956 with the Registrar of Companies, Mumbai, Maharashtra. The main business carried on by AFPL is investments in shares and stocks.

The registered office is at 201A to Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013.

The main objective of AFPL is:

- To carry on the business of money lending on any terms that may be thought fit, and particularly to lend money to customers of or other persons or corporation having dealing with the company and to give any guarantees that may be deemed expedient and generally to carry on business as financier and to undertake and carry out all such operations and transaction as an individual capitalist may lawfully undertake and carry out. Nothing contained herein shall entitle the company to carry on the business of banking as defined in the Banking Regulation Act, 1949.
- To carry on the business of investments and to buy, underwrite, invest in, acquire, hold and deal in shares, stocks, debentures-stock, bonds, obligation and securities of any kind issued or guaranteed by any company constituted or carrying on business in India or elsewhere and debentures, debentures-stock, bonds, obligations and securities issued or guaranteed by any government, Central or State, dominations, sovereign rulers, Commissioners, public body or authority, supreme, municipal local or otherwise firm or person whether in India or elsewhere.
- To carry on the business of investors in lands, buildings, factories, houses, flats and other residential, industrial, commercial, agricultural and mining properties and of jewelers, gems and stones, precious stones, diamonds, pearls, semi precious stones, articles of virtue, art and antiquities.

The original promoters of AFPL were Mr. Shriniwas Mandhana and Mr. Prakash G Mandhana each holding 50% of the equity capital of the company. As per the family understanding, Mr. Shriniwas Mandhana transferred his stake in the Company to Mr Shashikant Mandhana. The current Directors are Mr. Prakash G Mandhana and Mr. Shashikant G Mandhana.

For a brief profile of the promoters, Mr. Prakash G Mandhana and Mr Shashikant G Mandhana, kindly refer to page no. 106 of the RHP under the Section titled “Our Promoters”

Shareholding Pattern:

Name of Shareholder	No. of Equity Shares	% of Total
Mr. Prakash G Mandhana	5,000	50.00
Mr. Shashikant G Mandhana	5,000	50.00
Total Equity Shares	10,000	100.00

Board of Directors of AFPL

The Board of Directors of AFPL is as under:

Name of Directors	Designation
Mr. Shashikant G Mandhana	Director
Mr. Prakash G Mandhana	Director

Financial Performance:

(Amount in Rs.)

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Total Income	-	-	-
Profit after tax	(5925)	(5060)	(4511)
Equity Share Capital	100000	100000	2000
Reserves and Surplus	-	-	-
Dividend (%)	-	-	-
Earning/(Loss) Per Share (Rs.)	(0.59)	(0.51)	(22.55)
Book Value per share (Rs.)	9.41	9.49	(12.53)

The PAN is AADCA4819K and the Bank Account Number is 3664 with Ichalkaranji Janata Sahakari Bank, Kalbadevi, Mumbai. The CIN is U65900MH1995PTC090878

We confirm that the Permanent Account Number, Bank Account Number and Passport of our Promoters shall be submitted to the NSE and BSE at the time of filing of this Red Herring Prospectus with them.

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

There are no companies of the promoter group which are either referred to BIFR or under winding up or have negative net worth.

Relationship between the Promoters, Directors, and Key Managerial Personnel

- Mr. Nitin N Mandhana is cousin brother of Mr. Prakash & Mr Shashikant G Mandhana
- Mr Prakash G Mandhana is the younger brother of Mr Shashikant G Mandhana

Sales or Purchases between companies in the Promoter Group

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

For more details please refer to Related Party Transactions on page 115 of this Red Herring Prospectus.

Common Pursuits

There are no common pursuits in the business of the Company and other companies promoted by the Promoters.

Interest of the Promoters

The promoters may be deemed to be interested to the extent of shares held by them, their friends, or relatives, and benefits arriving from their holding directorship in the Company.

The Promoters are not interested in any property acquired by Indus Fila Limited within two years from the date of the Red Herring Prospectus. The Promoters are not interested in any loan or advance given by the Company neither are they beneficiary of any such loans or advances.

The following Companies/firms/ventures are promoted by the promoters and they may be deemed to be interested in them:

Name of Concern	Type of Concern	Interested Party
Indus Infoways Private Limited	Private Limited Company	Mr. Nitin N Mandhana
Parag Investment Private Limited	Private Limited Company	Mr. Nitin N Mandhana
Siddmeshwar Investment Pvt. Ltd.	Private Limited Company	Mr. Prakash G Mandhana

Payment or benefit to our Promoters

Except as disclosed above and in Related Party Transactions on page 115 of this Red Herring Prospectus, the Promoters of the Company have no interest other than reimbursement of expenses incurred, normal remuneration or benefits and to the extent of shares held by them, if any.

DISASSOCIATION OF THE PROMOTERS FROM OTHER COMPANIES IN THE LAST THREE YEARS

Name of the Company	Name of the Promoter	Date of Disassociation	Reason for Disassociation
Mandhana Bornemann Industries Pvt Ltd	Mr Mr. Nitin N Mandhana	June 14, 2005	Sale of equity stake.
Ahaan Textiles Pvt. Ltd	Mr Mr. Nitin N Mandhana	October 10, 2005	Focus on existing business
Siddhant Spinning & Weaving Mills Ltd	Mr. Shashikant G Mandhana	October 10, 2005	Focus on existing business
Vedant Weaving Mills Pvt Ltd	Mr Mr. Prakash G Mandhana	October 10, 2005	Focus on existing business
Mandhana Exports	Mr Mr. Nitin N Mandhana	March 23, 2006	Focus on existing business
S.R. Enterprises	Mr Nitin Mandhana (HUF), Mr Prakash Mandhana (HUF) and Mr Shashikant Mandhana (HUF)	March 31, 2006	Focus on existing business
Propeller Infotech	Mr Prakash G Mandhana and Mr Shashikant G Mandhana	March 23, 2006	Focus on existing business

RELATED PARTY DISCLOSURES

For Related Party disclosure kindly refer to “Annexure IV - Notes to Restated Financials” of the section titled ‘Financial Statements’ on page 118 of the Red Herring Prospectus. Our promoters, their relatives (as per companies act, 1956), we and our group companies are not detained as wilful defaulters by RBI/government authorities and there are no violations of securities laws committed by them in the past or pending against them.

OUR GROUP COMPANIES

1. INDUS INFOWAYS PRIVATE LIMITED (IIPL)

Indus Infoways Pvt. Ltd. was incorporated on February 22, 2000 as a private limited company under the Companies Act, 1956 with the Registrar of Companies, Karnataka, Bangalore. The main business of the company is developing software for exports.

Indus Infoways Pvt. Ltd. is a company registered under STPI Scheme of EXIM policy of Ministry of Communication and Information Technology, Govt. of India.

The objects of the Company are as follows:

- 1) To manufacture, buy, sell, consult, export, import, deal in, assemble, repair, overhaul, alter, maintain, install, let out design, develop and devise all types of hardware, software, electronic components of all description devices, equipments information systems, engineering products, tools dies, fixtures, and jigs of every description including printing of Bar Code and tickets, Data processing and telecommunication equipments, and provide services in this respect within and outside the country.
- 2) To carry on the business of job work, contract, import, export, let on hire-purchase, lease, sub-contract, all kinds of electronic, electrical, electromechanically products, engineering products, tools, dies, fixtures, hardware, software and jigs of every description and offer technology won as well as bought out, from India and abroad, basic and detail engineering facilities, procurement, supervision, fabrication, commissioning, start up facilities in the field of electrical and electronics and also to offer all services in connection with existing, expanding and new industries from basic idea to the stage of actual running of the project.
- 3) To recruit, train consult, advise, import, export, manpower requirement in and outside India either directly or through any agency, person, corporation.

The promoters of IIPL are Mr. Narayandas Mandhana and Mr. Nitin N Mandhana, each holding 50% of the equity capital of the company. The brief profile of the promoters are as under:

Mr Narayandas Mandhana - aged 63 years started the business of textiles trading in Mumbai since past four decades. On succession by his family members in the business, he commenced social service and community service. He is the father of our Vice Chairman and Managing Director, Mr Nitin Mandhana.

Mr Nitin N Mandhana – Kindly refer to page no. 106 of the RHP under the section titled “ Our Promoters”.

Shareholding Pattern:

Name of Shareholder	No. of Equity Shares	% of Total
Mr. Narayandas Mandhana	100	1.00
Mr. Nitin Mandhana	10900	99.00
Total Equity Shares	11000	100.00

Board of Directors of IIPL as on March 31, 2006

The Board of Directors of IIPL is as under:

Name of Directors	Designation
Mr. Nitin Mandhana	Director
Mr. Narayandas Mandhana	Director

Financial Performance

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

(Rs. in lakhs)

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Total Income	108.00	62.48	Nil
Profit after tax	75.13	47.29	(0.53)
Equity Share Capital	1.10	1.10	1.10
Share Application Money	2.08	2.08	2.08
Reserves and Surplus	118.42	43.37	(3.92)
Dividend (%)	0.00	0.00	0.00
Earning Per Share (Rs.)	682.38	429.92	(4.83)
Book Value per share (Rs.)	1105.54	423.18	(6.74)

The equity shares of Indus Infoways Private Limited are not listed. It has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth

2. PARAG INVESTMENT PRIVATE LIMITED (PIPL)

Parag Investment Pvt. Ltd. was incorporated on July 10, 1995 as a private limited company under the Companies Act, 1956 with the Registrar of Companies, Maharashtra. The Company has not yet commenced any operational activities.

The main objects is as follows:

- To carry on the business of investments and to buy, underwrite, invest in, acquire, hold and deal in shares, stocks, debentures-stock, bonds, obligation and securities of any kind issued or guaranteed by any company constituted or carrying on business in India or elsewhere and debentures, debentures-stock, bonds, obligations and securities issued or guaranteed by any Government, Central or State, dominions, sovereign rulers, Commissioners, public body or authority, supreme, municipal local or otherwise firm or person whether in India or elsewhere.
- To carry on the business of investors in lands, buildings, factories, houses, flats and other residential, industrial, commercial, agricultural and mining properties and of jewelers, gems and stone, precious stones, diamonds, pearls, semi precious stones, articles of virtue, art and antiquities.

The promoters are Mr. Narayandas Mandhana and Mr. Nitin Mandhana each holding the following equity capital of the company.

The brief profile of the promoters are as under:

Mr Narayandas Mandhana - aged 63 years started the business of textiles trading in Mumbai since past four decades. On succession by his family members in the business, he commenced social service and community service. He is the father of our Vice Chairman and Managing Director, Mr Nitin Mandhana.

Mr Nitin N Mandhana – Kindly refer to page no. 106 of the RHP under the section titled “ Our Promoters”.

Shareholding Pattern:

Name of Shareholder	No. of Equity Shares	% of Total
Mr. Narayandas Mandhana	100	0.50%
Mr. Nitin Mandhana	19,900	99.50%
Total Equity Shares	20,000	100.00%

Board of Directors

The Board of Directors of Parag Investments Private Limited are as under:

Name of Directors	Designation
Mr. Nitin Mandhana	Director
Mr. Narayandas Mandhana	Director

Financial Performance

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

(Amount in Rs.)

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Total Income	-	-	-
Profit after tax	(5,656)	(5,679)	(12,657)
Equity Share Capital	200,000	200,000	2,000
Reserves and Surplus	-	-	-
Dividend (%)	-	-	-
Earning/(Loss) Per Share (Rs.)	(0.28)	(0.28)	(63.29)
Book Value per share (Rs.)	3.56	6.73	(299.05)

The equity shares of PIPL are not listed. It has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

3. SIDDMESHWAR INVESTMENT PRIVATE LIMITED (SIPL)

Siddmeshwar Investments Pvt. Ltd. was incorporated on February 15, 1995 as a private limited company under the Companies Act, 1956 with the Registrar of Companies, Maharashtra. The Company has not yet commenced any operational activities.

The main objects are as follows:

- To carry on the business of investments and to buy, underwrite, invest in, acquire, hold and deal in shares, stocks, debentures-stock, bonds, obligation and securities of any kind issued or guaranteed by any company constituted or carrying on business in India or elsewhere and debentures, debentures-stock, bonds, obligations and securities issued or guaranteed by any Government, Central or State, dominions, sovereign rulers, Commissioners, public body or authority, supreme, municipal local or otherwise firm or person whether in India or elsewhere.
- To carry on the business of investors in lands, buildings, factories, houses, flats and other residential, industrial, commercial, agricultural and mining properties and of jewelers, gems and stone, precious stones, diamonds, pearls, semi precious stones, articles of virtue, art and antiquities.

The promoters of the Company are Mr Ajay Jeenabhai and Mr Prakash Mandhana.

Mr Ajay Jeenabhai aged 39 years, is a Bachelors in Commerce from St Joseph's College, Bangalore. He promoted the retail kids wear store "Baby Shop" in Bangalore. He is also into social service and community service.

For a brief profile of Mr. Prakash G Mandhana kindly refer to page no. 106 of the RHP under the Section titled "Our Promoters"

Shareholding Pattern:

Name of Shareholder	No. of Equity Shares	% of Total
Mr. Biharilal Mandhana	100	0.22
Mr. PurushottamMandhana	100	0.22
Mr Ushakant Jeenabhai	9,000	20.14
Ms Ramila Jeenabhai	9,000	20.14
Mr Ajay Jeenabhai	6,500	14.54
Ms Ashika Jeenabhai	4,500	10.07
Mr Ushakant Jeenabhai (HUF)	9,000	20.13
Mr Ajay Jeenabhai (HUF)	6,500	14.54
Total Equity Shares	44,700	100.00

Board of Directors

The Board of Directors of Siddmeshwar Investments Private Limited are as under:

Name of Directors	Designation
Mr. Prakash Mandhana	Director
Mr. Ajay Jeenabhai	Director

Financial Performance

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

(Amount in Rs.)

For the year ended March 31,	FY 2006	FY 2005	FY 2004
Total Income	-	-	-
Profit after tax	(2,745)	(4,451)	(3,918)
Equity Share Capital	447,000	447,000	447,000
Reserves and Surplus	-	-	-
Dividend (%)	-	-	-
Earning/(Loss) Per Share (Rs.)	(0.06)	(0.10)	(0.09)
Book Value per share (Rs.)	8.86	8.92	8.99

The equity shares of Siddmeshwar Investments Private Limited are not listed. It has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

RELATED PARTY TRANSACTION

Related Party Transactions and Disclosure as per AS 18- For the Year 2003-04:

Transaction with Associates:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/04	Provision for Doubtful Debts As on 31/03/04	Amount written off during the year
1	Sale of products	13,274,281	10,796,592	-	-
2	Purchase of Capital Goods	1,366,755	467,647	-	-

Transaction with Key Management Personnel:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/04	Provision for Doubtful Debts As on 31/03/04	Amount written off during the year
1	Nitin N Mandhana	1,107,926	1,474,786	-	-
2	Shashikant G Mandhana	10,889	847,329	-	-

Name of Related Parties

Associates (Enterprises in key management personnel or their relatives exercise significant influence)

1. Mandhana Bornemann Industries Ltd.
2. S R Enterprises

Related Party Transactions and Disclosure as per AS 18- For the Year 2004-05:

Transaction with Associates:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/05	Provision for Doubtful Debts As on 31/03/05	Amount written off during the year
1	Sale of products	3,671,411	-	-	-
2	Receiving of Services	1,362,719	1,362,719	-	-
3	Finance –Unsecured Loan	3,675,940	3,675,940	-	-

Transaction with Key Management Personnel:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/05	Provision for Doubtful Debts As on 31/03/05	Amount written off during the year
1	Nitin N Mandhana	4,065,000	-	-	-
2	Shashikant G Mandhana	1,819,000	-	-	-

Name of Related Parties:

Associates (Enterprises in key management personnel or their relatives exercise significant influence)

1. Mandhana Bornemann Industries Ltd
2. Indus Infoways Private Limited
3. S R Enterprises
4. Parag Investments

Related Party Transactions and Disclosure as per AS 18- For the Year 2005-06:**Transaction with Associates:**

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/06	Provision for Doubtful Debts As on 31/03/06	Amount written off during the year
1	Sale of products	8,737,806	1,177,378	-	-
2	Receiving of Services	12,815,167	15,387,507	-	-
3	Finance –Unsecured Loan	-	3,675,940	-	-

Transaction with Key Management Personnel:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/06	Provision for Doubtful Debts As on 31/03/06	Amount written off during the year
1	Mr. Nitin N Mandhana- Director Unsecured Loan	880,934	880,934	-	-
2	Mr. Shashikant G Mandhana- Director Unsecured Loan	700,000	700,000	-	-

Name of Related Parties

Associates (Enterprises in which Key Management Personnel or their relatives exercise significant influence).

1. Abhay Weaving Mills Pvt. Ltd.
2. Ahaan Weaving Mills Pvt. Ltd.
3. S. R. Enterprises
4. Nirmala Hosieries Mills Pvt. Ltd.
5. Propellor Infotech
6. Savita Textiles Pvt. Ltd.
7. Siddhant Weaving Mills Pvt. Ltd.
8. Avinash Weaving Mills Pvt. Ltd.
9. Vedant Weaving Mills Pvt. Ltd.
10. Niharika Weaving Mills Pvt. Ltd.
11. Abhijeet Weaving Mills Pvt. Ltd.
12. Kavita Weaving Mills Pvt. Ltd.
13. Neeta Weaving Mills Pvt. Ltd.
14. Parag investments P Ltd.
15. Indus Infoways Pvt. Ltd.

Related Party Transactions Disclosure as per AS – 18 for the half year ended September 30, 2006:**Transactions with Associates:**

Sr. No.	Particulars	Transactions during the period ended 30.09.2006	Outstanding as on 30.09.2006	Provisions for Doubtful Debts as on 30.09.2006	Amount W/off in the period ended 30.09.2006
1	Sale of products	-	1,132,000	-	-
2	Receiving of Services	46,545,267	11,634,886	-	-
3	Finance – Unsecured Loans	-	107,150,000	-	-
4	Managerial Remuneration	-	4,009,993	-	-

Transaction with Key Management Personnel:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/06	Provision for Doubtful Debts As on 31/03/06	Amount written off during the year
1	Mr. Nitin N Mandhana-Director	-	-	-	-
2	Mr. Shashikant G Mandhana-Director	-	-	-	-

Name of Related Parties:

1. Abhay Weaving Mills Private Limited
2. Abhijeet Weaving Mills Private Limited
3. Ahaan Weaving Mills Private Limited
4. Avinash Weaving Mills Private Limited
5. Indus Infoways Private Limited
6. Kavita Weaving Mills Private Limited
7. Neeta Weaving Mills Private Limited
8. Niharika Weaving Mills Private Limited
9. Nirmala Hosieries Mills Private Limited
10. Parag Investment Private Limited
11. Propellor Infotech
12. Savita Textiles Private Limited
13. Siddhant Spinning & Weaving Mills Private Limited
14. Vedant Weaving Mills Private Limited

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 dividends to be paid to Company's shareholders. Generally, the factors that may be considered by the Board of Directors before making any recommendations for the dividend include, without limitation, Company's future expansion plans and capital requirements, profits earned during the fiscal year, cost of raising funds from alternate sources, liquidity position, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and general market conditions. The Board of Directors may also from time to time pay interim dividends to Company's shareholders, as appears to be justified by the profits of the Company. All dividend payments are made in cash to the shareholders of our Company. The dividends declared by our Company during the last five fiscal years are presented below:

Particulars	Year Ended March 31, 2002	Year Ended March 31, 2003	Year Ended March 31, 2004	Year Ended March 31, 2005	Year Ended March 31, 2006
No. of Equity Shares	2,024,235	22,742,35	22,742,35	45,484,70	52,185,00
Rate of Dividend on Equity (%)	NIL	10%	15%	20%	10%
Dividend (Rs. in lakhs)	NIL	23.38	34.11	45.48	45.50

SECTION V: FINANCIAL INFORMATION

Auditor's Report as required by Part II of Schedule II to the Companies Act, 1956.

To

The Board of Directors,
Indus Fila Limited,
No.107, Industrial Suburb,
IInd Stage, Yeshwanthpur,
Bangalore-560 022.

Dear Sirs,

1. We have examined the annexed financial information of Indus Fila Limited annexed to this report which have been prepared in accordance with the requirements of :
 - i. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
 - ii. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992; and
 - iii. The terms of reference received from the Company, requesting us to carry out work, in connection with its proposed Public Issue (referred to as 'the Issue').

Financial Performance of the Company as per audited financial statements

2. We have examined the 'statement of assets and liabilities – Restated' (Annexure – I) of the Company for six month ended September 30th 2006 and each of year ended March, 31st, 2006, 2005, 2004, 2003 and 2002 and the 'statement of profit and loss account – restated' for each of the period/years ended on those dates (Annexure - II), the 'statement of Cash Flows – restated' for the period/years ended on those dates (Annexure – III), and the related Financial Schedules (Annexure – V to XV) as extracted from the audited financial statements each of the financial years ended on March 31, 2006, 2005, 2004, 2003 and 2002 and adopted by the members of the Company and for the six months ended on September 30th 2006 approved by the Board of Directors of the company and after making the necessary and relevant disclosures and adjustments as appropriate and required to be made, in our opinion in accordance with the provisions of Part II and Schedule II of the Companies Act, 1956 and SEBI Guidelines. Based on our examination of these summary statements, we report that,
 - i. The restated assets and liabilities of the company as at September 30, 2006, March 2002, 2003, 2004, 2005 and 2006 are set out in Annexure I to this report after making such adjustments/ restatements as in our opinion are appropriate and are subject to significant Accounting Policies and notes to accounts as appearing in Annexure IV to this report.
 - ii. The restated Profits of the Company for the financial years ended March 31, 2002, 2003, 2004, 2005, 2006 and six months ended September 30, 2006 are set out in Annexure II to this report. These profits have been arrived at after charging all expenses and after making such adjustments / restatements as in or opinion are appropriate and are subject to significant Accounting Policies and notes to accounts as appearing in Annexure IV to this report.
3. The summary of significant accounting policies adopted by the Company together with the notes pertaining to the audited financial statements for the six months ended September 30th 2006 are enclosed as Annexure IV to this report.
4. We have examined the following financial information relating to the Company proposed to be included in the Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus approved by the Board of Directors and annexed to this report:
 - a. Significant Accounting Policies and notes to the accounts (Annexure IV)
 - b. Statement of Secured Loans (Annexure V)
 - c. Statement of Sundry Debtors (Annexure VI)
 - d. Statement of loans and advances (Annexure VII)
 - e. Statement of Unsecured Loan (Annexure VIII)

- f. Statement of Operational Income (Annexure IX)
 - g. Statement of Other Income (Annexure X)
 - h. Statement of Contingent Liabilities (Annexure XI)
 - K. Statement on Dividend Paid (Annexure XII)
 - i. Statement of Accounting Ratios (Annexure XIII)
 - K. Statement of Capitalization (Annexure XIV)
 - j. Statement of Tax Shelters (Annexure XV)
5. In our opinion, the 'financial information as per audited financial statements' read with the notes to restated accounts and other financial information' as per annexure IV have been prepared after making adjustments and regroupings as considered appropriate and in accordance with Part II of Schedule II of the Companies Act 1956 and the SEBI Guidelines.
6. This report is intended solely for the use of Indus Fila Limited for the purpose of inclusion in the Offer Document in connection with the Public Issue of the Company. This report may not be used or relied upon by or disclosed, referred to or communicated by yourself (in whole or in part) to any third party for any purpose other than the stated use, except with our written consent in each instances, and which consent, may be given, only after full consideration of the circumstances at that time.

For Suri & Co.

Place: Bangalore
Date : November 18, 2006

(S.Sundararaman)
Partner
CHARTERED ACCOUNTANTS
Membership No.28423

ANNEXURE - I

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in lakhs)

Particulars	As at September 30, 2006	As at the Financial Year ended March 31,				
		2006	2005	2004	2003	2002
Fixed Assets (A)						
Gross Block	13,782.98	4,483.17	3,793.12	980.62	823.38	457.15
Less : Accumulated Depreciation	729.03	411.90	181.85	85.73	47.26	28.21
Net Block	13,053.95	4,071.27	3,611.27	894.89	776.12	428.94
Capital Work in Progress	2.47	-	-	114.70	16.32	0.00
Total (A)	13,056.42	4,071.27	3,611.27	1,009.59	792.44	428.94
Investments (B)	14.06	14.06	14.06	-	-	-
Current Assets, Loans & Advances						
Inventories	3,606.72	1,988.51	714.29	179.25	70.19	26.91
Sundry Debtors	5,274.21	1,701.18	761.23	170.29	97.15	64.87
Cash and Bank Balance	240.66	73.97	48.72	12.37	18.44	8.70
Loans and Advances	2,933.33	2,182.00	694.42	196.34	47.68	32.10
Total (C)	12,054.93	5,945.66	2,218.66	558.25	233.46	132.58
Liabilities and Provisions (D)						
Secured Loans	13,520.39	4,256.16	3,020.56	654.86	455.36	228.64
Unsecured Loans	3,402.83	1,379.67	838.61	41.00	71.07	26.00
Deferred Tax Liability (Net)	504.46	332.14	234.03	96.15	62.32	32.49
Current Liabilities and Provision	4,743.40	1,761.62	816.58	238.11	115.49	41.94
Total (D)	22,171.08	7,729.59	4,909.78	1,030.12	704.24	329.07
Net Worth (A+B+C-D) = (E)	2,954.33	2,301.40	934.21	537.72	321.65	232.45
Represented by						
1. Share Capital	1,333.34	1,391.85	521.77	399.70	245.11	208.09
2. Reserves	1,620.99	909.55	412.44	139.34	79.33	28.61
Total	2,954.33	2,301.40	934.21	539.04	324.44	236.70
Less : Miscellaneous Expenditure not written off	-	-	-	1.32	2.79	4.25
Net Worth	2,954.33	2,301.40	934.21	537.72	321.65	232.45

ANNEXURE - II
STATEMENT OF PROFIT AND LOSSES ACCOUNT, AS RESTATED

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Financial year ended March, 31				
		2006	2005	2004	2003	2002
Income						
Operational Income	10,917.81	8,249.13	3,950.51	1,441.11	671.49	490.28
Other Income	249.10	118.49	34.18	40.57	14.77	2.93
Increase / (Decrease) in Stocks	1,339.46	776.10	398.40	29.51	15.03	-5.87
Total (A)	12,506.37	9,143.72	4,383.09	1,511.19	701.29	487.34
Expenditure						
Cost of Raw Material	8,080.28	5,922.61	2,985.03	872.04	320.07	224.01
Manufacturing Expenses	1,425.19	958.66	343.30	284.11	129.98	83.38
Employees' Remuneration & Benefits	330.35	379.75	180.85	40.06	42.34	34.23
Administrative and Other Expenses	266.32	348.47	156.22	64.86	39.17	29.10
Interest and Financial Charges	409.69	239.29	33.01	55.28	29.00	33.66
Selling & Distribution Expenses	104.03	122.91	73.86	11.63	6.52	6.26
(Profit) / Loss on sale of Assets	0.52	18.58	(0.22)	-	0.67	1.28
Miscellaneous Expenditure Written Off	0.00	0.00	1.32	1.47	1.47	1.47
Total (B)	10,616.38	7,990.27	3,773.37	1,329.45	569.22	413.39
Profit before Depreciation, Tax and Extraordinary items	1,889.99	1,153.45	609.72	181.74	132.07	73.95
Depreciation	317.97	239.85	90.81	38.47	19.13	16.86
Profit before Tax	1,572.02	913.60	518.90	143.27	112.94	57.09
Provision for Taxation						
- Current Tax	336.25	266.53	56.50	10.95	9.00	6.50
- Deferred Tax	172.32	98.11	137.88	33.83	29.83	32.49
Profit after Tax	1,063.44	548.96	324.52	98.49	74.11	18.10
Profit available for appropriations	1,063.44	548.96	324.52	98.49	74.11	18.10
Add: Balance brought from previous year	856.70	359.59	134.34	74.33	28.61	10.51
Less: Utilised during the year	729.93	-	-	-	-	-
Transfer to General Reserve	-	-	47.85	-	5.00	-
Provision for Dividend	-	45.48	45.48	34.11	20.73	-
Tax on Dividend	-	6.38	5.94	4.37	2.66	-
Balance carried to Summary of Assets and liabilities	1,190.21	856.70	359.59	134.34	74.33	28.61

ANNEXURE - III

CASH FLOW STATEMENT

(Rs. in lakhs)

Particulars	Half year 30.09.2006	For the Financial year ended March, 31				
		2006	2005	2004	2003	2002
Cash Flow from Operating Activities (A)						
Profit Before Tax	1,572.02	913.60	518.90	143.27	112.94	57.09
Adjustments for:						
Depreciation & Amortisation	317.97	239.85	90.81	38.47	19.13	16.86
Miscellaneous Expenditure w/off	-	-	1.32	1.47	1.47	1.47
Loss/(Profit) on Sale of Fixed Assets	0.52	18.58	(0.22)	-	0.67	1.28
Interest Received	(5.47)	(2.22)	(0.97)	(4.23)	(1.18)	(0.51)
Other Income	(243.62)	(116.27)	(21.16)	(21.66)	(17.20)	(0.15)
Finance Cost	409.69	163.89	106.30	57.38	29.00	33.66
Operating Profit before Working Capital Changes	2,051.10	1,217.43	694.98	214.70	144.83	109.69
Adjustments for:						
(Increase) / Decrease in Inventories	(1,618.21)	(1,274.21)	(535.05)	(109.06)	(43.28)	17.71
(Increase) / Decrease in Sundry Debtors	(3,573.04)	(939.94)	(590.94)	(73.14)	(32.28)	23.44
(Increase) / Decrease in Loans & Advances	(916.85)	(1,408.97)	(333.22)	(134.83)	(18.75)	(3.59)
Increase / (Decrease) in Sundry Creditors	2,665.18	825.95	296.14	104.41	21.45	(43.66)
Cash Generated from Operations	(1,391.82)	(1,579.73)	(468.08)	2.08	71.97	103.59
Tax Paid	(166.09)	(76.04)	(30.00)	(11.60)	(3.17)	(3.00)
Net Cash Flow from Operating Activities	(1,557.91)	(1,655.77)	(498.08)	(9.52)	68.80	100.59
Cash Flow from Investing Activities (B)						
Purchase of Fixed Assets	(9,294.89)	(894.02)	(2,615.11)	(268.35)	(358.30)	(18.98)
Purchase of Investments	-	-	(14.06)	-	-	-
Proceeds on disposal of Fixed Assets	3.07	25.12	3.54	0.00	1.05	3.01
Interest Received	5.47	2.22	0.97	4.23	1.18	0.51
Other Income	243.62	116.27	21.16	21.66	17.20	0.15
Net Cash Flow from Investing Activities	(9,042.72)	(750.41)	(2,603.50)	(242.47)	(338.87)	(15.31)
Cash Flow from Financing Activities (C)						
Proceeds from Issue of Share Capital	(58.51)	870.08	122.07	154.59	37.02	2.00
Proceeds from Secured Loans	9,264.22	1,235.60	2,365.69	199.51	226.72	(46.31)
Proceeds from Unsecured Loans	2,023.16	541.06	797.61	(30.07)	45.07	(2.39)
Dividend Paid	(45.48)	(45.48)	(36.76)	(18.08)	-	-
Dividend Tax Paid	(6.38)	(5.94)	(4.37)	(2.66)	-	-
Interest Paid	(409.69)	(163.89)	(106.30)	(57.38)	(29.00)	(33.66)
Cash Flow from Financing Activities	10,767.32	2,431.43	3,137.93	245.92	279.81	(80.36)
Net (Decrease) / Increase in cash and cash equivalents (A+B+C)	166.69	25.25	36.35	(6.07)	9.73	4.92
Cash & Cash Equivalents at the Beginning of the Year	73.97	48.72	12.37	18.44	8.70	3.79
Cash & Cash Equivalents at the end of the Year	240.66	73.97	48.72	12.37	18.44	8.70

ANNEXURE – IV

STATEMENT OF ACCOUNTING POLICIES AND CHANGES IN POLICIES DURING THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2002, 2003, 2004, 2005, 2006 AND FOR THE HALF YEAR ENDED SEPTEMBER 30, 2006

1. SIGNIFICANT ACCOUNTING POLICIES:

A. GENERAL

The company follows Accrual system of Accounting on a going concern concept on historical cost convention method as per applicable mandatory accounting standards.

B. RECOGNITION OF INCOME AND EXPENDITURE

- i) Revenue in respect of sales is recognized at the point of dispatch of material to customers.
- ii) Other revenues including drawback claims etc., are recognized with due consideration for significant uncertainties, if any, on realization of dues.

C. FIXED ASSETS AND DEPRECIATION

- i) Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing asset to its working condition for its intended use (including therein proportionate expenditure during construction period), net of grants received for specific assets. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to put to use.
- ii) Depreciation is provided on Straight line basis as per Schedule XIV to the companies Act, 1956 at the rates specified therein and in respect of buildings on lease hold land, cost is amortised as depreciation over the period of lease.

D. INVENTORIES

- i) Inventories are valued at lower of cost or net realizable value. Cost includes applicable duties and taxes and in the case of Finished Goods and Work-in-Progress cost includes appropriate allocated/ apportioned production overheads.

E. RETIREMENT BENEFITS

- i) Gratuity Liability is provided for on the basis of actuarial valuation at the year end which is not funded. In respect of Interim Financial reporting, liability based on past experience is provided for.
- ii) Provident Fund dues are remitted to RPF authorities as per the Statute.

F. BORROWING COSTS:

Borrowing Costs are charged to the profit and loss account except in cases where the borrowing is directly attributable to the acquisition, construction or production of an asset or group of assets, which take(s) substantial period of time to get ready for intended use

G. TAXES ON INCOME:

- i) Taxes on income for the current year is determined on the basis of taxable income and after considering the various deductions available under the Income Tax Act, 1961.
- ii) Deferred Tax Liability/Asset resulting from timing differences between book profits and income for tax purposes is accounted for at the appropriate rate of tax with due consideration for prudence.

H. FOREIGN EXCHANGE TRANSACTIONS

- i) Transactions denominated in foreign currency are accounted for at the exchange rate prevailing at the time of transaction.
- ii) Gains and losses on foreign exchange transactions other than those relating Fixed Assets are recognized in Profit and Loss Account.
- iii) Monetary assets and Liabilities denominated in foreign currency remaining to be settled at the end of the year are translated at the year end rates or contracted rates duly adjusted for the remaining period of settlement.

2. NOTES TO ACCOUNTS:

A) There is no significant change in accounting policy during the reporting years resulting in material impact to the reported figures. We have incorporated all the notes to the accounts, significant accounting policies in this Red Herring Prospectus

B) Earning per share:

b) Earnings per share.

Particulars	Half year ended September 30, 2006	For the Financial Year ended March 31,				
		2006	2005	2004	2003	2002
Weighted average number of equity shares outstanding at the year end						
Basic (A)	6,630,818	12,404,138	10,101,985	10,101,985	9,893,652	9,851,985
Diluted (B)	8,427,985	14,276,673	11,933,763	10,898,670	10,095,619	9,902,838
(On annualised basis)						
Net profit after tax available to Equity Shareholders (Rs. in lakhs) (C)	1,063.44	548.96	324.52	98.49	74.11	18.10
Earnings Per Share (On Annualized basis)						
Basic (C)/(A)	16.04	4.43	3.21	0.97	0.75	0.18
Diluted (C)/(B)	12.62	3.85	2.72	0.90	0.73	0.18

C) Deferred Tax:

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Financial Year ended March 31,				
		2006	2005	2004	2003	2002
Deferred Tax Liability						
On account of Depreciation	1503.95	991.99	790.35	271.68	170.62	91.63
Deferred Tax Asset						
Gratuity	5.24	5.24	4.64	1.60	1.04	0.63
TUF Interest	-	-	75.40	2.10	-	-
	1498.71	986.75	710.31	267.98	169.58	91.00
Total Tax (%)	33.66	33.66	36.59	35.88	36.75	35.7
Deferred Tax	504.46	332.14	259.90	96.15	62.32	32.49

Liability(net)						
Incremental Liability Debited to Profit and Loss account	172.32	72.24	163.75	33.83	29.83	32.49

D) Change in the Status:

The status of the company has been changed from private limited to public limited with effect from 31st March 2006 by duly complying with the provisions of section 31 of the Companies Act. Consequent upon conversion the Registrar of Companies has issued fresh certificate of incorporation

E) Related Party Transactions and Disclosure:

Related Party Transactions and Disclosure as per AS 18- For the Year 2001-02:**Transaction with Associates:**

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/02	Provision for Doubtful Debts As on 31/03/02	Amount written off during the year
1	Sale of Products	6,526,682	1,509,635	-	-

Transaction with Key Management Personnel:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/02	Provision for Doubtful Debts As on 31/03/02	Amount written off during the year
1	Nitin Mandhana	1,900,000	200,000	-	-

Name of Related Parties:

Associates (Enterprises in key management personnel or their relatives exercise significant influence)

- 1 Mandhana Bornemann Industries Ltd

Related Party Transactions and Disclosure as per AS 18- For the Year 2002-03:**Transaction with Associates:**

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/03	Provision for Doubtful Debts As on 31/03/03	Amount written off during the year
1	Sale of products	15,642,328	2,195,065	-	-
2	Finance – Unsecured loans	100,000	100,000	-	-
3	Purchase of Capital Goods	1,055,395	1,055,395	-	-

Transaction with Key Management Personnel:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/03	Provision for Doubtful Debts As on 31/03/03	Amount written off during the year
1	Nitin Mandhana	-	2,903,720	-	-

Name of Related Parties:

Associates (Enterprises in key management personnel or their relatives exercise significant influence)

1. Mandhana Bornemann Industries Ltd

Related Party Transactions and Disclosure as per AS 18- For the Year 2003-04:**Transaction with Associates:**

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/04	Provision for Doubtful Debts As on 31/03/04	Amount written off during the year
1	Sale of products	13,274,281	10,796,592	-	-
2	Purchase of Capital Goods	1,366,755	467,647	-	-

Transaction with Key Management Personnel:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/04	Provision for Doubtful Debts As on 31/03/04	Amount written off during the year
1	Nitin Mandhana	1,107,926	1,474,786	-	-
2	Shashikant G Mandhana	10,889	847,329	-	-

Name of Related Parties

Associates (Enterprises in key management personnel or their relatives exercise significant influence)

1. Mandhana Bornemann Industries Ltd.
2. S R Enterprises

Related Party Transactions and Disclosure as per AS 18- For the Year 2004-05:**Transaction with Associates:**

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/05	Provision for Doubtful Debts As on 31/03/05	Amount written off during the year
1	Sale of products	3,671,411	-	-	-
2	Receiving of Services	1,362,719	1,362,719	-	-
3	Finance – Unsecured Loan	3,675,940	3,675,940	-	-

Transaction with Key Management Personnel:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/05	Provision for Doubtful Debts As on 31/03/05	Amount written off during the year
1	Nitin N Mandhana	4,065,000	-	-	-
2	Shashikant G Mandhana	1,819,000	-	-	-

Name of Related Parties:

Associates (Enterprises in key management personnel or their relatives exercise significant influence)

1. Mandhana Bornemann Industries Ltd
2. Indus Infoways Private Limited
3. S R Enterprises
4. Parag Investments

Related Party Transactions and Disclosure as per AS 18- For the Year 2005-06:**Transaction with Associates:**

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/06	Provision for Doubtful Debts As on 31/03/06	Amount written off during the year
1	Sale of products	8,737,806	1,177,378	-	-
2	Receiving of Services	12,815,167	15,387,507	-	-
3	Finance – Unsecured Loan	-	3,675,940	-	-

Transaction with Key Management Personnel:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/06	Provision for Doubtful Debts As on 31/03/06	Amount written off during the year
1	Mr. Nitin N Mandhana- Director Unsecured Loan	880,934	880,934	-	-
2	Mr. Shashikant G Mandhana- Director Unsecured Loan	700,000	700,000	-	-

Name of Related Parties

Associates (Enterprises in which Key Management Personnel or their relatives exercise significant influence).

1. Abhay Weaving Mills Pvt. Ltd.
2. Ahaan Weaving Mills Pvt. Ltd.
3. S. R. Enterprises
4. Nirmala Hosieries Mills Pvt. Ltd.
5. Propellor Infotech
6. Savita Textiles Pvt. Ltd.
7. Siddhant Weaving Mills Pvt. Ltd.
8. Avinash Weaving Mills Pvt. Ltd.
9. Vedant Weaving Mills Pvt. Ltd.
10. Niharika Weaving Mills Pvt. Ltd.
11. Abhijeet Weaving Mills Pvt. Ltd.
12. Kavita Weaving Mills Pvt. Ltd.
13. Neeta Weaving Mills Pvt. Ltd.
14. Parag investments P Ltd.
15. Indus Infoways Pvt. Ltd.

Related Party Transactions Disclosure as per AS – 18 for the half year ended September 30, 2006:**Transactions with Associates:**

Sr. No.	Particulars	Transactions during the period ended 30.09.2006	Outstanding as on 30.09.2006	Provisions for Doubtful Debts as on 30.09.2006	Amount Written off during the period ended 30.09.2006
1	Sale of products	-	1,132,000	-	-

2	Receiving of Services	46,545,267	11,634,886	-	-
3	Finance - Unsecured Loans	-	107,150,000	-	-
4	Managerial Remuneration	-	4,009,993	-	-

Transaction with Key Management Personnel:

Sr. No.	Particulars	Transactions during the year (Amt in Rs.)	Outstanding as on 31/03/06	Provision for Doubtful Debts As on 31/03/06	Amount written off during the year
1	Mr. Nitin N Mandhana-Director	-	-	-	-
2	Mr. Shashikant G Mandhana-Director	-	-	-	-

Name of Related Parties:

1. Abhay Weaving Mills Private Limited
2. Abhijeet Weaving Mills Private Limited
3. Ahaan Weaving Mills Private Limited
4. Avinash Weaving Mills Private Limited
5. Indus Infoways Private Limited
6. Kavita Weaving Mills Private Limited
7. Neeta Weaving Mills Private Limited
8. Niharika Weaving Mills Private Limited
9. Nirmala Hosieries Mills Private Limited
10. Parag Investment Private Limited
11. Propellor Infotech
12. Savita Textiles Private Limited
13. Siddhant Spinning & Weaving Mills Private Limited
14. Vedant Weaving Mills Private Limited

- F) Details of material amounts relating to adjustments for previous years identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred.

(Rs. in lakhs)

Particulars of Adjustment	Half year ended September 30, 2006	For the Financial year ended March 31,				
		2006	2005	2004	2003	2002
Income:						
TUF Interest	-	(75.40)	73.29	2.10	-	-
Expenditure:						
Deferred Tax liability	10.24	(126.89)	137.88	(16.19)	29.83	32.49
Provision for Taxation(net)	(28.17)	19.17	9.00	-	-	-

G) Disclosure of Segment-wise results:

INFORMATION ABOUT BUSINESS SEGMENTS*(Rs. in lakhs)*

PARTICULARS	FABRICS			APPARELS			TOTAL		
	For the Financial year ended March 31/Half year ended September 30								
	30.09.06	2006	2005	30.09.06	2006	2005	30.09.06	2006	2005
REVENUE									
Sales - External	7,816.55	6,260.97	3,624.02	3,101.26	1,988.16	326.49	10,917.81	8,249.13	3,950.51
RESULT									
Segment Result	1,109.13	791.50	554.11	1,067.71	359.16	(3.16)	2,176.83	1,150.66	550.95
Unallocated Corporate Expenses	-	-	-	-	-	-	200.60	-	-
Operating Profit	-	-	-	-	-	-	1,976.23	1,150.66	550.95
Interest & Other Finance Cost	-	-	-	-	-	-	409.68	163.89	106.30
Interest Income	-	-	-	-	-	-	5.47	2.22	0.96
Income Taxes	-	-	-	-	-	-	336.25	238.36	47.50
Net Profit	-	-	-	-	-	-	1,235.76	750.63	398.11
Other Information									
Segment Assets	15,175.93	5126.63	4 114	5,649.68	3052.33	1,286.00	20,825.61	8,178.96	5,400.11
Unallocated Corporate Assets	-	-	-	-	-	-	4,299.79	1,852.03	368.48
Total Assets							25,125.40	10,030.99	5,768.59
Segment Liabilities	12,641.85	1,209.00	796	1,756	256	210.00	14,398.13	1,464.90	1,005.99
Unallocated Corporate Liabilities	-	-	-	-	-	-	7,268.49	6,246.77	3,778.15
Total Liabilities							21,666.62	7,711.67	4,784.14
Capital Expenditure	9,183.14	508.55	1,650.05	91.13	213.13	1,040.28	9,274.27	721.68	2,690.33

Note: Prior to 01.04.2004 the company was operating under one reportable segment.

- H) In the opinion of the Board current assets and loans and advances are stated at the values at which they are realizable in the ordinary course of the business.
- I) Unsecured loans represent amount brought in by promoters in pursuance of stipulations by financial institutions for margin requirements and these do not carry any interest.

ANNEXURE – V

DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS AT SEPTEMBER 30, 2006

(Rs. in lakhs)

Nature of Loan	Name of the Institution	Sanctioned Limit	O/s as on September 30, 2006	Rate of Interest P.A.	Repayment Terms	Securities offered
Term Loans	Corporation Bank	1,993	17,79.35	9%	February 2006 to June 2011 Rs.30.50 lakhs per month (65 instalments)	Charge on specific fixed assets procured or purchased out of such loans.
					July 2011 Rs.10.50 lakhs per month (1 installment)	
	Corporation Bank	346.95	61.11	9%	February 2004 to April 2004 Rs.9.50 lakhs per month (3 installments)	Charge on specific fixed assets procured or purchased out of such loans.
					May 2004 to April 2005 Rs.11.50 lakhs per month (12 installments)	
					May 2005 to March 2007 Rs.7.50 lakhs per month (23 installments)	
					April 2007 Rs.7.95 lakhs per month (1 installment)	
	Canara Bank	650	560.00	9%	August 2006 to June 2011 Rs.10.85 lakhs per month (59 installments)	Charge on specific fixed assets procured or purchased out of such loans.
					July 2011 Rs.9.85 lakhs per month (1 installment)	
	Canara Bank	5,000	3,880.35	10%	October 2006 to March 2007-Rs.15.50 lakhs per month (6 installments)	Charge on specific fixed assets procured or purchased out of such loans.
					April 2007 to March 2008-Rs.16.92 lakhs per month(12 installments)	
					April 2008 to March 2010-Rs.40.08 lakhs per month(24 installments)	
					April 2010 to March 2011-Rs.55.58 lakhs per month(12 installments)	
					April 2011 to March 2012-Rs.71 lakhs per month(12 installments)	
					April 2012 to March 2013-Rs.77.17 lakhs per month(12 installments)	
					April 2013 to March 2014-Rs.108.08 lakhs per month(12 installments)	
					April 2014 to March 2015-Rs.108.08 lakhs per month(12 installments)	
	Karnataka Bank	3,100	3,097.55	9%	October 2006 to March 2007-Rs.9.5 lakhs per month (6 installments)	Charge on specific fixed assets procured or purchased out of such loans.
					April 2007 to March 2008-Rs.10.58 lakhs per month(12 installments)	

					April 2008 to March 2010-Rs.24.92 lakhs per month(24 installments)	
					April 2010 to March 2011-Rs.34.42 lakhs per month(12 installments)	
					April 2011 to March 2012-Rs.44 lakhs per month(12 installments)	
					April 2012 to March 2013-Rs.47.83 lakhs per month(12 installments)	
					April 2013 to March 2014-Rs.66.92 lakhs per month(12 installments)	
Working Capital Facility	Corporation Bank - CC	1,000	973.72	11%/7.50%		Secured by a First Charge on Inventories & Sundry Debtors ranking pari passu with one another and by a second charge on Fixed Assets.
	Canara Bank	800	809.58	10%		Secured by a First Charge on Inventories & Sundry Debtors ranking pari passu with one another and by a second charge on Fixed Assets.
	Canara Bank - CC	1,400	847.20	10%		Secured by a First Charge on Inventories & Sundry Debtors ranking pari passu with one another and by a second charge on Fixed Assets.
	Canara Bank	350	41.12	7.50%		Secured by a First Charge on Inventories & Sundry Debtors ranking pari passu with one another and by a second charge on Fixed Assets.
	Canara Bank	800	796.83	8.25%		Secured by a First Charge on Inventories & Sundry Debtors ranking pari passu with one another and by a second charge on Fixed Assets.
	Standard Chartered Bank - CC	600	592.34	6.74%		Secured by a First Charge on Inventories & Sundry Debtors ranking pari passu with one another and by a second charge on Fixed Assets.
Hire Purchase Loans	ICICI Bank Limited		60.01			Secured by hypothecation of specified vehicles against which the finance is

	HDFC Bank Limited		9.64			obtained.
	Kotak Mahindra Bank		11.69			
	GE Country Wide Limited		0.14			

DETAILS OF SECURED LOANS*(Rs. in lakhs)*

Particulars	Half year ended September 30, 2006	As at Financial year ended March 31,				
		2006	2005	2004	2003	2002
Working Capital						
Corporation Bank	973.72	442.35	803.34	192.78	-	-
Canara Bank	2494.73	2,083.99	-	-	-	-
Standard Chartered Bank	592.34	-	-	18.07	384.31	194.84
Total (A)	4060.79	2,526.34	803.34	210.85	384.31	194.84
Term Loan						
Corporation Bank	1,840.46	144.41	2,184.94	424.65	-	-
Canara Bank	4,440.35	1,552.00	-	-	-	-
Karnataka Bank	3,097.55	-	-	-	66.79	31.94
Total (B)	9,378.36	1,696.40	2,184.94	424.65	66.79	31.94
Vehicle Loan from Various Banks (C)	81.49	33.42	32.28	19.37	4.26	1.86
Total (A+B+C)	13,520.64	4,256.16	3,020.56	654.87	455.36	228.64

ANNEXURE – VI**DETAILS OF SUNDRY DEBTORS***(Rs. in lakhs)*

Particulars	Half year ended September 30, 2006	As at the Financial year ended March, 31				
		2006	2005	2004	2003	2002
(Unsecured and Considered Good)						
Outstanding for more than Six Months	121.25	65.31	25.58	36.45	2.07	0.07
Other Debts	5,152.96	1,635.87	735.65	133.84	95.08	64.80
Total	5,274.21	1,701.18	761.23	170.29	97.15	64.87

ANNEXURE – VII

STATEMENT OF LOANS AND ADVANCES

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	As at the Financial year ended March, 31				
		2006	2005	2004	2003	2002
Advance recoverable in cash or kind or for value to be received	2,307.15	1,473.30	437.15	115.29	28.85	25.91
Deposits	147.16	97.27	95.94	72.40	1.79	1.58
Tax Payment Pending Adjustments	458.79	120.57	45.58	5.17	-	1.68
Others	20.23	490.86	115.74	3.48	17.04	2.93
Total	2,933.33	2,182.00	619.01	196.34	47.68	32.10

The beneficiaries of loans and advances are not related to the promoters / directors of the company.

ANNEXURE – VIII

STATEMENT OF UNSECURED LOANS

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	As at the Financial year ended March, 31				
		2006	2005	2004	2003	2002
From Companies	1,176.76	36.76	735.37	41.00	32.40	15.00
From Promoters/Directors/Shareholders & Associates*	2,226.07	1,342.91	103.24	-	38.67	11.00
Total	3,402.83	1,379.67	838.61	41.00	71.07	26.00

Refer Note No.2(I) of Notes to Restated Accounts

ANNEXURE – IX

STATEMENT OF OPERATIONAL INCOME

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Financial year ended March, 31				
		2006	2005	2004	2003	2002
Domestic Sales	7,962.59	6,334.64	3,611.88	1,416.62	658.22	483.48
Export Sales	2,943.27	1,424.62	148.91	11.17	6.83	5.59
Job Work Charges	11.95	468.85	189.72	13.31	6.45	1.21
Sale of Software	-	21.32	-	-	-	-
Total	10,917.81	8,249.13	3,950.51	1,441.10	671.49	490.28

ANNEXURE – X

STATEMENT OF OTHER INCOME

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Financial year ended March, 31				
		2006	2005	2004	2003	2002
Interest Received	5.47	2.22	0.97	4.23	1.18	0.51
Export Incentive	182.90	72.08	11.33	-	-	0.13
Miscellaneous Income	60.73	44.18	21.88	36.34	13.59	2.29
Total	249.10	118.48	34.18	40.57	14.77	2.93

ANNEXURE – XI

STATEMENT OF CONTINGENT LIABILITIES

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	As at the Financial year ended March, 31				
		2006	2005	2004	2003	2002
Corporate Guarantee	1,248.00	1,248.00	600.00	-	-	-
Bank Guarantee	79.77	122.49	102.10	6.71	8.96	-
Disputed Income Tax demand not provided for	17.16	-	-	-	-	-
Total	1,344.93	1,370.49	702.10	6.71	8.96	-

ANNEXURE – XII

STATEMENT OF DIVIDEND PAID

(Rs. in lakhs)

Particulars	Face value per share (Rs.)	Half year ended September 30, 2006	For the Financial year ended March, 31				
			2006	2005	2004	2003	2002
Equity Share Capital	10/-	1,333.34	521.85	454.85	227.42	227.42	202.42
Number of equity shares outstanding at the year end		13,333,432	52,185,00	45,484,70	22,742,35	22,742,35	2,024,235
Rate of Dividend (%)		Nil	10%	20%	15%	10%	Nil
Amount of Dividend		Nil	45.48	45.48	34.11	20.73	Nil

ANNEXURE – XIII

ACCOUNTING RATIOS

Particulars	Half year ended September 30, 2006	For the Financial year ended March 31,				
		2006	2005	2004	2003	2002
Face Value per Share (Rs.)	10	10	10	10	10	10
Earning Per Share (Annualized) (Rs.)	12.62	3.85	2.72	0.90	0.73	0.18
Cash Earning Per Share (CEPS) Rs.	20.65	7.61	4.87	1.55	1.27	0.73
Return on Net Worth (%)	36.00	23.85	34.74	18.32	23.04	7.79
Net Asset Value Per Share (Rs.)	22.16	44.10	20.54	23.64	14.14	11.48

NOTES:

The Ratios have been calculated as below

1. $EPS = a/b$
2. $Return\ on\ Net\ worth = a/d\ \%$
3. $Net\ asset\ Value\ per\ Share = e/b$
 - a. Net Profit after Tax
 - b. Total number of Equity shares outstanding at the end of the year.
 - c. Cash earning= Net Profit after tax add depreciation, preliminary expenses written off, deferred tax liability and other non- Cash charges
 - d. Net Worth=Equity Share Capital plus reserve and surplus less miscellaneous expenditure to the extend not written off
 - e. Net Asset=Equity Share Capital plus reserve and surplus less miscellaneous expenditure to the extend not written off

Earning per Share is computed in accordance with Accounting Standard 20 'Earnings per Share' issued by the Institute of Chartered Accountants of India.

Earning per Share:*(Rs. in lakhs)*

Particulars	Half year ended September 30, 2006	For the Financial year ended March, 31				
		2006	2005	2004	2003	2002
Face Value per Share (Rs.)	10	10	10	10	10	10
Weighted average number of equity shares outstanding at the end of the year:						
Basic (A)	6630818	12404138	10101985	10101985	9893652	9851985
Diluted (B)	8427985	14276673	11933763	10898670	10095619	9902838
(On annualised basis)						
Net profit after tax available for Equity Shareholders(Rs. in lakhs) (C)	1063.44	548.96	324.52	98.49	74.11	18.10
Earnings Per Share						
Basic (C)/(A)	16.04	4.43	3.21	0.97	0.75	0.18
Diluted (C)/(B)	12.62	3.85	2.72	0.90	0.73	0.18

Cash EPS:

Particulars	Half year ended September 30, 2006	For the Financial year ended March, 31				
		2006	2005	2004	2003	2002
Net Profit After Tax	1063.44	548.96	324.52	98.49	74.11	18.10
Add:						
a) Depreciation	317.97	239.85	90.81	38.47	19.13	16.86
b) Preliminary Expenses w/off		-	1.32	1.47	1.47	1.47
c) Deferred Tax Liability	172.32	98.11	137.88	33.83	29.83	32.49
d) Taxation (Net)	186.25	198.85	26.50	(3.82)	3.83	3.50
Cash Earnings	1739.99	1085.77	581.03	168.44	128.37	72.42

ANNEXURE – XIV**CAPITALISATION STATEMENT***(Rs. in lakhs)*

Particulars	Pre-Issue as at 30.09.2006	Post Issue*
DEBT		
Short-term Debt	4,142.26	
Long-term Debt	12,781.21	
Total(A)	16,923.47	
SHAREHOLDERS' FUNDS		
Share Capital	1,333.34	
Reserves & Surplus after deducting Miscellaneous Expenditure not written off	1,620.98	
Total Shareholders' Funds (B)	2,954.32	
LONG TERM DEBT/ SHAREHOLDERS' FUNDS	4.33	

*Information pertaining to Share capital and reserves, post issue can be ascertained only after completion of book building process

Long term debt includes an amount of Rs 3402.83 lakhs brought in by the promoters in pursuance of stipulations by financial institutions for margin requirements and these do not carry any interest.

ANNEXURE – XV

TAX SHELTER STATEMENT

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Financial year ended March, 31				
		2006	2005	2004	2003	2002
Profit before Tax as per books - (A)	1,572.02	989.00	445.61	141.17	112.94	57.09
Total Tax (%)	33.66	33.66	33.33	35.88	36.75	35.7
Tax at actual rate on book profits	529.14	332.90	148.52	50.65	41.51	20.38
Adjustments:						
Timing Differences						
Difference between Tax Depreciation and Book Depreciation	512.16	292.91	455.33	139.17	102.67	42.32
Other Adjustments	(0.52)	(24.47)	(17.60)	(3.00)	(6.61)	(2.84)
Net Adjustments (B)	511.65	268.45	437.73	136.17	96.06	39.48
Tax Savings thereon	172.22	90.36	145.89	48.86	35.30	14.09
Profit and Loss as per Income Tax Returns(D)=(A)-(B)		720.55	7.88	5.00	16.88	17.61
Brought Forward Losses Adjusted		Nil	Nil	Nil	Nil	Nil
Taxable Loss/Income		720.55	7.88	5.00	16.88	17.61
Taxable Income as per MAT		989.00	445.61	141.17	112.94	57.09
Tax as per Income Tax Returns		231.95	34.94	10.94	8.89	6.29

Note:

The accounts as on 30.09.2006 have been made on half yearly basis and therefore the Income as per Income Tax Returns and Tax payable under MAT cannot be ascertained.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our audited restated financial statements under Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear in this Red Herring Prospectus beginning on page no.118. You are also advised to read the section titled "Risk Factors" beginning on page xii of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. Unless otherwise stated, the financial information used in this section is derived from our audited financial statements under Indian GAAP, as restated. Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. In this section only, any reference to "we", "us" or "our" refers to Indus Fila.

Overview

Indus Fila Limited, the flagship company of the group is a new age fashion and textile manufacturer with sharp focus on design and backward integration capabilities, thriving under the dynamic leadership of Mr. Nitin Narayandas Mandhana, the prime mover of the Company, supported by two other promoter directors - Mr. Shashikant Govindlal Mandhana and Mr. Prakash Govindlal Mandhana. The promoters are from a family which is associated with the textile industry for a long time since Mr. Narayandas Mandhana, father of Mr Nitin Mandhana started trading in textiles since past four decades.

We are engaged in yarn dyeing, fabric weaving, fabric processing and apparel manufacturing. The commercial production of Company's expanded activities - weaving and apparels started in the month of November 2004. Currently we manufacture color dyed, solid dyed fabrics for domestic garment manufacturers and exporters. The apparel manufacturing of Men's Shirts and Ladies Tops is mainly for exports. We have positioned ourselves as a multi product, multi fibre and multi market player ensuring that our target market is a diverse mix of the domestic fabrics market, garment export and international market (fabrics exports). We have integrated design-to-delivery capability with emphasis on design excellence and innovative product engineering. We share a close rapport with a number of marquee international and domestic brands - Izod, Arrow, Chaps, Armani Exchange and Levi Strauss due to the international marketing experience of our Managing Director while he was the Managing Director of Mandhana Bornemann Industries which was into the manufacturing of Brand Identification Products for global garment brands.

We have multi-locational production and distribution facilities spread across Bangalore and Mysore, viz. Peenya and Nelamangala in Bangalore, Nanjangud in Mysore fully backed up by the facilities for product development, design studio and efficient sampling infrastructure which consists of a team of designers and pilot sampling machines to provide quality services to our customers in India and abroad. We also have distribution facilities in Chennai and Mumbai which gives us advantage of being able to serve our customers from multi-locations. We currently employ over 480 people.

Presently, we are operating with 156 weaving looms (including 48 looms under 100% manufacturing agreement) producing approximately 20.80 million meters of fabric per annum and 750 sewing machines with production capacity of 2.70 millions garments per annum.

Our Operational Income and Profit after Tax (PAT) as per the restated financial statements for the financial year ending March 31, 2006 is Rs 8,249.13 lacs and Rs 548.96 lacs and for the half year ended September 30, 2006 is Rs 10917.81 lacs and Rs 1063.44 lacs respectively. Our Operational Income and PAT have grown at a CAGR of 99.29% and 147.23% respectively over the period of five years and six months.

Key factors influencing results of operations

Several factors influence our results of operations, financial condition and cash flow significantly. The key factors affecting our operations include:

1. Changes in Customer Preferences

Our customers prescribe stringent standards and guidelines in relation to timeliness of deliveries, quality and confidentiality. Any non-compliance on our behalf with respect to such customer requirements and dissatisfaction by customers during their audit checks can lead to loss of customers or decrease in their volume of business to us.

2. Government Regulations and Policies relating to textile industry

Withdrawal or modification of policies initiated by Government of India to promote growth of the textile sector including policies such as interest rate subsidies, duty / tax reimbursement schemes like duty drawback / DEPB etc. could adversely impact our profitability and profitability of the textile companies in India.

3. Imposition of anti Dumping duties by importing countries

Any change in the duty structure that reduces our current ability to export garments to the foreign countries without the imposition of anti-dumping duties may have an adverse effect on our net revenues.

4. Fluctuation in Exchange rate

We face exchange rate risk to the extent that our certain borrowings and expenditures are denominated in currencies other than Indian rupees. The Company is exposed to foreign exchange risk in respect to realization from debtors.

5. New competitive businesses

Removal of quota system with effect from January 1, 2005 has created tremendous competition in the textile industry. We face significant competition as we compete with many domestic and foreign apparel manufacturers

6. Any slow down in the economic growth

Any slow down of economy of the countries where we export our garments may negatively impact the spending power of the consumers, thereby reducing their spend on fashion and lifestyle products.

For more information on these and other factors/developments which have or may affect us, see “Risk Factors” on page xii of this Red Herring Prospectus and “Business Overview” on page 59 of this Red Herring Prospectus.

INCOME STATEMENT

Income for the previous 3 Fiscal years and for the half year ended September, 2006 as per our audited financial statement is as under:

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Year ended on March 31		
		2006	2005	2004
Operational Income (Sales)	10,917.81	8,249.13	3,950.51	1,441.11
Other Income	249.10	118.49	34.18	40.57
Increase/(Decrease) in Stocks	1,339.46	776.10	398.40	29.51
TOTAL INCOME	12,506.37	9,143.72	4,383.09	1,511.19

Our total revenues for the half year ended is at Rs.12,506.37 lakhs. Our total revenues during the fiscal 2006 was Rs.9,143.72 lakhs as compared to Rs.1,511.19 lakhs in fiscal 2004. Our operational income comprises of Rs 21.32 lakhs from sale of software in Fiscal 2006. Our revenues have grown at a CAGR of 132.88% from the period FY 2004 to half year ended September 30, 2006.

Our total sales reflect sales of dyed Yarn, grey fabrics and readymade garments. Our total sales for the fiscal 2006 was Rs.8,249.13 lakhs as compared to Rs.1,441.11 lakhs in fiscal 2004. The increase in total income is on account of improved quality of products manufactured by us, the change in product mix and addition of new clients, both in domestic as well as foreign markets.

The operating performance has improved year-on-year with FY 2005 earnings increasing by 174.13% over FY 2004 and FY 2006 earnings increasing by 108.81% over FY 2005.

Other Income mainly comprises of export incentives and other miscellaneous income.

OPERATIONAL INCOME - DOMESTIC & EXPORTS

The trend of total turnover (Export and Domestic) for the previous 3 Fiscal years and for the half year ended September, 2006 is as under:

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Year ended on March 31		
		2006	2005	2004
Domestic Sales	7,974.54	6,824.51	3,801.60	1,429.93
Export Sales	2,943.27	1,424.62	148.91	11.17
Total	10,917.81	8,249.13	3,950.51	1,441.10
<i>% of increase over the Previous Year</i>		<i>108.81%</i>	<i>174.13%</i>	<i>114.61%</i>

Our domestic sales represented 99.22%, 96.23 and 82.73% of our total Sales fiscal 2004, fiscal 2005 and fiscal 2006 respectively. The contribution of export sales increased to 26.96% of total sales for the half year ended September 30, 2006. The contribution from export sales is increasing on year on year basis which indicates the changing business pattern consciously undertaken by the company along with the change in the product mix concentrating more on the garment exports.

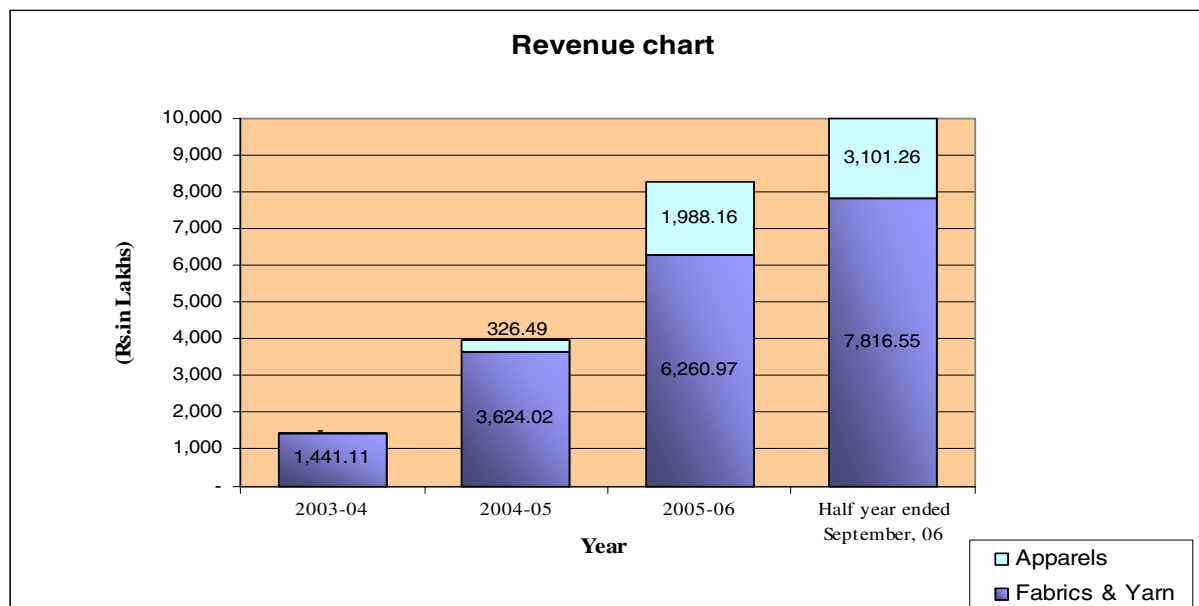
SALES MIX

We manufacture a range of products like dyed yarn, grey fabrics and readymade garments. The apparel manufacturing of Men's Shirt and Ladies Tops is mainly for Exports. The sales mix of the Company's operating income can be analyzed into two products viz. Fabrics & Yarn and Apparels.

The following table shows the composition of our revenues as % of total sales:

Particulars	Half year ended September 30, 2006	For the Year ended on March 31,		
		2006	2005	2004
Fabrics & Yarn	71.59%	75.90%	91.74%	100.00%
Apparels	28.41%	24.10%	8.26%	-
Total	100.00%	100.00%	100.00%	100.00%

Before fiscal 2005, we were manufacturing only Dyed yarn and Grey Fabrics. In 2005, we commenced manufacturing of Apparels viz. Men's Shirts and Ladies Tops mainly for exports. The contribution from the sale of dyed yarn declined due to captive consumption of dyed yarn in the manufacturing of Fabrics.



CLIENT CONCENTRATION

Our client concentration for the past three financial years is as follows:

	2005-2006		2004-2005		2003-2004	
	Sales (Rs. in lakhs)	As a % of total sales	Sales (Rs. in lakhs)	As a % of total sales	Sales (Rs. In lakhs)	As a % of total sales
Top 1 customer	1,752.01	21.24	1,550.42	39.23	163.72	10.09
Top 5 customers	4,696.17	56.93	2,524.22	63.87	558.07	34.39
Top 10 customers	5,437.05	65.91	2,803.25	70.93	770.70	47.49

Our top customers for 2005-06 include N.K.Fabrics (21.24%) , Atlas Sports Wear Inc (9.23%), Sumit Textiles (21.10%) and Karmal Garments Exports (2.82%) amongst others.

RAW MATERIAL COST

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Year ended on March 31		
		2006	2005	2004
Total Income	12506.37	9143.72	4383.09	1511.19
Raw Material Consumed	8080.28	5922.61	2,985.03	872.04
% of RM consumed to Total Income	64.61%	64.77%	68.10%	57.71%

The raw material cost mainly comprises purchase of yarn and grey fabrics. The raw material cost in fiscal 2006 and for the half year ended September 30, 2006 was 64.77% and 64.61% of total income vis-à-vis. 57.71% in fiscal 2004. The reason for increase in cost is on account of change in product mix and increase in prices of raw material i.e. yarn on year to year basis.

OTHER OPERATIONAL COSTS*(Rs. in lakhs)*

Particulars	Half year ended September 30, 2006	For the Year ended on March 31,		
		2006	2005	2004
Employee Cost to total income	2.64%	4.15%	4.13%	2.65%
Employee Cost	330.35	379.75	180.85	40.06
Administrative and Other Expenses to total income	2.13%	4.01%	3.59%	4.39%
Administrative and Other Expenses	266.83	367.05	157.32	66.33
Selling & Distribution Expenses to total income	0.83%	1.34%	1.69%	0.77%
Selling & Distribution Expenses	104.03	122.91	73.86	11.63
Total operating Cost (%)	5.61%	9.51%	9.40%	7.81%
Total Operating Cost	701.22	869.71	412.03	118.02

Our Other Operating Costs was 7.81% of the total income in the fiscal 2004 which increased to 9.40% in fiscal 2005 and 9.51% in the fiscal 2006. The main reason for increase in operating cost is due to increase in manpower strength in the fiscal 2005. The operating costs for the half year ended September 30, 2006 is at 5.61% on account of growth in the sales volume of fabrics and garments.

EARNINGS BEFORE INTEREST, DEPRECIATION, TAX AND AMORTIZATION (EBITDA)

A comparison of EBITDA in absolute amount as well as a percentage of total income is as under:

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Year ended on March 31,		
		2006	2005	2004
Total Sales	10,917.81	8,249.13	3,950.51	1,441.11
Profit After Tax	1,063.44	548.96	324.52	98.49
Add: Financial Charges	409.69	239.29	33.01	55.28
Depreciation	317.97	239.85	90.81	38.47
Tax	508.57	364.64	194.38	44.78
Misc. Expenses Written Off	-	-	1.32	1.47
EBITDA	2,299.68	1,392.74	644.04	238.49
% of EBITDA to the total Sales	21.06%	16.88%	16.30%	16.55%

Our EBITDA margin in FY06 has increased marginally vis-à-vis FY 2005 and FY 2004. It has increased from 16.55% in FY 2004 to 16.88% in FY 2006. Subsequently our EBITDA margin has increase to 21.06% of our total sales for the half year ended September, 2006 which is on account of growth in our revenue. Even though the prices of raw materials increased on year to year basis, we are able to maintain the EBITDA margin in Fiscal 2005 and 2006.

PROFIT AFTER TAX*(Rs. in lakhs)*

Particulars	Half year ended September 30, 2006	For the Year ended on March 31		
		2006	2005	2004
Profit Before Tax	1,572.02	913.60	518.91	143.27
Net Profit After Tax/Adjustments	1,063.44	548.96	324.52	98.49
% of Net Profit After Tax to total income	8.50%	6.00%	7.40%	6.52%

DEBTORS TURNOVER RATIO

The following table presents the details of our debtors.

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	For the Year ended on March 31,		
		2006	2005	2004
Outstanding Debtors at the end of the Period	5,274.21	1,701.18	761.23	170.29
Debtors less than 180 Days as a % of total debtors	97.70%	96.16%	96.64%	78.60%
Debtors more than 180 Days as a % of total debtors	2.30%	3.84%	3.36%	21.40%
No. of Days outstanding Debtors (Days) on an Average	88	75	70	43
Debtors Turnover Ratio	3.13	6.70	8.48	10.78

We normally realize our debts within 60 to 90 days from the sales. However, the outstanding period of Debtors increased from 43 days in 2004 to 75 days in FY 2006 which is a norm in the industry in which we operate. Even then more than 95% of the total dues are for a period of less than six months.

EQUITY AND RESERVES & SURPLUS

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	As at the Year ended on March 31,		
		2006	2005	2004
Equity Share Capital	1,333.34	521.85	454.85	227.42
Share Application money	-	870.00	66.92	172.27
Reserves & Surplus	1,621.00	909.56	412.45	139.34
Preliminary Expenses to the extent not w/off	-	-	-	1.32
Net Worth	2,954.34	2,301.41	934.22	537.72

In May 2006, 78,27,750 Equity shares of Rs.10/- each have been issued as Bonus Shares from the reserves in the ratio of 2:3. In March, 2005 22,74,235 Equity Shares of Rs.10/- each have been issued as further allotment to the existing shareholders.

On November 18, 2006, we have issued 456,000 equity shares to Indus Fila ESOP Trust for allotment to the eligible employees.

INVESTMENTS

We have made an investment of Rs.14.50 lakhs dated August 06, 2004 to form a company called Indus Marketing GMBH. The main objective of investment was to form a Liaisoning and marketing company in Germany. However the Company is still not formed.

CONTINGENT LIABILITIES

(Rs. in lakhs)

Particulars	Half year ended September 30, 2006	As at the Financial year ended March 31,		
		2006	2005	2004
Corporate Guarantee	1,248.00	1,248.00	600.00	-
Bank Guarantee	79.77	122.49	102.10	6.71
Disputed Income Tax demand not provided for	17.16			
Total	1,344.93	1,370.49	702.10	6.71

RESULTS OF OPERATIONS

The table below sets forth various items from the company's restated financial statement for fiscal 2004, 2005, 2006 and for the half year ended September 30, 2006 & the corresponding % to the total income has been calculated.

STATEMENT OF PROFIT AND LOSSES*(Rs. in lakhs)*

Particulars	Half year ended		For the Year ended March 31,					
	30-Sep-06	% of Total Income	2006	% of Total Income	2005	% of Total Income	2004	% of Total Income
INCOME								
Sales	10,917.81	87.30%	8,249.13	90.22%	3,950.51	90.13%	1,441.11	95.36%
Other Income	249.10	1.99%	118.49	1.30%	34.18	0.78%	40.57	2.68%
Increase / (Decrease) in Stocks	1,339.46	10.71%	776.10	8.49%	398.40	9.09%	29.51	1.95%
TOTAL INCOME	12,506.37	100.00%	9,143.72	100.00%	4,383.09	100.00%	1,511.19	100.00%
EXPENDITURE								
Cost of Raw material	8,080.28	64.61%	5,922.61	64.77%	2,985.03	68.10%	872.04	57.71%
Manufacturing Expenses	1,425.19	11.40%	958.66	10.48%	343.30	7.83%	284.11	18.80%
Employees' Remuneration & Benefits	330.35	2.64%	379.75	4.15%	180.85	4.13%	40.06	2.65%
Administrative and Other Expenses	266.84	2.13%	367.05	4.01%	156.00	3.56%	64.86	4.29%
Finance Expenses	409.69	3.28%	239.29	2.62%	33.01	0.75%	55.28	3.66%
Selling & Distribution Expenses	104.03	0.83%	122.91	1.34%	73.86	1.69%	11.63	0.77%
Depreciation	317.97	2.54%	239.85	2.62%	90.81	2.07%	38.47	2.55%
Misc. Exp. Written Off	-	0.00%	-	0.00%	1.32	0.03%	1.47	0.10%
TOTAL EXPENDITURE	10,934.36	87.43%	8,230.12	90.01%	3,864.18	88.16%	1,367.92	90.52%
Profit/(Loss) before Tax and Extra-ordinary items	1,572.01	12.57%	913.60	9.99%	518.91	11.84%	143.27	9.48%
Add: Exceptional Items Income/(Exp.)	-		-		-		-	
Profit Before Tax	1,572.01	12.57%	913.60	9.99%	518.91	11.84%	143.27	9.48%
Provision for Taxation								
- Current Tax	336.25	2.69%	266.53	2.91%	56.50	1.29%	10.95	0.72%
- Deferred Tax	172.32	1.38%	98.11	1.07%	137.88	3.15%	33.83	2.24%
Profit After Tax (PAT)	1,063.44	8.50%	548.96	6.00%	324.53	7.40%	98.49	6.52%
Adjustments								
Add : balance brought from Previous year	856.71		359.60		134.34		74.33	
Profit available for appropriations	1,920.15		908.56		458.87		172.82	
Less: Utilized during the year	729.93		-		-		-	
Transfer to General Reserve	-		-		47.85		-	
Provision for Dividend	-		45.48		45.48		34.11	
Tax on Dividend	-		6.38		5.94		4.37	
Balance Carried to Summary of Assets & Liabilities	1,190.22		856.71		359.60		134.34	

COMPARISON OF THE FINANCIALS OF FY 2006 VIS-À-VIS FY 2005:**TOTAL REVENUE**

Our total revenues during fiscal 2006 is improved and grown by 108.61% from Rs. 4,383.09 lakhs in fiscal 2005 to Rs.9,143.72 lakhs in fiscal 2006. During 2005-2006, we have further added the manufacturing capacity of Weaving and Garmenting.

Our total sales reflect sales of dyed yarn, grey fabric and readymade garments. Our total sales for the fiscal 2006 was Rs.8,249.13 lakhs as compared to Rs.3,950.51 lakhs in fiscal 2005. The increase in total income is on account of increase in the manufacturing capacity of Weaving and Garmenting. During the year, we are able to add new clients, both in domestic as well as foreign market on account of increase in the demand of improved quality of products manufactured by us. During 2005-2006, our product mix also changed due to increased conversion of our own manufactured fabrics into garments.

OTHER INCOME

Our other income was Rs.118.49 lakhs in FY 2006 vis-à-vis Rs.34.18 lakhs in FY 2005.

Others income mainly comprised of Interest earned, Export incentives and other miscellaneous income. The reason for an increase in other income is on account of increase in the export incentives for the year. The export incentives for the year was Rs 72.08 lakhs which constitutes 60.83% of the total other income.

COST OF RAW MATERIAL CONSUMED

Our total consumption of raw material was Rs.5,922.61 lakhs in fiscal 2006 as compared to Rs.2,985.03 lakhs in fiscal 2005. The ratio of consumption of raw material to total income was 64.77% in fiscal 2006 vis-à-vis 68.10% in fiscal 2005. There is a reduction of consumption of raw material by 4.89% as compared to fiscal 2005 which is on account of up-gradation in technology used for manufacturing & improvement in product processes which leads to reduction in wastage of raw material.

MANUFACTURING EXPENSES

Our manufacturing expenses for the fiscal 2006 were Rs.958.66 lakhs i.e. 10.48% of total income as compared to Rs.343.30 lakhs i.e. 7.83% in fiscal 2005. There is an increase in manufacturing expenses by 2.65% of total income which is on account of change in the product mix during the year 2005-06. During 2005-2006, due to an increase in the garment manufacturing capacity, an increase in the Job work expenses was incurred which totaled to 1.45% of total income.

OPERATING COST

The administrative and other expenses for the fiscal 2006 were Rs.367.05 lakhs i.e. 4.01% of total income as compared to Rs.156.00 lakhs i.e. 3.56% of total income for the fiscal 2005. The Employee cost for the fiscal 2006 was Rs.379.75 lakhs i.e. 4.15% of total income as compared to Rs.180.85 lakhs i.e. 4.13% in fiscal 2005. The Selling and distribution expenses for the fiscal 2006 were Rs.122.91 lakhs i.e. 1.34% of total income as compared to Rs.73.86 lakhs i.e. 1.69% of total income in the fiscal 2005.

The total operating cost for the fiscal 2006 was 9.51% of total income as compared to 9.40% of total income in the fiscal 2005.

EARNING BEFORE INTEREST, DEPRECIATION, TAX AND AMORTIZATION

The growth in EBIDTA margins increased by 3.56% from Rs.644.04 lakhs in fiscal year 2005 to Rs.1,392.74 lakhs in fiscal year 2006. Despite of stiff competition in Textile and Garment Industry, we were able to maintain the EBIDTA margin at 16.88% in Fiscal 2006.

FINANCE COST

The Finance cost for the fiscal 2005 was Rs.33.01 lakhs i.e. 0.75% of total income vis-à-vis Rs.239.29 lakhs i.e. 2.62% of total income in fiscal 2006. With growth in business there is an increase in borrowing from the banks viz. working capital facilities, Term loans under TUF and other non-fund base finance facilities.

DEPRECIATION

Depreciation increased from Rs.90.81 lakhs i.e. 2.07% of total income in fiscal year 2005 to Rs.239.85 lakhs i.e. 2.62% of total income in fiscal year 2006, corresponding to the increase in gross block of fixed assets by 18.19% from Rs.3,793.12 lakhs in fiscal year 2005 to Rs.4,483.17 lakhs in fiscal year 2006.

INCOME TAX

Provision for current tax increased from Rs.56.50 lakhs in fiscal year 2005 to Rs.266.53 lakhs in fiscal year 2006, mainly due to increase in profit of the year 2006.

In 2006, we had made a provision for deferred tax liability of Rs.98.11 lakhs.

PROFIT AFTER TAX

The profit after tax was Rs.548.96 lakhs in fiscal year 2006 as compared to Rs.324.53 lakhs in fiscal year 2005. The profit after tax as a percentage to total income decreased from 7.40% of total income in the fiscal year 2005 to 6.00% of total income in fiscal year 2006. The reason for decline in profit after tax is on account of increase in financial expenses in the year 2006.

COMPARISON OF THE FINANCIALS OF FY 2005 VIS-À-VIS FY 2004:**TOTAL REVENUE**

The total revenue of the Company during fiscal 2005 is Rs.4,383.09 lakhs as compared to Rs.1,511.19 lakhs in fiscal 2004.

Our total sales reflect sales of dyed yarn, grey fabric. In fiscal 2005 we had commenced manufacturing of readymade garments viz. Men's Shirts and ladies Tops mainly for exports. Our total sales for the fiscal 2005 was Rs.3,950.51 lakhs as compared to Rs.1,441.11 lakhs in fiscal 2004. The increase in total income is on account of commencement of weaving. The installed capacity of weaving was 16 lakhs mtrs. p.a. We have achieved a 40% utilization level of the total capacity available with us.

Our operating performance has improved year-on-year with FY 2005 earnings increased substantially by 174.13% over FY 2004.

OTHER INCOME

The Other Incomes was Rs.34.18 lakhs in FY 2005 vis-à-vis Rs.40.57 lakhs in FY 2004 Others income mainly comprised of Interest earned, Export incentives and other miscellaneous income. The export incentives for the year was Rs 11.33 lakhs which constitutes 32.93% of the total other income.

COST OF RAW MATERIAL CONSUMED

Our total consumption of raw material was Rs.2,985.03 lakhs in fiscal 2005 as compared to Rs.872.04 lakhs in fiscal 2004. The ratio of consumption of raw material to total income was 68.10% in fiscal 2005 vis-à-vis 57.71% in fiscal 2004. The increase in consumption cost of raw material is on account of change in the product mix in the year 2005. The raw material consumption for weaving was higher during the year, since this being the first year of operation of weaving looms and lower productivity thereof.

MANUFACTURING EXPENSES

Our manufacturing expenses for the fiscal 2005 were Rs.343.30 lakhs i.e. 7.83% of total income as compared to Rs.284.11 lakhs i.e. 18.80% in fiscal 2004. The decrease in manufacturing expenses is on account of absorption of fixed overhead incurred during the year viz. Power & Fuel and Stores and Spares.

OPERATING COST

The administrative and other expenses for the fiscal 2005 were Rs.156.00 lakhs i.e. 3.56% of total income as compared to Rs.64.86 lakhs i.e. 4.29% of total income for the fiscal 2004. The Employee cost for the fiscal 2005 was Rs.180.85 lakhs i.e. 4.13% of total income as compared to Rs.40.06 lakhs i.e. 2.65% in fiscal 2004. The Selling and distribution expenses for the fiscal 2005 were Rs.73.86 lakhs i.e. 1.69% of total income as compared to Rs.11.63 lakhs i.e. 0.77% of total income in the fiscal 2004.

The total operating cost for the fiscal 2005 was 9.40% of total income as compared to 7.81% of total income in the fiscal 2004. The increase in operating cost by 1.59% of total income is on account of increase in manpower strength in the year 2005.

EARNING BEFORE INTEREST, DEPRECIATION, TAX AND AMORTIZATION

EBIDTA margin declined marginally by 1.49% from Rs.238.49 lakhs i.e.16.55% of total income in fiscal year 2004 to Rs.644.04 lakhs i.e. 16.30% in fiscal year 2005. The EBIDTA margin is not improved on account of increase in manpower strength at weaving and garmenting facilities in the year 2005.

FINANCE COST

Finance cost for the fiscal 2005 was decreased by 40.29% over fiscal 2004. The finance cost for the fiscal 2004 was Rs.55.28 lakhs i.e. 3.66% of total income vis-a-vis Rs.33.01 lakhs i.e. 0.75% of total income in fiscal 2005. This was mainly due to lesser utilization of working capital and other non-fund base finance facilities.

DEPRECIATION

Depreciation increased from Rs.38.47 lakhs i.e. 2.55% of total income in fiscal year 2004 to Rs.90.81 lakhs i.e. 2.07% of total income in fiscal year 2005, corresponding to the increase in gross block of fixed assets by 286.81% from Rs.980.62 lakhs in fiscal year 2004 to Rs.3,793.12 lakhs in fiscal year 2005.

INCOME TAX

Provision for current tax increased from Rs.10.95 lakhs in fiscal year 2004 to Rs.56.50 lakhs in fiscal year 2005, mainly due to increase in profit of the year 2005.

In 2005, the Company has made a provision for deferred tax liability of Rs.137.88 lakhs.

PROFIT AFTER TAX

The profit after tax was Rs.324.53 lakhs in fiscal year 2005 as compared to Rs.98.49 lakhs in fiscal year 2004. The profit after tax as a percentage to total income increased from 6.52% of total income in the fiscal year 2004 to 7.40% of total income in fiscal year 2005.

COMPARISON OF THE FINANCIALS OF FY 2004 VIS-À-VIS FY 2003:

TOTAL REVENUE

Our total revenue during fiscal 2004 is Rs.1,511.19 lakhs as compared to Rs.701.29 lakhs in fiscal 2003.

Our total sales reflect sales of dyed yarn, texturised yarn and Fabrics. The Company's total sales for the fiscal 2004 was Rs.1,411.11 lakhs as compared to Rs.671.49 lakhs in fiscal 2003. The increase in total income is on account of higher utilization level i.e. 73% of manufacturing capacity available with the Company.

Our operating performance has improved year-on-year with FY 2004 earnings increased substantially by 114.61% over FY 2003.

OTHER INCOME

The Other Income of the Company was Rs.40.57 lakhs in FY 2004 vis-à-vis Rs.14.77 lakhs in FY 2003. Others income mainly comprised of Interest earned, Scrap sale and job work charges. The reason for an increase in other income is on account of increase in interest received on Fixed Deposits, freight charges and product development charges recovered from the customers.

COST OF GOODS SOLD

Our total cost of goods sold was Rs.872.04 lakhs i.e. 57.71% of total income in fiscal 2004 as compared to Rs.320.07 lakhs i.e. 45.64% of total income in fiscal 2003. In fiscal 2004, the cost of goods sold was increased by 12.07% of total income over fiscal 2003 on account of change in product mix. During the financial year 2003-04, we had started manufacturing of Grey Fabrics.

MANUFACTURING EXPENSES

Our manufacturing expenses for the fiscal 2004 were Rs.284.11 lakhs i.e. 18.80% of total income as compared to Rs.129.98 lakhs i.e. 18.53% in fiscal 2003. There is marginal increase in the manufacturing expenses which is avoidable.

OPERATING COST

The administrative and other expenses for the fiscal 2004 were Rs.64.86 lakhs i.e.4.29% of total income as compared to Rs.39.84 lakhs i.e.5.68% of total income for the fiscal 2003. The Employee cost for the fiscal 2004 was Rs.40.06 lakhs i.e. 2.65% of total income as compared to Rs.42.34 lakhs i.e. 6.04% in fiscal 2003. The Selling and distribution expenses for the fiscal 2004 were Rs.11.63 lakhs i.e. 0.77% of total income as compared to Rs.6.52 lakhs i.e. 0.93% of total income in the fiscal 2003.

The total operating cost for the fiscal 2004 was 7.81% of total income as compared to 12.86% of total income in the fiscal 2003. The operating cost was declined by 5.05% of total income is on account of growth in revenue during the fiscal 2004.

EARNING BEFORE INTEREST, DEPRECIATION, TAX AND EXTRAORDINARY EXPENSES

EBIDTA margin declined by 31.63% from Rs.162.55 lakhs i.e. 24.21% of total income in fiscal year 2003 to Rs.238.49 lakhs in fiscal year 2004. The decrease in EBIDTA margin is on account of increase in prices of raw material used for production of fabrics.

FINANCE COST

Finance cost for the fiscal 2004 was decreased by 11.59% over fiscal 2003. The finance cost for the fiscal 2003 was Rs.29 lakhs i.e. 4.14% of total income vis-a-vis Rs.55.28 lakhs i.e. 3.66% of total income in fiscal 2004.

DEPRECIATION

Depreciation increased from Rs.19.13 lakhs i.e.2.73% of total income in fiscal year 2003 to Rs.38.47 lakhs i.e. 2.55% of total income in fiscal year 2004, corresponding to the increase in gross block of fixed assets by 19.10% from Rs.823.38 lakhs in fiscal year 2003 to Rs.980.62 lakhs in fiscal year 2004.

INCOME TAX

Provision for current tax increased from Rs.9.00 lakhs in fiscal year 2003 to Rs.10.95 lakhs in fiscal year 2004, mainly due to increase in profit of the year 2004.

In 2004, the provision for deferred tax liability was Rs.29.83 lakhs.

PROFIT AFTER TAX

The profit after tax was Rs.98.49 lakhs in fiscal year 2004 as compared to Rs.74.11 lakhs in fiscal year 2003. The profit after tax as a percentage to total income decreased from 10.57% of total income in the fiscal year 2003 to 6.52% of total income in fiscal year 2005 mainly on account of change in product mix.

SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO THE LAST FINANCIAL YEAR

- a. We are engaged in Fabric Dyeing, Weaving, Processing and Apparel manufacturing, and to strengthen our value chain we have acquired the Fabric Division of M/s. Sai Lakshmi Industries Pvt. Ltd., based at Mysore, for a cash consideration of Rs.8,839.25 Lakhs. We have acquired the total assets which includes 63.29 acres land, 470,000 Sq Ft. of building, state-of-the-art plant and machinery along with required utilities on a going concern basis. The valuation was done by M/s Nakasha Blossoms, Chartered Engineers, Registered valuers and Architects and the report dated April 13, 2006 and the basis of calculation was done on a “going concern” basis.
- b. Allotment of 3 Bonus shares for every two shares held to the existing share holders as on March 31, 2006 vide resolution passed by the Board at their meeting held on May 11, 2006.
- c. Allotment of 255,307 equity shares of Rs.10 each at a price of Rs.160 per equity shares to the foreign individual investors and 31,875 equity shares of Rs.10 each at Rs.160 per equity shares to the Indian investors on June 27, 2006.

- d. Allotment of 456,000 Equity Shares to Indus Fila ESOS Trust for allotting to Employees on November 18, 2006, 677,419 equity shares to Ms. Lata Bhanshali and 64,516 equity shares to One Up Financial Consultant Pvt. Ltd. on December 6, 2006.

Except as stated above, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to affect, the trading or profitability of the Company or the value of its assets or its ability to pay material liabilities within the next twelve months.

For further details please refer to page 158 under the Section “Material Developments” of this Red Herring Prospectus.

Employee Stock Option Plan

The EGM of the Company held on November 18, 2006, approved allotment of 456,000 equity shares at par to the Indus Fila ESOP Trust which is to be allotted to the eligible employees of the Company. There will be no impact on our profit and loss statement. For more information please see the section titled “Capital Structure – Notes to capital Structure” on page 21 of this Red Herring Prospectus.

RELATED PARTY TRANSACTIONS

Please refer to page 115 of this Red Herring Prospectus for further details on “Related Party Transactions”.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risk from changes in foreign exchange rates and interest rates. The following discussion is based on our financial statements under Indian GAAP.

Interest Rate Risk

Our interest rate risk results from changes in interest rates, which may affect our financial expenses. The interest rates on working capital finance are linked to PLR of the lending banks. Hence, our interest rate risk is limited only to the extent of changes in PLR. In respect all other secured long-term loans, the interest rates are fixed.

Exchange Rate Risk

We face exchange rate risk to the extent that our certain borrowings and expenditures are denominated in currencies other than Indian rupees. The Company is exposed to foreign exchange risk in respect to realization from debtors. For the Fiscal 2006, the outgo in foreign exchange for was Rs.632.12 lakhs as compared to Rs.1,087.88 lakhs in Fiscal 2005. We face exchange rate risk to the extent that our certain borrowings and expenditures are denominated in currencies other than Indian rupees. We are also exposed to foreign exchange risk with respect to our import and export transactions.

Effect of Inflation

We set the price of its products based on various factors, including inflation. In line with changing inflations, we will alter its margins to absorb the inflationary impact. Inflation has not had a significant effect on the result of the Company’s operations to date and the management does not expect that inflation rates in India will have a significant impact on our results of operations for the foreseeable future.

OTHER INDUSTRY AND COMPANY SPECIFIC INFORMATION

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 (A) OF THE DIP GUIDELINES

i. Unusual or infrequent events or transactions

There have been no events, to the best of our knowledge, except as stated in heading titled Auditor’s Report on page 118 of this Red Herring Prospectus which may be called “unusual” or “infrequent”. For details regarding the acquisition of the fabric division in Nanjangud, kindly refer to the Paragraph titled “Other Agreements” on page no. 88 of this Red Herring Prospectus.

- ii. ***Significant Economic Changes that materially affect or are likely to affect income from continuing operations***
Government's focus on Textile Industry will have major bearing on the companies involved in Textile sector. Any major changes in policies of the Government would have the significant impact on the profitability of our Company. The risk relating to the changes in the economic or regulatory environment and its impact on our business is discussed separately in the heading titled "External Risk Factors" on page xix & xx of this Red Herring Prospectus.
- iii. ***Known trends and uncertainties that have or are expected to have a material adverse impact on sales, revenues or income from operations***
Except as described in Section titled "Risk Factors" in this Red Herring Prospectus, to our knowledge, there are no known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.
- iv. ***Future relationship between costs and income***
We are continuously working to create efficient processes resulting in cost reduction and to have better control over the supply chain. We expect to continue our efforts at improving the technology initiatives.
Except as described in Section titled "Risk Factors" on page xiv, Management Discussion and Analysis of Financial Conditions and Results of Operation on page 138 of this Red Herring Prospectus, to our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations of the Company.
- v. ***Seasonality of Business***
Our business cannot be regarded to be in the nature of the seasonal business. However, our revenues and profits are dependent on a number of unpredictable factors. For further details please refer to the section titled "Risk factors" on page xii of this Red Herring Prospectus.
- vi. ***New products or business segments***
Other than described in the heading titled "Business Strategy" on pages 3 & 62 of this Draft Red Herring Prospectus, to our knowledge, there are no new products or business segments.
- vii. ***Dependence of single or few suppliers / customers***
We source our raw materials from a number of suppliers and are not under any threat from excessive dependence on any single supplier. We are supplying our products to number of customers, both in domestic as well as foreign market and so there is no dependence on any single customer except as stated in heading titled "Internal Risk Factors" on page xii of this Red Herring Prospectus.
- viii. ***Competitive conditions***
We may face competition from other established players in the Textiles Industry and also from the unorganized players. For further details, please refer to the heading titled "Internal Risk Factors" on page xii of this Red Herring Prospectus.
- ix. ***Significant development subsequent to the last financial year that may affect the result of operations of the Company***
Except as stated in heading titled "Material Developments" on page 158 of this Red Herring Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to affect, the trading or profitability of the Company or the value of its assets or its ability to pay material liabilities within the next twelve months.
- x. ***Significant Accounting Policies***
Our financial statements are prepared on historical cost basis and on going concern basis in accordance with generally accepted accounting principles, the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. Certain of our accounting policies are particularly important to the portrayal of our financial position and further details refer to Annexure – 4 of the section titled "Financial Information" on page 123 of this Red Herring Prospectus.

SECTION VI: LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Except for the details of proceedings given below, there are no outstanding litigation suits or criminal or civil prosecution, proceedings or tax liabilities against the company, directors or promoters. There are no defaults, non-payment of statutory dues, overdues to banks / financial Institutions. There are no defaults in dues payable to holders of any debentures, bonds or fixed deposits. There are no arrears on preference shares issued by the company. There are no defaults in creation of full security as per terms of issue / other liabilities. There are no proceedings initiated for civil / economic / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act, 1956) that would result in a material adverse effect on Company's business taken as a whole.

LITIGATION AGAINST THE COMPANY

Direct Tax Litigation

1. In respect of the assessment for the purposes of income tax for the Assessment Year 2003-04, the Company had claimed depreciation on husk fired boiler and exhaust gas boiler at the rate of 80%. However the claim of higher rate of depreciation was rejected vide Order of the Assistant Commissioner of Income Tax dated 26.09.2006 in the proceedings No. PEN/AAAC15893C/2006-07. The order also levied a penalty of Rs. 11,68,686/- on the Company in respect of the higher depreciation claimed wrongfully. In a further Order dated 28.09.2006, the Assistant Commissioner of Income Tax determined the matter to be a fit case for the levy of penalty and determined the penalty at Rs. 11,68,686/-. The company has filed an appeal on 25.10.2006 against the said Order dated 28.09.2006. The said Appeal is pending. The Company has paid the determined tax liability of Rs. 5,47,799/- on 30.12.2006
2. In respect of the assessment for the purposes of income tax for the Assessment Year 2004-05, the Assessing Officer had disallowed certain expenditure of Rs.2,75,873/- under section 37 of the IT Act, 1961 and omitted to grant credit of tax and interest amounting to Rs.5,64,470/- vide assessment Order dated 29th December, 2006 and raised a Demand of Rs.7,04,456/- and has also initiated penalty proceedings under section 271 of the IT Act, 1961. The Penalty proceedings are pending. The company has filed an appeal on 16th January, 2007. The said Appeal is pending.

Indirect Tax Related Litigation

1. Proceedings are pending against the Company in the Customs Excise and Service Tax Appellate Tribunal (CESTAT) in respect of availing customs duty exemption under Notification No. 30/2004 CE. The substance of the dispute is whether the Company may be held to have violated the Notification No. 30/2004-CE dated 09.07.2004 which grant benefit of yarns procured from outside and subjected to any process other than texturising, by a manufacturer who does not have the facilities in his factory for the manufacture of yarns or textured yarns. The duty demand in respect of the Order amounting to Rs. 1.36 crores was pending in appeal in Appeal No. 564/2006 before the CESTAT. The Company has produced letter from their Counsel dated 17.11.2006 stating that the appeal of the Company has been allowed and the detailed order would follow.
2. Notice has been issued to the Company for the reopening and reassessment of tax liability under the Karnataka Sales Tax Act, 1957 and for demand of payment from the Company in respect of reduction of exemption allowed on Interstate sale of fiber yarn in the year 2002-03. The Company has filed Form C, dated 26.07.2006 in respect of the said transaction with the Department of Commercial Taxes.
3. The Company had received a Notice under Section 21(2)(c) and Section 23 of the Karnataka Tax on Entry of Goods Act 1979 (KTEG) from the Department of Commercial Taxes for compounding of proceedings under Section 23 of the KTEG Act for alleged filing untrue statements to the Department and thereby evading entry tax in response to which the Company, vide its letter dated 12.5.2005 accepted its liability to pay entry tax to the extent of Rs. 51, 437/- for the year 2004-05 and undertook to make payment of the same within the end of the said month. There are no further proceedings in this regard.

4. The Company, vide Letter dated 4.04.2005, claimed refund of Rs. 1,57, 049/- paid as entry tax for the year 2004-05. Notice under section 21(2)(c) and section 23 of the Karnataka Tax on Entry of Goods Act 1979 (KTEG) has been issued by the Department of Commercial Taxes to the Company for compounding of proceedings under Section 23 of the KTEG Act for filing untrue statements to the Department and thereby evading entry tax. There are no further proceedings in this regard.

Labour/Employee Related Litigation

1. Proceedings are pending in the matter of “Organising Secretary v. Indusfila Private Limited”, where the Notice for Statement of Claims has been issued and the case was posted for hearing on 29.06.2006. There is an order dated 20.06.2006 in this regard from the Assistant Labour Commissioner declaring certain workers as “protected workers”. The said matter has been referred to the Labour Court by the Government under section 10 of the Industrial Disputes Act 1947.
2. Inspection was conducted in proceedings ADF –14/INS/SR-05/2006-07 on the premises of the Company dated 07.04.2006 and found numerous instances of non-compliance with the Factories Act 1948 and the Karnataka Factories Rules 1969. The Company has been issued a Show Cause Notice based upon the above inspection in respect of compliance with various labour welfare legislations like the Payment of Bonus Act, Payment of Gratuity Act, Karnataka Labour Welfare Fund and the Contract Act. The Company filed a reply explaining their compliance of the various issues raised in this regard.
3. A Notice under the Minimum Wages Act in proceedings No. SKA-1/CR –05/ 06-07 was issued to the Company for a hearing on 17.11.2006. The Notice refers to an Inspection dated 04.04.2006 where it was found that the Minimum Wages and Dearness Allowance given to 96 employees was below the minimum wages specified under the Act.
4. Proceedings are pending in the Labour Court in the matter of Ranganath v. the Management of Indusfila Limited. Ranganath, a workman has filed a suit against the Company for wrongful termination, damages and remedy therefor.
5. Proceedings are pending in a dispute over the justification for refusing to give work to 8 workmen employed by the Company where an Order dated 20.04.2006 has been passed by the Under Secretary, Government of Karnataka referring the same to the Labour Court under Section 10 of the Industrial Disputes Act 1947.
6. The Company has entered into a Memorandum of Settlement with the Indus fila Workers Union dated 09.10.2006. The workmen of Indusfila Pvt. Ltd. had presented a Charter of Demands, inter alia, for revision in working conditions, wages and allowances. In this regard, the workmen approached the Assistant Labour Commissioner and Conciliation Officer to admit the matter for parties to arrive at an amicable settlement and the matter was admitted as IDA/SR – 64/2006-07. A settlement was duly reached and the same will be in force for a period of three years from 01.04.2006 to 31.03.2009. The Memorandum of Settlement details the Wage increase; Distribution of the Increase for the period of Settlement; Variable Dearness Allowance; Uniforms; Leave with Wages; Holidays; Working Hours, Canteen; Group Accident Scheme; Standing Orders; Payment of Arrears and Transport. Under the Terms of the Settlement, the Workmen agreed to withdraw legal proceedings initiated against the Management, if any, are pending. Both parties agreed to withdraw all complaints filed before the various Courts and authorities.

Consumer Litigation

No proceedings or litigations relating to consumer rights is pending against the Company.

Criminal Cases

There are no Criminal complaints or proceedings pending involving or against the Company.

LITIGATION FILED BY THE COMPANY

The Company has not filed any suits, complaints or proceedings, whether of a civil or criminal nature in any court, tribunal or authority

LITIGATION AGAINST OUR PROMOTERS, DIRECTORS, GROUP COMPANIES AND PROMOTER GROUP COMPANIES

There are no threatened or pending cases, legal proceedings or any disciplinary actions against the promoters, directors, group companies, or the promoter group companies or any related parties.

DUES TO SMALL-SCALE UNDERTAKINGS/SUNDRY CREDITORS:

There is no amount outstanding due to the small scale undertakings to whom an amount was outstanding for more than 30 days. The Sundry creditors as on September 30, 2006 include Rs.34.17 crores due to whom an amount was outstanding for more than 30 days to the extent such parties have been identified from the available information, are as given below.

Abizar Hardware Mart, Alok Industries Ltd, Amit Spinning Industries Ltd, Anjaana Creation, Apex Marketing Corporation, Apex Synthetics Pvt Ltd, Atul Enterprises, Avery Dennison Hongkong Bv, Auxil Star Dye Chem (India) P. Ltd, B R Corporation, Balarama Krishna Spg Mills Pvt Ltd, Bharat Paper Conversion, Bhatia International Ltd, Bombay Rayon Fashions P Ltd, C H T (India) Private Ltd, Chempure Technologies Pvt Ltd, Chida Spinning Mills Private Ltd, Cimmco Spinners, Classic Enterprises, Colours International Ltd, Delux Road Lines, Dhan Laxmi Fabrics Ltd, Elf Gas India Ltd, Emkay Enterprises, Ex-Port Roadways (P) Ltd, G.K.Periaswami, Golden Sun Industries, Grv Merchandizing, Green Enterprises, Harsh Textiles, Hydro Fabs, Inland Transport Pvt Ltd, Idupulapadu Cotton Mills (P)Ltd, Indian Textile Auxiliaries Co, Indira Gandhi Mahila Sahakari Girani Ltd, Jai Speciality Starch, Jay Jay Polymers, Just Textiles Ltd, K.K.P. Spinning Mills Ltd, Kiadb (Water), Klassic Labels, M C Ghotawat Electricals, M.Y. & Co., Mahalakshmi Adhesive Tapes Industries, Mahavir Spinning Mills Ltd, Maikaal Fibres Ltd, Malwa Cotton Spinning Mills Ltd, Mandhana Weaving House, Mandhana Dyeing, Mangal Plastic Udyog, Marvel International, Metal Tech Engineers, Mohit Synthetics, Moti Textiles Pvt Ltd, Multi Sales Corporation, Mahaveer Ind Supplier (P) Ltd, Modi Industrial Interface, Nagareeka Exports Ltd, Neeta Weaving Mills Pvt Ltd, Navsakthi (Delhi), Panam Chem, Patwa Kinarivala Elect Ltd, Pioneer Chemicals Corporation, Prabhu Spinning Mills P Ltd, Pragathi Polymers, Precise Chemicals, Priya Darshani Spinning Mills Ltd, Priyadarshini Sahakari Soot Girni Ltd, Prominent Fabric Pvt Ltd, Prominent Fabrics Pvt Ltd, Psk Packs, Pushpak International, Rajesh Packaging Industry, Rathi & Sons, Reliance Dye Chem, Ritz Resources Ltd, Rvl Packaging India Ltd, Raksha Corporation, Sri Ganesh Timber Depot, Sri Vishnu Shankar Mill Ltd, S F Dyes, S Kamal & Co, S.A. Pharmachem Pvt Ltd, Sandhya Fabrics, Savitha Mandhana, Sewmach Electricals, Shashi Enterprises, Shree Pla Industries, Shree Graphics, Shree Karpagambal Mills Ltd, Shree Padmavathi Enterprises, Shree Poly Plast, Shree Trading, Shri Mayavan Mill, Silvester Textiles Pvt Ltd, Simran Travels Pvt Ltd, Sogo Computers Pvt Ltd, Southern Hi-Q Paper Cones & Tubes(P)Ltd, Sree Mangayarkarasi Mills (P) Ltd, Sri Anjaneya Cotton Mills Private Ltd, Starmin Resources Pvt. Ltd, Status Clothing Company, Steel Corporation, Sti India Ltd, Subburaj Textiles Mills Pvt Ltd, Super Spinning Mills Ltd, S F Dyes, Saraswati Teximpex, The Ichal Co Op.Spg.Mills Ltd, Topnote Aromatics, Thermax Ltd, Unique Krafts, Varuna Chemicals, Veekay Enterprises, Vicky Fashion Ltd, Vijay & Co, Vikram Traders, Vippy Spinpro Ltd, Vishwateja Spinning Mills Ltd

REGULATORY AND OTHER APPROVALS

Except as stated below, we have received the necessary approvals from the GoI and various governmental and regulatory authorities in relation to our present business and to undertake this Issue. No further approvals are required for conducting our present business and to undertake this Issue other than as described below. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

We have received the consents, licences, permissions and approvals required for its operations from the Government and various Government agencies and described more fully herein below:

BUSINESS RELATED APPROVALS AND CONSENT

Intellectual Properties

Company has registered Indus Fila as a Trademark in respect of the Class 23 – Yarns and other goods included in Class 23 and has been granted registration No. 1072780 dated 31.12.2003 effective from 09.01.2002

Factory & Industrial Licenses and Approvals

1. Acknowledgement from the Secretarial for Industrial Assistance dated 28.04.2004 for the Industrial Entrepreneur Memorandum submitted by the company for the manufacture of all types of textile garments and clothing accessories from not self produced material.
2. Registration as a Medium Scale Industry located in Zone II, Industrial Area as per the G.O No. CI/30/SPC/96 dated 15.03.1996 and 31.05.1996 as evidenced by the Fixed Assets Valuation Certificate issued in this regard by the Department of Industries and Commerce, Government of Karnataka dated 17.03.2001. The Certificate also provides that the unit has exercised its option for tax exemption both under KST and CST and may claim the benefit of this exemption as per the restrictions, conditions and procedural terms prescribed under the applicable notifications.
3. The Department of Factories and Boilers of the Government of Karnataka has approved the Onsite Emergency Plan of the Company with effect from 15.03.2006 subject to the conditions and restrictions of the said Consent. The Company is required to make six monthly reports to the Department regarding compliance with the said Plan.
4. General License for factory at Nelamangala located in Survey No. 284/285 dated 24/05/2003 from the Sommanahalli Gram Panchayat.
5. Registration with the Petroleum and Explosives Safety Organisation for the facility in Kasaba Hobli in Nelamangala. The License Number allotted to the company is P/SC/KA/15/168(P38225) and has been duly renewed till 31.12.2007. This number is issued for all the units of the Company at Peenya and Nelamangala and is the new number allotted to the Company.
6. The Company has obtained a Factory License No. 13807 from the Department Of Factories And Boilers for the running of the facility at 107, Industrial Suburb, Yeshwanthpur, Bangalore. The said license is valid till 31.12.2006.

Power Related Approvals

1. Sanctioned power supply to the extent of 400KVA HT power at Unit 2, 37th KM Stone, Nelamangala Taluk, under HT –2A tariff basis supplied at 11KV basis.
2. Sanction for supply of 450 KVA HT supply of power at Unit 1, 37th KM Stone, Nelamangala Taluk, under HT – 2A tariff on 11KV supply.

3. Sanction for power supply from BESCO to an extent of 100KVA on HT 2(b) tariff basis supplied at 11KV dated 28.04.2004 for the purpose of commercial activity at No.107, Industrial Suburb, II Stage, Yeshwanthpura, Bangalore.
4. Approval from the Electrical Inspectorate for a 500 KVA generator Set at Unit no. 2, 37th KM Stone, Nelamangala Taluk. License Number for the same is EIBN CG No.- 32.
5. License No. EIBN CG No. – 31 has also been obtained by the Company for the operation of a 500 KVA Generator Set at Unit 1, 37th KM Stone, Nelamangala Taluk.
6. Approval vide BN 5124 dated 01.03.2000 to run a 140 KVA generator set for the unit at survey nos. 284/285 37th KM Stone, Nelamangala Taluk.

Labour Related Approvals

1. Registration with the Employees' Provident Fund Organisation with effect from 1st April 2001. The Company has been allotted Registration Number KN 29160. The Company has intimated the EPFO of the change of the status of the company to public limited company and consequent change in the name of the company for incorporation into the records.
2. Registration with the Employees' State Insurance Corporation vide their letter dated 17/2/2005 with effect from 1/7/2004. The Code allotted to the Company is 53-21221-19.
3. Code number 36679 has been issued by the EPFO to the Nanjangud Unit as a branch of the company with effect from 09.05.2006.

Export & Export Promotion Council Related Registrations

1. Certificate of Importer Exporter Code (IEC) from the JDGFT, Ministry of Commerce and the IEC Number allotted to the company is 0799004502.
2. Registered with the Synthetic & Rayon Export Promotion Council for the export of polyester yarn valid till 31.03.2011 and the registration number being SR/MFG/0561/2006-07.
3. Registered with the Apparel Export Promotion Council as a Manufacturer Exporter of readymade garments and certificate in this regard dated 27.04.2004 has been issued by the Council which is valid till 31.03.2009. The registration number of the company is AEPC/REG/MAF/97134/S/04.

Tax Related Approvals

1. The Company has been registered with the Department of Income Tax. The PAN No. is AAAC15893C and the TAN No. is I – 0678B- G(S)/BGL.
2. Certificate of Enrolment issued under Karnataka Tax on Professions, Trades, Callings and Employment Act, 1976 (u/R. 3(2)), Form 3, with Registration number 1103022-7, date of Registration being 24/11/1999, with effect from July 1999 by the Profession Tax Officer. Application for change of status and name of the company in the records has been filed with the Authority.
3. Registration Certificate from the office of Superintendent of Central Excise to cure, produce, manufacture, carry on wholesale, trade, business, broker or commission agent or otherwise deal in excisable goods for special industrial purposes. The ECC No. allotted to the company is 4404031502. The Company claims surrendered their Central Excise Registration as they fall within the ambit of Notification 30/2004.
4. Company is registered under VAT with the Commercial Taxes Department and has been granted Tax Identification No: 29460060675 effective from 1st April, 2005 by the Office of Asst. Commissioner of Commercial Taxes, Bangalore.

5. Branch Certificate obtained in respect of the VAT Registration from the Government of Karnataka for the production facilities for the Nanjangud premises. The said registration is effective 09.05.2006.

Environment Related Approvals

1. Consent from the Karnataka State Pollution Control Board in respect of Water and Air Pollution vide its letter dated 05.01.2004 for the establishment of facility for the weaving of cotton, polyester and blended fabrics at survey no. 248, 37th Km Stone, T Begur, Nelamangala Taluk.
2. Consent from the Karnataka State Pollution Control Board obtained in respect of Water and Air Pollution vide its letter dated 22.09.1999 for setting up of a new industry in survey nos. 284/285, 37th Km Stone, T Begur, Nelamangala Taluk.
3. Consent for the operation of the plant for the manufacture of polyester yarn of capacity 60 MT/ month in order to permit emission as prescribed at Survey no. 285, 37th KM Stone, T Begur, Nelamangala vide consent no. KSPCB/APC/TGH-Cell/Indus-1/2005-06/113 dated 21.06.20006.
4. Consent from the KSPCB vide consent letter no. KSPCB/TGH-Cell/Indus-1/WPC/2005-06/99 dated 16.06.2006 valid until 30.06.2006 for the continued discharge of sewage and trade effluent in accordance with the limits prescribed on the land for irrigation/gardening, from the premises at Survey no. 285, 37th KM Stone, T Begur, Nelamangala.
5. Consent for the operation of the plant permitting emission and noise levels as prescribed at the Unit II (Fabric Division), Survey no. 248, 37th KM Stone, T Begur, Nelamangala vide consent no. KSPCB/APC/TGH-Cell/Indus/2006-07/112 dated 21.06.20006. The said consent is valid until 30.09.2006. The said consent has been granted for the manufacture of cotton/polyester/blended fabrics for capacity of 3 lakh mtrs/month and washing of garments of capacity of 2.5 lakh numbers/month.
6. Consent from the KSPCB vide Consent Letter No. TGH-CELL/ WPC/INDUS/ 2005-06/107 Dated 21.06.2006 valid until 31.12.2006 for the continued discharge of sewage and trade effluent in accordance with the limits prescribed on the land for irrigation/gardening, from the premises at survey no. 248, 37th Km Stone, T Begur, Nelamangala. The said consent has been granted for the manufacture of cotton/polyester/blended fabrics for capacity of 3 lakh mtrs/month and washing of garments of capacity of 2.5 lakh numbers/month. Consent has also been obtained permitting emission and noise levels as prescribed at the premises in no. 21-D2, II Phase, Peenya Industrial Area, Bangalore -58 for the manufacture of readymade garments only, vide CONSENT NO. KSPCB/RO PEENYA/IND/APC/AEO-1/PIA/LG/2005-06/3142 Dated 28.01.20006. The said consent is valid until 30.09.2006. Consent from the KSPCB vide Consent Letter No. KSPCB/RO PEENYA/AEO/WPC/IND/PIA/LG/2005-06/3141 Dated 28.01.2006 valid until 31.12.2006 for the manufacture of readymade garments only, in respect of continued discharge of sewage and trade effluent in accordance with the limits prescribed on the land for irrigation/gardening, from the premises at no. 21-D2, II Phase, Peenya Industrial Area, Bangalore -58.
7. Environmental Clearance Certificate from the Department of Forests and Wildlife dated 08.08.2000 for the dyeing of polyester yarn to a capacity of 20mt/month at the facilities in survey no. 284/285, T Begur, Kasaba Hobli, Nelamangala Taluk. The consent is valid for five years and also requires that 33% of the area of the premises shall be covered with trees and the use of solar energy is a must.

Pending Approvals

7. Company has made an application dated 09.05.2006 for the Issue of Fresh License/Permission/Sanction in the name of the Company from the Director, Regional ESI Office for the unit at Thandya Industrial Area, Kempa Siddana Hundi, Nanjangud Taluk after the transfer of the said unit to the Company.
8. Letter dated 22.05.2006 was submitted to the Deputy Director of Factories for the amendment of name on the factory license in respect of the plant of the Company at Thandya Industrial Area after its acquisition

from Sai Lakshmi Industries Private Limited. The Department of Factories and Boilers vide letter dated 19.08.2006 sought a No Objection Certificate from the prior owners along with an Indemnity to obtain the endorsement of change of ownership of the boilers KTK 2389 and KTK 2390. The said NOC and the Indemnity required to be submitted in this regard have been submitted to the Department and the endorsement is pending.

9. The Company had made an application dated 07.08.2006 to the Chief Inspectorate of Electricals for the transfer of permission of the power generation unit upon its acquisition from Sai Lakshmi Industries Private Limited. An Application dated 20.09.2006 has been filed by the Sellor before the Electrical Inspectorate to allow transfer in favour of the Company.
10. Application has been made to the Deputy Chief Controller of Explosives and the Joint Chief Controller of Explosives vide letters dated 01.08.2006 and 09.05.2006 respectively, intimating the change of ownership of the unit and requesting transfer of the Explosives License No. pv(SC)S-258/kk issued to Sai Lakshmi Industries Pvt. Ltd. in favour of the Company subsequent to the change in ownership of the above unit. The said license was issued by the Department of Explosives for the storage of 18.8 MT L.P.G in the manner as prescribed therein and is valid until 31.03.2008.
11. Application has been filed to the Department of Explosives dated 09.05.2006 requesting for the issue of fresh license in favour of the Company in lieu of License P12 (22) 1751/MYS – 4824 (360KL) for the import of 360 KL of petroleum of the classes and quantities as specified in the license which was issued to Sai Lakshmi Industries Pvt. Ltd. and which was valid till 31.12.2007.
12. Application has been made by the Company to the Member Secretary, Gram Panchayat for a Fresh License in respect of sanction bearing number 176 in the name of Indusfila Limited for the unit at Thandya Village, Nanjangud Taluk dated 09.05.2006.

MATERIAL DEVELOPMENTS

Apart from the changes mentioned in this Red Herring Prospectus, including in the share capital as mentioned in the Note - 1 to the Capital Structure Section titled “Capital Structure” on page 17 and in point ix of heading titled “Industry and Company Specific information” of section titled “Management Discussion and Analysis of Financial Condition and Results of Operations”, which have occurred since the date of the last financial statements disclosed, in the opinion of the Board of Directors, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months..

- a. We are engaged in Fabric Dyeing, Weaving, Processing and Apparel manufacturing, and to strengthen our value chain we have acquired the Fabric Division of M/s. Sai Lakshmi Industries Pvt. Ltd., based at Mysore, for a cash consideration of Rs.8,839.25 Lakhs. We have acquired the total assets which includes 63.29 acres land, 470,000 Sq Ft. of building, state-of-the-art plant and machinery along with required utilities on a going concern basis. The valuation was done by M/s Nakasha Blossoms, Chartered Engineers, Registered valuers and Architects and the report dated April 13, 2006 and the basis of calculation was done on a “going concern” basis.
- b. Allotment of 3 Bonus shares for every two shares held to the existing share holders as on March 31, 2006 vide resolution passed by the Board at their meeting held on May 11, 2006.
- c. Allotment of 255,307 equity shares of Rs.10 each at a price of Rs.160 per equity shares to the foreign individual investors and 31,875 equity shares of Rs.10 each at Rs.160 per equity shares to the Indian investors on June 27, 2006.
- d. Allotment of 456,000 Equity Shares to Indus Fila ESOS Trust for allotting to Employees on November 18, 2006, 677,419 equity shares to Ms Lata Bhanshali and 64,516 equity shares to One Up Financial Consultant Pvt Ltd on December 6, 2006.

SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on May 13, 2006 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act at the Extra Ordinary General Meeting of the Company held on June 27, 2006

Prohibition by SEBI

Our Company, our Directors, our Promoters, other companies/entities promoted by our Promoters, and companies/entities with which our Directors are associated as directors, have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. None of our Directors or the persons in control of our Promoter companies have been prohibited from accessing the capital markets or restrained from buying/selling/dealing in securities under any order or direction passed by SEBI.

Eligibility of the Issuer Company

The Company is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:

- The Company has 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 and is compliant with Clause 2.2.1(a) of the SEBI DIP Guidelines;
- The Company has a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI DIP Guidelines;
- The Company has a pre-Issue net worth of not less than Rs.1 crore in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI DIP Guidelines;
- The Company has not changed its name during the last one year and is compliant with Clause 2.2.1(d) of the SEBI DIP Guidelines except for the deletion of the word “Private” on conversion of the Company from Private Limited to Limited.
- The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the last FY and is compliant with Clause 2.2.1(e) of the SEBI DIP Guidelines;

The net tangible assets, monetary assets, net profits (as restated) and net worth (as restated) as derived from the financial statements (restated), included in the Red Herring Prospectus under the section titled “Financial Statements” as at September 30, 2006, and for the last five years ended March 31, 2006 as per our Statutory Auditors Certificate dated November 18, 2006 is set forth below:

Particulars	For the financial year ended					(Rs. In lakhs)
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Half year Sept, 30, 2006
Distributable Profits ⁽¹⁾	18.10	74.11	98.49	324.52	548.96	1063.44
Net Worth ⁽²⁾	232.45	321.65	537.72	934.21	2301.40	2954.33
Net Tangible Assets ⁽³⁾	428.94	792.44	1009.59	3611.27	4071.26	13056.42
Monetary Assets ⁽⁴⁾	8.70	18.44	12.37	48.72	73.97	240.66
Monetary Assets as a % of Net Tangible Assets	2.03%	2.33%	1.23%	1.35%	1.82%	1.84%

1. Distributable profits have been defined in terms of section 205 of the Companies Act.
2. Net worth has been defined as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.
3. Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India.
4. Monetary assets comprise of cash and bank balances, public deposit account with the Government.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom the Equity Shares will be Allotted will be not less than 1,000.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY THE SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE 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 VIZ., ANAND RATHI SECURITIES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER VIZ., ANAND RATHI SECURITIES LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 1, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

“1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;

2. ON THE BASIS OF SUCH EXAMINATION AND DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

- 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; AND**
- 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.**

4. **BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID**
5. **WE HAVE SATISFIED OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT, 1956 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.

WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS 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 PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE HAVE BEEN COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WOULD BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE FINAL PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."

Disclaimer from the Company and the BRLM

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not Issue, sell, pledge, or transfer the Equity Shares of the Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

General Disclaimer

We, our Directors, and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website www.indusfila.com would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into among the Underwriters and the Company and the Memorandum of Understanding among the BRLM and the Company dated November 15, 2006.

All information shall be made available by us and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, or elsewhere.

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 authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (subject to RBI permission), Trusts (registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares) permitted insurance companies and pension funds and to permitted Non-Residents including NRIs and FIIs and eligible Foreign investors on repatriable / non- repatriable basis. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform him or herself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Bangalore solely.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted to the SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

A copy of the Draft Red Herring Prospectus, along with the documents has been filed with the Corporate Finance Department of SEBI, at “SEBI BHAVAN”, Block G, Besides Star House, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051 for its observations and SEBI vide its letter no CFD/DIL/ISSUES/EB/84880/2007 dated January 22, 2007 has given its comments.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, “E wing” 2nd Floor, Kendriya Sadana, Koramangala Bangalore – 560 034 and a copy of the Prospectus would also be delivered to the Registrar of Companies.

Investors may please note that Central Government / RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in this Red Herring Prospectus.

Disclaimer Clause of the National Stock Exchange of India Limited

AS REQUIRED, A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO NATIONAL STOCK EXCHANGE OF INDIA LIMITED (HEREINAFTER REFERRED TO AS NSE). NSE HAS VIDE ITS LETTER NO NSE/LIST/37055-8 DATED JANUARY 12, 2007, GIVEN PERMISSION TO THE ISSUER TO USE NSE’S NAME IN THIS PROSPECTUS AS ONE OF THE STOCK EXCHANGES ON WHICH THIS ISSUER’S SECURITIES ARE PROPOSED TO BE LISTED. NSE HAS SCRUTINIZED THE PROSPECTUS 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 PROSPECTUS 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 PROSPECTUS; NOR DOES IT WARRANT THAT THIS ISSUER’S SECURITIES WILL BE LISTED OR WILL CONTINUE TO BE LISTED ON THE NSE; NOR DOES IT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL OR OTHER SOUNDNESS

OF THIS ISSUER, ITS PROMOTERS, ITS MANAGEMENT OR ANY SCHEME OR PROJECT OF THE 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 NSE WHATSOEVER BY REASON OF ANY LOSS WHICH MAY BE SUFFERED BY SUCH PERSON CONSEQUENT TO OR IN CONNECTION WITH SUCH SUBSCRIPTION /ACQUISITION WHETHER BY REASON OF ANYTHING STATED OR OMITTED TO BE STATED HEREIN OR ANY OTHER REASON WHATSOEVER.

Disclaimer Clause of the Bombay Stock Exchange Limited

AS REQUIRED, A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO THE BOMBAY STOCK EXCHANGE LIMITED ("BSE"). BSE HAS VIDE ITS LETTER DCS/IPO/SC/IPO-IP/247/2006 DATED DECEMBER 26, 2006 GIVEN PERMISSION TO THE COMPANY TO USE BSE'S NAME IN THIS PROSPECTUS AS ONE OF THE STOCK EXCHANGES ON WHICH THIS COMPANY'S FURTHER SECURITIES ARE PROPOSED TO BE LISTED. BSE HAS SCRUTINIZED THIS PROSPECTUS FOR ITS LIMITED INTERNAL PURPOSE OF DECIDING ON THE MATTER OF GRANTING THE AFORESAID PERMISSION TO US. BSE DOES NOT IN ANY MANNER:

- WARRANT, CERTIFY OR ENDORSE THE CORRECTNESS OR COMPLETENESS OF ANY OF THE CONTENTS OF THE DRAFT RED HERRING PROSPECTUS; OR
- WARRANT THAT THIS COMPANY'S SECURITIES WILL BE LISTED OR WILL CONTINUE TO BE LISTED ON BSE; OR
- TAKE ANY RESPONSIBILITY FOR THE FINANCIAL OR OTHER SOUNDNESS OF THIS COMPANY, ITS PROMOTERS, ITS MANAGEMENT OR ANY SCHEME OR PROJECT OF THIS COMPANY;

AND IT SHOULD NOT FOR ANY REASON BE DEEMED OR CONSTRUED TO MEAN THAT THIS DRAFT RED HERRING PROSPECTUS HAS BEEN CLEARED OR APPROVED BY BSE.

EVERY PERSON WHO DESIRES TO APPLY FOR OR OTHERWISE ACQUIRES ANY SECURITIES OF THIS COMPANY MAY DO SO PURSUANT TO INDEPENDENT INQUIRY, INVESTIGATION AND ANALYSIS AND SHALL NOT HAVE ANY CLAIM AGAINST BSE WHATSOEVER BY REASON OF ANY LOSS WHICH MAY BE SUFFERED BY SUCH PERSON CONSEQUENT TO OR IN CONNECTION WITH SUCH SUBSCRIPTION/ACQUISITION WHETHER BY REASON OF ANYTHING STATED OR OMITTED TO BE STATED HEREIN OR FOR ANY OTHER REASON WHATSOEVER.

Filing of Red Herring Prospectus with Registrar of Companies

A copy of this Red Herring Prospectus along with the documents required to be filed under section 60 B of the Companies Act will be delivered for registration to the "E wing" 2nd Floor, Kendriya Sadana, Koramangala, Bangalore – 560 034. A copy of this Red Herring Prospectus required to be filed under section 60 of the Companies Act would be delivered for Registration with the RoC, having attached thereto the Material Contracts and Documents for Inspection referred in section titled "Material Contracts and Documents for Inspection" on page 237 of the Red Herring Prospectus.

Filing of Draft Red Herring Prospectus with SEBI

A copy of the Draft Red Herring Prospectus had been filed with SEBI at "SEBI BHAVAN", Block – G, Besides Star House, Bandra Kurla Complex, Bandra (E), Mumbai - 400051, for its observations.

Listing

Applications have been made to NSE and BSE for permission to deal in and for an official quotation of the Equity Shares of the Company. We have received in principle approvals from the NSE and the BSE dated January 12, 2007

and December 26, 2006 respectively. BSE shall be the Designated Stock Exchange with which the basis of allocation will be finalized for the QIB Portion, the Non-Institutional Portion and Retail Portion.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after we become liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid / Issue Closing Date, whichever is earlier), then we shall, on and from 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.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the Basis of Allotment for the Issue.

Undertaking from the Promoters and Directors

The promoters and directors accept full responsibility for the accuracy of the information given in the Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which make any statement in the Red Herring Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The promoters and directors further declare that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of the Issue or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in the Red Herring Prospectus. The Promoters/Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the Equity Shares offered in terms of the Red Herring Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to misstatement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a misstatement/ misrepresentation, the Promoters/Directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

Consents

The written consents of Promoters, Directors, Company Secretary, Auditors, Legal Advisors, Book Running Lead Manager, Underwriters to the Issue, Registrars to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Karnataka, Bangalore as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration.

Expert Opinion

Except for the Section titled "Financial Information" on page 118 in the Red Herring Prospectus, our Company has not obtained any other expert opinion.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

Activity	Estimated Amount (Rs. in lakhs)	% of Total Expenses	% of Total Issue Size*
Lead Management Fees	[•]	[•]	[•]
Underwriting Fees	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and Stationery	[•]	[•]	[•]
Registrar to the Issue	[•]	[•]	[•]
Legal Advisers Fees	[•]	[•]	[•]
Others (listing fee, etc.)	[•]	[•]	[•]
Total estimated Issue expenses	[•]	[•]	[•]

* Will be incorporated after finalization of Issue Price

The Company shall pay the listing fees and all other expenses with respect to the Issue.

Fees payable to the Book Running Lead Managers and Syndicate Members

The total fees payable by us to the Book Running Lead Manager (including underwriting commission and selling commission) will be as per Engagement Letter dated February 24, 2006 a copy of which is available for inspection at our registered and corporate office.

Fees payable to the Registrar to the Issue

The total fees payable by the Company to the Registrar to the Issue will be as per the Memorandum of Understanding dated November 15, 2006 signed with the Company, a copy of which is available for inspection at the registered office of the Company.

Adequate funds will be provided to the Registrar by the Company to enable them to send refund orders or allotment advice by registered post.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for the Issue are set out in the Underwriting Agreement amongst us, the BRLM and the Syndicate Members. The underwriting commission shall be paid as set out in the Underwriting Agreement based on the Issue Price and the amount underwritten as stated in paragraph "Underwriting Agreement" on page 15 of this Red Herring Prospectus.

Previous Public or Rights Issues

This is our first public issue. We have not made any Rights or Public issue previously.

Previous Issue of Shares Otherwise than for Cash

Save as stated in the section entitled "Capital Structure of the Company" on page 16 of this Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Commission or Brokerage on Previous Issues

We have not made any public or rights Issue since our inception and have accordingly not paid any commission or brokerage.

Particulars in Regard to the Company and Other Listed Companies under the Same Management within the meaning of Section 370(1)(B) of the Companies Act, 1956, which made any Capital Issue during last three years

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act that made any capital issue during the last three years.

Promises vis-a-vis Performance

We have not made any public issue of shares since its incorporation. There is no group company, which has made any public issues.

Outstanding Debentures or Bonds or Redeemable Preference Shares

There are no Outstanding Bonds or Redeemable Preference Shares and Other Instruments issued by the Company as of the date of this Red Herring Prospectus. For details please see the section titled "Capital Structure" beginning on page 16.

Stock Market Data

This being the first public issue by the Company, no stock market data is available.

Disclosure on Investor Grievances and Redressal System

We will settle investor grievances expeditiously and satisfactorily by attending and replying to the routine investor complaints within seven days from the date of receipt of the complaint. We will also solve the investor complaint in the best interest of the shareholders. The Memorandum of Understanding between us and the Registrar will provide

for retention of records with the Registrar for a period of one year from the last date of dispatch of Letters of Allotment / Share Certificates / Refund Orders to enable the investors to approach the Registrar for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Datamatics Financial Services Limited, giving full details such as name, address of the applicant, number of Shares applied for, amount paid on application and the bank branch/collection center where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue for the redressal / interim reply of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Pradeep Totla, our Company Secretary as the Compliance Officer and he may be contacted in case of any Pre-Issue or Post-Issue related problems or investor grievances. He can be contacted at the following address:

Mr. Pradeep Totla

Company Secretary
No.107, Industrial Suburb,
II Stage, Yeshwanthpur,
Bangalore – 560 022, India
Tel: + 91- 80- 41369700
Fax: + 91- 80 - 41369800
E Mail: pradeep@indusfila.com
Website: www.indusfila.com

Changes in the Auditors during the last Three Years

M/s R. Shashidhara & Co., Chartered Accountants, have been replaced with M/s Suri & Co, Chartered Accountants, in the AGM held on September 30, 2004 on account of resignation of the previous auditor.

Capitalization of Reserves or Profits during the Last Five Years

Save as stated in the Paragraph entitled "Notes to the Capital Structure of the Company" on page 24 – point no. 14 of this Red Herring Prospectus, the Company has not capitalized its reserves or profits at any time.

Revaluation of Assets during the last Five Years

The Company has not revalued its assets during the last five years.

Credit Rating

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

SECTION VIII: ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, Securities Contracts (Regulation) Rules, 1957, the Memorandum and Articles of the Company, NOC from RBI, the terms of this Red Herring Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the allocation advices, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on May 13, 2006 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act at the Extra Ordinary General Meeting of the Company held on June 27, 2006

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the existing Shares of the Company, including rights in respect of dividends and other corporate benefits, if any, with the other existing Equity Shares of the Company. Kindly refer to the section titled “Main Provisions of Articles of Association of the Company” on page 202 of this Red Herring Prospectus.

Mode of payment of Dividend

The declaration and payment of dividends will be recommended by the Board of Directors of the Company and the shareholders at their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition. 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 issued in terms of this Red Herring Prospectus at a total price of Rs.[●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares of the Company.

The face value of the shares is Rs.10 and the Floor Price is 17 times of the face value and the Cap Price is 18.5 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 Shareholders

Subject to applicable laws, the equity shareholders have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a public company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, kindly refer to the section titled "Main Provisions of Articles of Association of the Company" on page 202 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, 1956, the Equity Shares shall be allotted 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 dematerialized form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of one Equity Share.

For details of allocation and allotment, see "Other Regulatory and Statutory Disclosure – Basis of Allotment or Allocation" on page 194 of this Red Herring Prospectus.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares 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 Shares in the event of his/her death during the minority. A nomination shall stand rescinded upon a sale / transfer / alienation of Equity Shares by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be only on the prescribed form available on request at the office of the Company or at the registrar and Transfer Agents of the Company.

In accordance with section 109B of the Companies Act, any person, who becomes a nominee by the virtue of the provisions of section 109A of the Companies Act, shall upon production of such evidence as may be required by the Board of Directors, elect either:

- to register himself / herself as the holder of the Equity Shares; or
- to make such transfer of the Equity shares as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors wish to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

"If the Company does not receive the minimum subscription of 90% of the Net issue to Public including devolvement of Underwriters, within 60 days from the date of closure of the Issue, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount (i.e. 60 days from the Bid Closing Date), we shall pay interest prescribed under section 73 of Companies Act, 1956."

Jurisdiction

Exclusive jurisdiction for the purpose of the Issue is with competent courts/authorities in Bangalore, India.

Arrangements for Disposal of Odd Lots

Our shares will be traded in dematerialized form only and therefore the marketable lot is one (1) share, hence there is no possibility of odd lots.

Restriction on Transfer and Transmission of Shares/debentures and on their consolidation/splitting

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation / sub division, please refer the section titled “Main Provisions of the Articles of Association” on page 202 of this Red Herring Prospectus.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.

Application by Non Residents / NRIs / FIIs / Foreign Venture Capital Fund / Multilateral and Bilateral Development Financial Institutions

There is no reservation for any Non-Residents, NRIs, FIIs, Foreign Venture Capital investors registered with SEBI and Multilateral and Bilateral Development Financial Institutions and such Non-Residents, NRIs, FIIs, Foreign Venture Capital investors registered with SEBI and Multilateral and Bilateral Development Financial Institutions will be treated on the same basis with other categories for the purpose of allocation.

AS PER RBI REGULATIONS, OVERSEAS CORPORATE BODIES CANNOT PARTICIPATE IN THE ISSUE.**Withdrawal of the Issue**

We in consultation with the BRLM, reserve the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

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 and the applicable laws of the jurisdictions where those offers and sales occur.

ISSUE STRUCTURE

The Issue of 4,843,789 Equity Shares at a price of Rs.[●] for cash, aggregating Rs.[●] lakhs is being made through Book Building Process. The Net Issue to Public will be of 4,843,789 Equity Shares. The Issue, if fully subscribed will aggregate Rs.[●] lakhs.

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares⁽¹⁾	Upto 2,421,895 Equity Shares.	Not less than 726,568 Equity Shares or the Net issue to public less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 1,695,326 Equity Shares or the Net issue to public less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue size available for Allocation	Upto 50% of the Net issue to public or the Net issue to public less allocation to Non-Institutional Bidders and Retail Individual Bidders. However, upto 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only. The unsubscribed portion in the Mutual Fund reservation will be available to QIBs.	Not less than 15% of the Net issue to public or the Net issue to public less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 35% of the Net issue to public or the Net issue to public less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate a) 121,095 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 2,300,800 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of 36 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of 36 Equity Shares.	36 Equity Shares and in multiples of 36 Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue to Public, subject to applicable limits.	Such number of Equity Shares Net Issue to Public subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs.100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid/ Allotment lot	Minimum of 36 Equity Shares and in multiples of one Equity Shares	Minimum of 36 Equity Shares and in multiples of one Equity Shares	Minimum of 36 Equity Shares and in multiples of one Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share

Who can Apply⁽²⁾	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, multilateral and bilateral development financial institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million in accordance with applicable law.	Resident Indian individuals, NRIs, HUF (in the name of Karta), Companies, Bodies Corporate, NRIs, Scientific Institutions Societies and Trusts.	Individuals, including NRIs and HUF (in the name of Karta), such that the Bid Amount does not exceed Rs.100,000.
Terms of Payment	Margin Amount of at least 10% at the time of submission of Bid cum Application Form to the members of the Syndicate.	Full Bid Amount at the time of submission of Bid cum Application Form to the members of the Syndicate.	Full Bid Amount at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	At least 10% of the Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

(1) Subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of the Company, in consultation with the BRLM and the Designated Stock Exchange. However, if the aggregate demand by Mutual Funds is less than 121,095 Equity Shares (assuming QIB Portion is 50% of the Net Issue to public, i.e. 2,421,895 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of the Company, in consultation with the BRLM and the Designated Stock Exchange.

(2) In case the bid cum application form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the bid cum application form.

ISSUE PROCEDURE

Book Building Process

Book Building Process, with reference to the Issue, refers to the process of collection of Bids, on the basis of this 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:

- The Company;
- The Book Running Lead Managers;
- The Syndicate Members, who are intermediaries registered with SEBI or registered as a broker with NSE / BSE and eligible to act as underwriters. The Syndicate Members are appointed by the BRLM; and
- 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 Issue to the public 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) not less than 15% of the Issue to the public shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) not less than 35% of the Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through Syndicate Member. In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids at the time of acceptance of Bid-cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non- Institutional Bidders and Retail Individual Bidders, the Company and Syndicate Member would have a right to reject the Bids only on technical grounds.

QIBs are not allowed to withdraw their Bid(s) after the Bid /Issue Closing Date. For further details please see the section titled “Terms of the Issue” beginning on page 167.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed Anand Rathi Securities Limited as the BRLM and Enam Securities Private Limited as the Syndicate Member to manage the Issue and to procure subscription to the Issue.

Investors should note that Equity Shares would be allotted to all successful allottees only in the dematerialized form. Bidders will not have the option to getting allotment in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialized segment of the Stock Exchange(s).

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, assuming a price band of Rs.40 to Rs.48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the websites of the BSE (www.bseindia.com) and NSE (www.nseindia.com). The illustrative book as shown below, shows the demand for the shares of a company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%

500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is Rs.42 in the above example. The issuer, in consultation with the BRLM will finalise the issue price at or below such price i.e. at or below Rs.42. All bids at or above this issue price and bids at cut-off are valid bids and are considered for allocation in respective category.

Steps to be taken for Bidding:

- Check eligibility for making a Bid (see the section titled “Issue Procedure - Who Can Bid” beginning on page 174);
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- If your Bid is for Rs.50,000/- or more, ensure that you have mentioned your PAN and attached a copy of the PAN card of all the Bidders to the Bid cum Application Form (see the section titled “Issue Procedure - ‘PAN’ or ‘GIR’ Number” beginning on page 190);
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

Our Company in consultation with the 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.

Bid/Issue Programme

Bidding / Issue Period

BID / ISSUE OPENS ON	MONDAY, FEBRUARY 12, 2007
BID / ISSUE CLOSES ON	WEDNESDAY, FEBRUARY 14, 2007

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

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

In case of revision in the Price Band, the Bidding / Issue Period will be extended for three additional 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 sites of the BRLM and at the terminals of the Syndicate.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, (“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 this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Red Herring Prospectus and the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public, NRIs applying on a non-repatriation basis	White
Non residents, NRIs, FVCIs or FIIs applying on a repatriation basis	Blue

Who can Bid

1. Persons eligible to invest under all applicable laws, Rules, regulations and Guidelines;
2. Indian nationals resident in India who are majors, in single or joint names (not more than three);
3. 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;
4. Insurance Companies registered with the Insurance Regulatory and Development Authority, India;
5. As permitted by the applicable laws, provident funds with minimum corpus of Rs.250 Million and who are authorized under their constitution to invest in equity shares;
6. Pension funds with a minimum corpus of Rs.250 Million and who are authorized under their constitution to invest in equity shares;
7. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
8. Mutual Funds registered with SEBI;
9. Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI guidelines and regulations, as applicable);
10. Multilateral and bilateral development financial institutions;
11. State Industrial Development Corporations;
12. Trust / 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;
13. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
14. Scientific and/ or Industrial Research Organisations authorized under their constitution to invest in Equity Shares;
15. Foreign Venture Capital Investors registered with SEBI; subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
16. Venture Capital Funds registered with SEBI;

Note: Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this issue in any manner except towards fulfilling their underwriting obligation. Any bids for securities beyond the investment limit prescribed under relevant laws shall not be accepted by the syndicate members/brokers from any category of clients/investors

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.

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Associates of 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 and Syndicate Members shall be on a proportionate basis.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

Application by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 121,095 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

- No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds
- No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights
- These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.
- In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Information on reservation for Mutual Funds

5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

Application by NRIs

Bid cum Application forms have been made available for NRIs at the Registered Office at Survey No.- 285, 37th KM Stone, Tumkur Road, Kasaba Hobli, T. Begur, Nelamangala- 562123, Karnataka, India and the Corporate Office of the Company at No.107, Industrial Suburb, II Stage, Yeshwanthpur, Bangalore – 560 022, India.

Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-Cum-Application Form meant for resident Indians (white in color).

All applications by NRIs with the Bid amount equal to or above Rs.50,000/- should be accompanied by a copy of the PAN card / letter, for further details refer to the section titled "PAN or GIR Number" on page 190 of this Red Herring Prospectus.

Application by FIIs

As per the SEBI (Foreign Institutional Investors) Regulations, 1995 and the Guidelines made there under, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital 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.

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.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding in the Company by any individual venture capital fund registered with SEBI should not exceed 25% of the corpus of such venture capital fund.

SEBI has issued a circular dated October 16, 2006 stating that the shareholding of venture capital funds and foreign venture capital investors registered with SEBI in a company prior to making an initial public offering, would be subject to lock-in requirement if the shares are held by them for a period of less than one year as on the date of filing the Red Herring Prospectus with SEBI.

The above information is given for the benefit of the Bidders. We and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations. However, we shall update this Red Herring Prospectus and keep the public in India informed of any material changes in matters concerning the business and operations until the listing and commencement of trading of the Equity Shares.

Maximum and Minimum Bid Size:

1. **For Retail Individual Bidders:** The Bid must be for a minimum of 36 Equity Shares and in multiples of 36 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs.1,00,000/-. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.1,00,000/-. In case the Bid Amount is over Rs.1,00,000/- 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 at the final Issue Price as determined at the end of the Book Building Process.
2. **For Non-Institutional 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 36 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.

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.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders

1. We will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/ Issue Opening Date.
2. We and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement
3. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to prospective investors.
4. Any investor (who is eligible to invest in the 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 and Corporate Office of the Company or from any of the BRLM or Syndicate Members.
5. Eligible Investors who are interested in subscribing for the Company's Equity Shares should approach any of the BRLM or Syndicate Members or their authorised agent(s) to register their Bid.
6. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected. The primary responsibility of building the book shall be that of the BRLM."

Method and process of Bidding

1. The Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and one in regional newspaper. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Schedule XX-A of the SEBI Guidelines, as amended by the SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005. 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.
2. 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 informed to the Stock Exchanges and published in two national newspapers (one each in English, Hindi) and one in regional newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.
3. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details kindly refer the section "Bids at Different Price Levels" on Page 178 of this 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.

4. The Bidder cannot bid on another Bid cum Application Form after his or her Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in the Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section “Build up of the Book and Revision of Bids” on page 181 of this Red Herring Prospectus
5. The Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form
6. During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
7. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section “Terms of Payment and Payment into the Escrow Account” on page 179 of this Red Herring Prospectus. The investors who had not participated in the bidding process or have not received intimation of entitlement of securities may also make an application.
8. The Syndicate Members shall compulsorily take the Bid Form in writing from prospective Investors.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs.170/- to Rs.185/- per Equity Share of Rs.10 each, Rs.170/- being the Floor Price and Rs.185/- being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1.
2. We in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
3. In accordance with the SEBI Guidelines, we in consultation with the BRLM, can revise the Price Band during the Bidding period, in which case the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially and as disclosed in this Red Herring Prospectus. In addition to this, the cap on the Price Band should not be more than 20% of the floor of the Price Band.
4. In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of 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 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 and at the terminals of the members of the Syndicate.
5. 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 Bidders in the Reserved Categories applying for a maximum bid in any of the Bidding Options, not exceeding Rs 1,00,000/- may bid at “Cut-off”. However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.
6. Retail Individual Bidders who bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price shall deposit the Bid

Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, 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 shall receive the refund of the excess amounts from the Escrow Account.

7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs.1,00,000/- if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs.1,00,000/- 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 cap 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 no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall be within the range of Rs. 5,000 to Rs. 7,000. We, in consultation with the BRLM shall stipulate the minimum application size (in terms of number of shares) falling within the aforesaid range of minimum application value.

Option to Subscribe

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only. Bidders will not have the option of getting allotment in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Escrow Mechanism

We and members of the Syndicate shall jointly open Escrow Account with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of 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 Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Escrow Collection Bank(s), the Registrar to the Issue, BRLM and Syndicate Members to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the respective Escrow Account by the Escrow Collection Bank(s), as per the terms of the Escrow Agreement and this Red Herring Prospectus. Kindly refer to the paragraph titled “Payments into Escrow Collection Account” on page 188.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder shall, who is required to pay margin amount shall, with the submission of the Bid cum Application Form drawing a cheque / demand draft for the maximum amount of his / her Bid in favour of the Escrow Account of

the Escrow Collection Bank(s) (for details kindly refer to the section “Payment Instructions” on page 188 of this 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 received from the Bidders with the Escrow Collection Bank(s), which will hold the 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 issue size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account of the Company shall be held for the benefit of the Bidders who are entitled to refunds, on the Designated Date and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIBs, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. For details of Margin Amount payable kindly refer to the section titled “Issue Structure” on page 170 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date specified in the CAN. If the payment is not made favoring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full Bid Amount has to be paid at the time of submission of the Bid-cum-Application Form.

QIB Bidders will be required to deposit a margin of 10% at the time of submitting of their Bids. After the Issue Closing Date/Bid Closing Date, the level of subscription in all categories shall be determined. Based on the level of subscription, additional margin money, if any, may be called for the QIB.

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 allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods mentioned above.

Electronic Registration of Bids

1. The Syndicate members will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a Stock Exchange is located in India and where Bids are being accepted.
2. BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members of and their authorised agents during the Bidding Period. The Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid / Issue Closing Date, the Syndicate Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.
3. The aggregate demand and price for Bids registered on the electronic facility of the BSE and NSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.
4. 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:
 - Name of the investor
 - Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund, etc.
 - Numbers of Equity Shares bid for

- Bid price
 - Bid cum Application Form number
 - Whether payment is made upon submission of Bid cum Application Form
 - Depository Participant Identification No. and Client Identification No. of the beneficiary account of the Bidder
5. 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 by us.
 6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
 7. The members of the Syndicate have the right to review the Bid. Consequently, the member of the Syndicate also has the right to accept the Bid or reject it by assigning a reason in writing, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids shall not be rejected except on technical grounds listed in this Red Herring Prospectus.
 8. It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by us or the BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.
 9. It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build up of the Book and Revision of Bids

1. Bids registered by various Bidders through the Syndicate members shall be electronically transmitted to BSE or NSE mainframe on an online basis.
2. The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
3. During the Bidding Period, any Bidder who has registered his / her interest in the Equity Shares at a particular price level is free to revise his / her Bid within the price band using the printed Revision Form, which is a part of the Bid cum Application Form.
4. Revisions can be made in both the desired numbers 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.
5. 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.**

6. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
7. 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.**
8. In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application form shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with the Company.
2. We in consultation with the BRLM, shall finalize the “Issue Price” and the number of Equity Shares to be allocated in each investor category.
3. The allocation for QIBs for upto 50% of the Issue would be on a proportionate basis (with a minimum 5% allocation of the QIB Portion reserved for Mutual Funds, and such Mutual Funds can participate in the remaining allocation for QIBs), in consultation with the Designated Stock Exchange subject to valid Bids being received at or above the Issue Price, in the manner as described in the section entitled “Basis of Allotment” on page 194 of this Red Herring Prospectus. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Issue respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price
4. In terms of SEBI Guidelines, QIBs Bidders shall not be allowed to withdraw their bid after the Bid / Issue Closing Date.
5. Under subscription, if any, in the Retail and Non Institutional categories, would be allowed to be met with spill over from any of the other categories or combination of categories at the sole discretion of the Company and the BRLM. However, if the aggregate demand by Mutual Funds is less than 121,095 Equity Shares, the balance Equity in the Mutual Fund Portion will be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.
6. Allotment to all investors, including Eligible non residents, NRIs or FIIs registered with SEBI or Mutual Funds or FVCIs registered with SEBI applying on repatriation basis will be subject to applicable laws, rules, regulations, guidelines and approvals the terms and conditions stipulated by the RBI while granting permission for Issue/ allocation of Equity Shares to them.
7. The BRLM in consultation with us shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
8. We in consultation with the BRLM reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever

Signing of Underwriting Agreement and RoC Filing

1. We, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price.
2. After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

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.

Announcement of Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in two national newspapers (one each in English and Hindi).

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

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.

Issuance of Letter for Additional Margin Money

In case of QIB Bidders who have submitted their Bids with the Margin Amount of 10%, additional margin amount may be called for by the Bank, in consultation with the BRLM. The amount of such additional Margin Amount called for shall depend on the level of subscription in various categories as determined on the basis of electronic registration of bids. The allotment of shares to QIB Bidders shall be finalised by the us in consultation with the BRLM and the Designated Stock Exchange.

1. Upon approval of the Basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the Basis of Allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, the investor should note that we shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.
2. The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and

irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the Margin Amount into the Escrow Account at the time of bidding shall pay the balance amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

3. Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be Allotted to such Bidder.
4. The Issuance of CAN is subject to “Notice to QIBs: Allotment Reconciliation” and revised CAN as set forth above.

Designated Date and Allotment of Equity Shares

1. The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid / Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account of the allotted Equity Shares to the allottees within two working days of the date of Allotment.
2. In accordance with the SEBI Guidelines, Equity Shares will be issued, transferred and allotment shall be only in the dematerialized form to the allottees. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

General Instructions

Do's:

1. Check if you are eligible to apply; 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;
2. Ensure that the Bid is only within the Price Band and that you have collected TRS for all your bid options;
3. Read all the instructions carefully and complete the Resident Bid cum Application Form or Non-Resident Bid cum Application Form, as the case may be;
4. Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be Allotted in the dematerialized form only;
5. Ensure that the DP account is activated;
6. Investors must ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
7. Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
8. Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS; and
9. If your Bid is for Rs.50,000/- or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached copies of your PAN card or PAN allotment letter with the Bid cum

Application Form. If you have mentioned “Applied for” or “Not Applicable”, in the Bid-cum-Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof. In case the PAN has not been allotted, mention “Not allotted” in the appropriate place.

Dont’s:

1. Do not Bid if prohibited from doing so under the law of your local jurisdiction;
2. Do not Bid for lower than the minimum Bid size;
3. Do not Bid / revise Bid price to less than the lower end of the Price Band or higher than the higher end of the price band;
4. Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
5. Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;
6. Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
7. Do not Bid at cut off price (for QIBs and non-institutional bidders);
8. 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.

Instructions for completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the BRLM or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable(White, Blue).
2. Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
3. The Bids from the Retail Individual Bidders must be for a minimum of 36 Equity Shares and in multiples of 36 thereafter subject to a maximum Bid Amount of Rs.1,00,000/-.
4. For Non-Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs.1,00,000/- and in multiples of 36 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that no Bid from them exceeds the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
5. In single name or in joint names (not more than three, and in the same order as their Depository Participant Details).
6. 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.

Bank Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details, MICR Code 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 Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor we shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders 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 on account of returned refund orders / allocation advice / CANs shall be at the Bidders sole risk, we and the BRLM shall not have any responsibility nor undertake any liability for the same. **In case of refunds through electronic modes as detailed in this Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the DP are incorrect.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders / CANs / Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants. In case no corresponding record is available with the Depositories that match three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

By signing the Bid-cum-Application Form, the Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

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, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by provident funds with minimum corpus of Rs.250 Million and pension funds with minimum corpus of Rs.250 Million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund / pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by Mutual Fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital Investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

The Company, in their 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 and the BRLM may deem fit.

The Company in consultation with the BRLM, in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by Eligible NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis

NRI, FIIs and Foreign Venture Capital Funds Bidders have to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office or from the BRLM or the Syndicate Member(s) or the Registrars to the Issue.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.
3. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application form meant for Resident Indians (White in colour).
4. All applications by NRIs with the Bid amount equal to or above Rs.50,000/- should be accompanied by a copy of the PAN card / letter, for further details refer to the section titled "PAN or GIR Number" on page 190 of this Red Herring Prospectus.

Bids and Revision to Bids must be made

1. On the Bid cum Application Form or the Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three, and in the same order as their Depository Participant Details).
3. **By NRIs:** For a minimum of 36 Equity Shares and in multiples of 36 thereafter subject to a maximum Bid amount of Rs 1,00,000/- for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs 1,00,000/- would be considered under Non Institutional Category for the purposes of allocation. For further details refer the section entitled “Maximum and Minimum Bid Size” on page 176 of this Red Herring Prospectus.
4. By other eligible NRIs for a minimum of such number of Equity Shares and in multiples of 36 such that the Bid Amount exceeds Rs.1,00,000/-. For further details refer the section titled “Maximum and Minimum Bid Size” on page 176 of this Red Herring Prospectus.
5. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB’s.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/ speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FII 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 this Issue.

Payment Instructions

The Company shall open Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allotment 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:

Payments into Escrow Account for the Issue

1. 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 member of the Syndicate along with the Bid-Cum- Application Form.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member(s) by the BRLM.
3. In case the payment of the Bid Amount has been waived by a member of the Syndicate during the Bidding/Issue Period on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be a minimum period of two days from the date of communications of the allocation list to the member of the Syndicate by the BRLM.

4. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
 - In case of Resident Bidders: "**Escrow Account – Indus Fila IPO**"
 - In case of Non Resident Bidders: "**Escrow Account – Indus Fila IPO - NR**"
 - In case of Resident QIB Bidders: "**Escrow Account - Indus Fila IPO – QIB – R**"
 - In case of Non Resident QIB Bidders: "**Escrow Account - Indus Fila IPO – QIB – NR**"
5. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
6. In case of Bids by FIIs/FVCIs registered with the SEBI/multilateral and bilateral financial institutions, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
7. Where a Bidder has been allocated 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 allotted, will be refunded to the Bidder from the Escrow Account.
8. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
9. On or after the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreements into the Issue Account with the Bankers to the Issue.
10. No later than 15 days from the Bid/ Issue Closing Date, the Escrow Banker shall refund all amounts payable to unsuccessful Bidder and also the excess amount paid by Bidding, if any, after adjusting for allocation to Bidders.
11. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stock invest/Money orders/ Postal orders will not be accepted

Payment by Stock invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003 the option to use the stock invest instruments in lieu of cheques or bank demand drafts for payment of bid money has been withdrawn. Accordingly, payment through stock invest 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 shall be submitted to the members of the Syndicate at the time of submission of the Bid. A member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and the Revision Form in the case of QIB Bidders provided however that the Syndicate Member shall collect the QIB Margin and deposit the same in a special Escrow Account.

Separate receipts shall not be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the

Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions**Joint Bids in the case of individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic details received from Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, an illustration 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 which will serve as a multiple master document.
2. In this master document, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. The Registrar will obtain from the depositories, details of the applicants' addresses based on the DIP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master document.
4. The addresses of all the applicants in the multiple master documents will be strung from the address master document. 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 addresses and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be taken to check for common names. Applications with the same name and address will be treated as multiple applications.
5. The applications will be scrutinized for similar DP ID and Beneficiary Account Numbers. In case where applications bear the same DP ID and Beneficiary Account Numbers, they will be treated as multiple applications.
6. After consolidation of all the masters as described above, a print out of the multiple master document will be taken and applications will be physically verified to tally signatures and the name of father's or husband's. On completion of this, applications will finally be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

The Company in consultation of BRLM reserve the right to reject, in their absolute discretion all or any multiple Bids in any or all categories.

PAN or GIR Number

Where Bid(s) is/are for Rs.50,000 or more, the Bidder (including NRIs) 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 Income Tax Act. **The**

copy of the PAN card or PAN allotment letter is required to be submitted with the application form for all the Joint Bidders, if any. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention “Not Applicable” and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention “Applied for” in the Bid cum Application Form. Further, where the Bidder(s) has mentioned “Applied for” or “Not Applicable”, the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

Unique Identification Number (“UIN”)

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.1,00,000/- to Rs. 5,00,000/- or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Therefore, MAPIN is not required to be quoted with the Bids. At present investors are required to provide a UIN.

Company’s Right to Reject Bids

The BRLM may reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bid and the reason for rejection of the Bid is to be recorded in writing and reasons therefore shall be communicated to the Bidder at the time of rejection of the Bid. In case of Non Institutional Bidders and Retail Individual Bidders, we will have the right to reject Bids only on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder’s address at the Bidder’s risk

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on, amongst others, the following technical grounds:

1. Amount paid doesn’t tally with amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given; Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
3. PAN not stated if Bid is for Rs.50,000/- or more
4. GIR Number given instead of PAN;
5. Bids for lower number of Equity Shares than specified for that category of investors;
6. Bids at a price less than lower end of the Price Band;
7. Bids at a price more than the higher end of the Price Band;
8. Bids at cut-off price by Non-Institutional and QIB Bidders;
9. Bids for number of Equity Shares, which are not in multiples of 36;
10. Category not ticked;
11. Multiple bids as defined in this Red Herring Prospectus;
12. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

13. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
14. NRIs, except eligible NRIs and Non-Residents;
15. Signature of sole and / or joint bidders missing;
16. Bid cum Application Form does not have the stamp of the BRLM or Syndicate Members;
17. Bid cum Application Form does not have Bidder's depository account details;
18. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form; or
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. For further details please kindly refer to the section titled "Terms of the Issue" on page 167 of this Red Herring Prospectus.
20. Bids accompanied by Stock Invests / money order/postal order/cash;
21. Bids by OCBs; or
22. Bids by U.S. residents or U.S. persons.
23. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant's identity (DP ID) and the Beneficiary Account number.
24. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section entitled "Issue Procedure – Bids at Different Price Levels" at page 178 of this Red Herring Prospectus;
25. Bids by QIBs not submitted through BRLM or members of the Syndicate.
26. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws, or by any persons who are not eligible to acquire Equity Shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals

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 de-materialised 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:

1. a tripartite agreement dated February 2, 2007 with us, NSDL and Registrars to the Issue
2. a tripartite agreement dated February 2, 2007 with us, CDSL and Registrars to the Issue

All bidders can seek allocation only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
2. 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.
3. 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
4. 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 in the Depository.
5. Non-transferable allocation advice or refund orders will be directly sent to the Bidder by the Registrar to the Issue.
6. 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.
7. 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.

8. 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.
9. The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the Stock Exchanges.
10. As the Issue comprises of Fresh Issue, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allotted to them pursuant to the Issue. Investors should satisfy themselves that their demat account is active.

Communications

All future communications 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 the 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.

Pre-Issue and Post Issue Related Problems

We have appointed Mr. Pradeep Totla, Company Secretary, as the Compliance Officer and he may be contacted in case of any Pre-Issue and Post Issue Related Problems, such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc., at the following address:

Mr. Pradeep Totla

Company Secretary cum Compliance Officer

No.107, Industrial Suburb,
II Stage, Yeshwanthpur,
Bangalore – 560 022, India
Tel: + 91- 80- 41369700
Fax: + 91- 80 - 41369800
E Mail: pradeep@indusfila
Website: www.indusfila.com

Disposal of Applications and Applications Money

The Company shall ensure dispatch of allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of finalization of the Basis of Allotment of Equity shares. The Company shall ensure the dispatch of refund orders, if any, of value up to Rs.1,500, “Under Certificate of Posting”, and shall ensure dispatch of refund orders above Rs.1,500, if any, by registered post or speed post at the sole or First Bidder’s sole risk except for Bidders who have opted to receive refunds through the ECS or NEFT or RTGS or Direct Credit, adequate funds for this purpose shall be made available to the Registrar for this purpose.

Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue.

We 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 to be listed are taken within 7 (seven) working days finalization of the basis of allotment.

Interest in case of delay

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines we further undertake that:

1. allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid /Issue Closing Date;
2. dispatch of refund orders (including through ECS, NEFT, Direct Credit or RTGS) within 15 (fifteen) days of the Bid /Issue Closing Date would be ensured; and

3. The Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above 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, as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines; and
4. The Company will provide adequate funds required for dispatch of refund orders or allocation advice to the Registrar to the Issue. Refunds will be made by ECS, NEFT, RTGS, Direct Credit, cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the 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.”

Interest on Refund of Excess Bid Amount

We shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of Allotment or 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 the successful Retail Individual Bidders will be made at the Issue Price.
2. The Issue size less allotment to Non Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
3. If the aggregate demand in this category is less than or equal to 1,695,326 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
4. If the aggregate demand in this category is greater than 1,695,326 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of 36 Equity Shares and in multiple of 36 Equity shares thereafter. For the method of proportionate basis of allotment, 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 allotment to QIB Bidders and Retail Individual Bidders shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
3. If the aggregate demand in this category is less than or equal to 726,568 Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
4. In case the aggregate demand in this category is greater than 726,568 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/ application size of 36 Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

1. Up to 50% of the Net Issue to Public, i.e., 2,421,895 Equity Shares shall be allotted to QIBs.
2. Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
3. The Issue size less allotment to Non Institutional Portion and Retail Portion shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
4. However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Fund Portion. After completing proportionate allocation to Mutual Funds for an amount of upto 121,095 Equity Shares (the Mutual Fund 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 Fund Portion). For the method of allocation in the QIB Portion please see the section titled “Illustration of Allotment to QIBs” appearing below. If the valid Bids by Mutual Funds is less than 121,095 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. For the purposes of this section it has been assumed that the QIB Portion for the purposes of the Issue amounts upto 50% of the Net Issue size, i.e. 2,421,895 Equity Shares.
5. Allotment shall be undertaken in the following manner:
 - 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.
 - In the second instance allocation to all QIBs shall be determined as follows:
 - (i) In the event of over subscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
6. Except for any shares allocated to QIB Bidders due to under subscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of 2,416,972 Equity Shares. For the method of proportionate basis of allocation refer below.

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. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Procedure and Time Schedule for Allotment of Equity Shares

The Company and the members of the Syndicate reserve the right to reject any Bid by assigning a reason thereof in writing in case of QIBs. In case of Non - Institutional Bidders and Retail Individual Bidders, we have a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. We will ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and we shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, the Company and the Selling Shareholders shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM, and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

1. Bidders will be categorized according to the number of Equity Shares applied for by them.
2. 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.
3. 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.
4. In all Bids where the proportionate allotment is less than 36 Equity Shares per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be allotted a minimum of 36 Equity Shares;
 - 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; and
5. If the proportionate allotment to a Bidder is a number that is more than [●] 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 0.50 or higher. If that number is lower than 0.05, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

6. 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.

ILLUSTRATION of Allotment to QIBs and Mutual Funds (“MF”)

Issue details

Sr. No.	Particulars	Issue Details
1.	Issue size	200 Mn. Equity Shares
2.	Allocation to QIB (Upto 50% of the Net Issue)	100 Mn. Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	5 Mn. Equity Shares
	b. Balance for all QIBs including Mutual Funds	95 Mn. Equity Shares
3.	Number of QIB applicants	10
4.	Number of Equity Shares applied for	500 Mn. Equity Shares

Details of QIB Bids

Sr. No	Type of QIB bidders#	No. of shares bid for (in Mn.)
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 Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

Details Of Allotment To QIB Bidders/Applicants

(Number of equity shares in Mn.)

Type of QIB bidders	Shares bid for (in Mn.)	Allocation of 5 Mn. Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 Mn. Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	10	0
A2	20	0	4	0
A3	130	0	25	0
A4	50	0	10	0
A5	50	0	10	0
MF1	40	1	7	8

MF2	40	1	7	8
MF3	80	2	15	17
MF4	20	1	4	4
MF5	20	1	4	4
	500	5	95	42

Note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “Issue Structure” beginning on page 170.
2. Out of 100 Mn. Equity Shares allocated to QIBs, 5 Mn. (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 Mn. shares in the QIB Portion.
3. The balance 95 Mn. Equity Shares [i.e. 100 - 5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 Mn. Equity Shares (including 5 Mutual Fund applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled “Allocation of balance 95 Mn. Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
 - For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for 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 Mn. Equity Shares to the 10 QIBs are reduced by 5 Mn. shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

Refunds**1. Payment of Refund**

Bidders must note that on the basis of a Bidder’s name, the Depository Participant’s name, the Depository Participant Identification number, the Beneficiary Account number provided by the Bidder in the Bid-cum-Application Form, the Registrar will obtain from the Depositories, the Bidders’ bank account details, including the nine digit Magnetic Ink Character Recognition (“MICR”) code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in the dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the concerned Bidder’s sole risk and neither the Company, the Registrar, the Escrow Collection Banks, the Bankers to the Issue nor the BRLM shall be liable to compensate such Bidders for any losses caused to them due to any such delay or be liable to pay any interest for such delay.

2. Mode of making refunds

The payment of refund, if any, would be done through various modes as under:

- A. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Thiruvananthapuram and Patna. Only applicants having a bank account at any of these 15 centers where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes details in herein.

This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the above mentioned fourteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

- B. NEFT (National Electronic Fund Transfer) – 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.
- C. Direct Credit – Applicants having bank accounts with the Refund Banker, in this case being, UTI Bank Limited shall be eligible to receive refunds through direct credit.
- D. 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.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched 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.

For all the other applicants excepts for whom payment of refund is possible through A, B, C and D the refund orders would be dispatched “Under Certificate of Posting” for refund orders less than Rs.1500 and through Speed Post/Registered Post for refund orders exceeding Rs.1500.

Delay in Dispatch of allotment Letters/Refund Orders

The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the prescribed manner and/or demat credits are not made to investors within 15 days from the Bid/Issue Closing Date.

The Company will provide adequate funds required to the Registrar to the Issue for making refunds in the manner described below or for dispatch of allotment advice.

Refunds will be made in the manner described below and bank charges, if any, for cashing cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

The Company shall not have recourse to the Issue proceeds until the approvals for trading of the Equity Shares has been received from the Stock Exchanges.

Undertaking by the Company

We hereby undertake the following:

1. that the complaints received in respect of the Issue shall be attended to by us expeditiously and satisfactorily;
2. 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;

3. that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Company;
4. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the closure of the issue, giving details of the bank where refunds shall be credited alongwith the amount and expected date of electronic credit of refund;
5. that the refund orders or allocation advice to the NRIs or FIIs shall be dispatched within specified time; and
6. that no further issue of Equity Shares shall be made till the Equity Shares issued through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilization of Issue Proceeds

The Board of Directors of the Company certifies that:

1. all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
2. details of all monies utilized out of Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised;
3. details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested; and
4. the Company shall not have recourse to the Issue proceeds until the final listing and trading approval from all the stock exchanges have been obtained;

Pending utilisation of net proceeds of the Fresh Issue as specified under the section “Objects of the Issue”, we intend to deposit the funds in Fixed Deposits with Scheduled Commercial Banks. These investments shall be in accordance with investment policies approved by our Board of Directors from time to time.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and the FEMA and circulars and notifications issued there under. While the policy of the Government 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 of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment.

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 issued share capital.

Subscription by NRIs/ FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non- Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the

Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs

We do not require approval from the Government of India or from the Reserve Bank of India for making a fresh issue of Equity Shares under the Foreign Direct Investment Scheme as prescribed in the FEMA read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 to FIIs, since foreign direct investment in companies engaged in manufacturing, such as ours, is permitted to the extent of 100% under existing law and policy. The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

SECTION IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Sr. No.	INTRODUCTION	Interpretation
1.	In these Articles:	
(a)	“The Act” means the Companies Act, 1956, and every statutory modification or re-enactment thereof;	
(b)	“The Articles” means these Articles of Association as now framed or as altered from time to time;	
(c)	“Beneficial Owner” shall have the meaning assigned thereto in Section 2 of the Depositories Act, 1996;	
(d)	“Board” means the Board of Directors for the time being of the Company;	
(e)	“Business Day” means a day on which banks are open for business in India (excluding Sundays and public holidays);	
(f)	“Business Records” means such books and records, data, statistics, reports and information as may be necessary or appropriate or required in compliance with applicable laws and regulations in India to be kept in the conduct of the Business of the Company to reflect properly all transactions, the financial and trading condition and the tax position of the Company;	
(g)	“The Company” means “INDUS FILA LIMITED”;	
(h)	“Debenture holder(s)” or “Security holder(s)” means the duly registered holders from time to time of the debenture(s) or securities of the Company;	
(i)	“Depositories Act” means the Depositories Act, 1996 and shall include any statutory modification(s) or re-enactment thereof for the time being in force;	
(j)	“Depository” shall mean a Depository as defined in Section 2 of the Depositories Act;	
(k)	“Financial Year” means the period in respect of which any profit and loss account of the Company laid before the annual general meeting is made up whether that period is a year or not;	
(l)	“Independent Director” means a director who fulfills the criteria as specified by the Act or the guidelines issued by the SEBI or the listing agreement with the stock exchanges;	
(m)	“Manager” means the manager for the time being of the Company as defined under section 2(24) of the Act;	
(n)	“The Secretary” means the Secretary of the Company as defined under section 2(45) and 383A of the Act;	
(o)	“Shares” shall mean the shares of the Company issued to any shareholder;	
(p)	“Shareholder(s)” or Member(s)” means the duly registered holder(s) from time to time of the Share(s) of the Company and includes the subscriber(s) to the Memorandum of the Company and also every person holding Share(s) of the Company as also one whose name is entered as the beneficial owner in the records of the Depository;	
(q)	“Derivatives” include –	
	i. a security derived from a debt instrument, share, loan whether secured or unsecured, risk instrument or contract for differences or any other form of security;	
	ii. a contract which derives its value from the prices, or index of prices, of underlying securities;	
(r)	“Dividend” includes any interim dividend;	
(s)	“Employees Stock Option” means the option given to the whole-time Directors,	

		or employees of the Company, which carries a benefit or right to purchase or subscribe to the securities offered by the Company at a pre-determined price;	
	(t)	"Hybrid" means any security which has the character of more than one type of security, including their derivatives;	
	(u)	"Meeting" or "general meeting" means an Extra-ordinary or the Annual General Meeting of the members of the company;	
	(v)	"Members" or "Shareholders" means the duly registered holders of the shares, including the subscribers to the Memorandum of Association, as entered in the Register of Members of the Company;	
	(w)	"Month" and "year" mean a calendar month and a calendar year respectively;	
	(x)	"Office" means the registered office for the time being of the Company;	
	(y)	"Person" shall include any association, firm, corporation or Company as well as individuals as the context permits;	
	(z)	"Postal Ballot" includes voting by shareholders by postal or electronic mode in accordance with the provisions of Section 192A of the Act and the Rules made there under;	
	(aa)	"Proxy" means an instrument through which a member or a representative of a body corporate authorises any other individual who is a member or not, to attend and vote instead of himself at a general meeting on a poll;	
	(bb)	"Register" means the Register of Members of the Company required to be maintained under Section 150 of the Act;	
	(cc)	"Seal" means the common seal of the Company;	
	(dd)	"SEBI" means Securities Exchange Board of India constituted under the S E B I Act, 1992;	
	(ee)	"Securities" include – i. shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated Company or other body corporate; ii. derivatives; iii. units or any other instrument issued by any collective investment scheme; iv. Government securities; v. rights or interests in securities; vi. such other instruments as may be declared by Central Government to be securities under the Securities Contracts (Regulation) Act, 1956;	
	(ff)	"Shares with differential rights" mean shares that are issued with differential rights as to dividend and/or voting or otherwise in accordance with the provisions of Section 86 of the Act and the Rules made there under;	
	(gg)	"In writing" or "written" means and includes printing, typing, lithographing and other modes of reproducing words in a visible form;	
	(hh)	Words importing the singular number include, where the context admits or requires, plural number and vice versa;	
	(ii)	Words importing the masculine gender include the feminine gender;	
	(jj)	Words importing persons shall, where the context requires, include corporate bodies and companies as well as individuals;	
	(kk)	The words and expressions contained in these Articles shall bear the same meanings as in the Act or any statutory modification thereof, if not inconsistent with the subject or context of these Articles;	
	(ll)	The marginal notes are inserted for convenience and shall not affect the construction of these Articles;	
2.		The regulations contained in Table A of the First Schedule to the Companies Act, 1956, shall apply to this Company except so far as the clauses herein contained modify the same or provide otherwise. Whenever any of these clauses come into conflict with the provisions of the Companies Act, 1956 or any subsequent modifications thereof, such provisions and modifications, as the case may be, shall prevail;	Applicability of Table A

		SHARE CAPITAL	
3.		The authorised share capital of the Company shall be such amount and of such description as is stated for the time being in Clause V of the Memorandum of Association with power to increase or reduce the capital and to divide the capital into several classes and to attach thereto, respectively, such preferential, deferred, qualified or special rights, privileges or conditions with voting rights or with differential rights as to dividend, voting or otherwise as permissible under law and as may be determined by the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Act and as the Company deems fit and necessary.	Authorised Capital to be as stated in Memorandum of Association
4.		<p>Subject to the provisions of Section 81 of the Act and these Articles, the shares (including any shares forming part of any increased capital of the Company) 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 off the same or any of them to such persons, 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 78 and 79 of the Act) at a discount and at such time as they may from time to time think fit and with the 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.</p> <p>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.</p> <p>The Board shall cause to e file the Returns as to allotment provided for in section 75 of the Act.</p>	Shares at the disposal of the directors
		Subject to the provisions of the Act and the guidelines of SEBI, if and where applicable, the Company may, from time to time, issue shares, securities and hybrids of various kinds including employee stock options, shares with differential rights, preference shares, convertible securities either with premium or at par and either by issue of an information memorandum or otherwise as may be thought fit by the Board of Directors of the Company from time to time.	Issue of various kinds of Securities
5.		The Board may, subject to the provisions of the Act, at any time, pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, in or debentures of the company or his procuring or agreeing to procure subscriptions, (whether absolute or conditional) for any shares in or debentures of the company. The Company may pay such brokerage as may be lawful and reasonable.	Board may pay Brokerage
6.		<p>If any share stands in the names of two or more persons, the person first named in the Register shall be entitled to receive the share certificates, dividends or bonus or service of notice and all or any other matter connected with the company, except, the transfer of shares. Not more than three persons shall be registered jointly as members in respect of any share.</p> <p>Any one or two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the Register of Members in respect of such shares thereof but the others of the joint holders</p>	<p>Joint Holdings</p> <p>Vote of Joint Holders.</p>

		shall be entitled to be present at the meeting; provided always personally shall be entitled to vote in preference to a joint holder present by attorney or by proxy although the name of such joint holder present by an attorney or proxy stands first or higher (as the case may be) in the register in respect of such shares. Several executors or administrators of a deceased member in whose (deceased member's) sole name any share stands shall, for the purpose of this Article be deemed joint holders.	
7.		The rights conferred upon the holders of shares of any class other than those issued with preferential or other rights, shall, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be ranking <i>pari passu</i> therewith.	Shares to rank <i>Pari Passu</i> unless specifically issued
8.		The Board may allot and issue shares in the capital of the Company as payment or part payment for any property (including goodwill) sold or transferred, goods or machinery supplied, or for services rendered to the Company in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued, as fully paid up or partly paid up and if so issued shall be deemed to be fully paid up or partly paid up shares as the case may be. The Board may also allot shares to the employees or directors of the Company as sweat equity.	Allotment of shares for consideration otherwise than cash
9.		Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears upon the Register of Members as the holder of any share, as the absolute owner thereof and shall not (except as ordered by a court of competent jurisdiction or as by law required) be under any obligation to recognise 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 other notice thereof.	Recognition of person mentioned in Register of Members
10.		Shares may be registered in the name of a person, joint holders, Hindu Undivided Family, Minors, Societies registered under the Societies Registration Act, Trusts registered under the Indian Trusts Act or any Company. Provided that only fully paid up shares shall be registered in the names of minors.	Fully paid shares may be registered in the name of minor
11.		The Company shall have power to pay interest out of its capital on so much of its shares which were issued for the purpose of raising money to defray the expenses of the construction of any work or building or the provision of any plant for the Company in accordance with the provisions of Section 208 of the Act.	Payment of interest out of capital
12.		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 may from time to time 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 or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holders.	Limitation of time for Issue of certificates
13.		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, 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	Issue of New Certificate in Place of One Defaced, Lost or Destroyed

	<p>satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, and a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate.</p> <p>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.</p>	
(a)	<p>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 the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.</p> <p>The provisions of this Article shall mutatis mutandis apply to debentures of the Company.</p>	
(b)	<p>Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its shares, debentures and other securities and to offer any shares, debentures or other securities proposed to be issued by it for subscription in a dematerialized form, rematerialise its Securities held in the depositories and/or offer its Securities in the dematerialised form pursuant to the Depositories Act and the Rules framed thereunder, if any.</p> <p>Every person subscribing to Securities offered by the Company shall have the option to receive security certificates or hold the Securities with a Depository. Such a person who is a beneficial owner of the securities can at any time opt out of a Depository, if permitted by the law in respect of any security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities. If the person opts to hold his security with a Depository, the Company shall intimate such Depository the details of the allotment of the security and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.</p>	<p>Dematerialization</p> <p>Option for Investors</p>
(c)	<p>Certificate, if required, for a dematerialized share, debenture and other security shall be issued in the name of the Depository and all the provisions contained in Articles in respect of the rights of a member / debenture holder of the Company shall mutatis mutandis apply to the Depository as if it were a member / debenture holder / security holder excepting that and notwithstanding that the Depository shall have been registered as the holder of a dematerialized share, debenture and other security, the person who is the beneficial owner of such shares, debentures and other securities shall be entitled to all the rights available to the registered holders of the shares, debentures and other securities in the Company as set out in the other provisions of these Articles.</p> <p>All Securities held by a Depository shall be dematerialised and shall be in fungible form. Nothing contained in sections 153, 153A, 153B, 187A, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the beneficial owners. No certificates shall be issued for the securities held by the depository.</p> <p>Nothing contained in the Act or the Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a Depository.</p> <p>The Company shall further be entitled to maintain a Register of Members/</p>	<p>Issue of certificates, if required, in the case of dematerialised share/ debentures/ other securities and rights of beneficial owner of such shares/ debentures/ other securities.</p> <p>Securities in Depositories to be in fungible form</p> <p>Distinctive numbers of securities held in a depository.</p> <p>Register of Members</p>

	<p>Debenture holders/ other Security holders with the details of members/ debenture holders/ other security holders holding shares, debentures or other securities both in physical form and dematerialized form in any media as permitted by law including any form of electronic media, either in respect of the existing shares, debentures or other securities or any future issues thereof.</p> <p>Notwithstanding anything herein contained, a person whose name is at any time entered in the Register of Members of the Company as the holder of a share in the Company, but who does not hold the beneficial interest in such a share, shall, within such time and in such form as may be prescribed, make a declaration to the Company specifying the name and other particulars of the person or persons who hold the beneficial interest in such share in the manner provided in Section 187C of the Act.</p> <p>A person who holds a beneficial interest in a share or a class of shares of the Company shall, within the time prescribed, after his becoming such beneficial owner, make a declaration to the Company specifying the nature of his interest, particulars of the person of his interest, particulars of persons in whose name the shares stand in the Register of Members of the Company and such other particulars as may be prescribed as provided in Section 187C of the Act.</p> <p>Whenever there is a change in the beneficial interest in a share referred to above, the beneficial owner shall, within the time prescribed from the date of such change, make a declaration to the Company, in such form and containing such particulars as may be prescribed, as provided in Section 187 C of the Act.</p> <p>Notwithstanding anything contained in these Articles, where any declaration referred to above is made to the Company, the Company shall make a note of such declaration in the Register of Members and file, within the time prescribed from the date of receipt of the declaration, a return in the prescribed form with the Registrar with regard to such declaration.</p> <p>The Company may issue share warrants subject to and in accordance with the provisions of Sections 114 and 115 of the Act, and accordingly the Board may in its discretion, with respect to any share which is fully paid up on an application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may from time to time require as to the identity of the persons signing the application, and on receiving the certificate (if any) of the share and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.</p> <p>The bearer of a share warrant may at any time deposit the warrant at the office of the Company and, so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of for calling a meeting of the Company, and of attending and voting and exercising the other privileges of a member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the share included in the deposited warrant.</p> <p>Not more than one person shall be recognised as depositor of the share warrant.</p> <p>Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling meeting of the Company, or attend or vote or exercise any other privileges of a member at a meeting of the</p>	<p>Declaration by person not holding beneficial interest.</p> <p>Share Warrant</p>
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	<p>Company, or be entitled to receive any notices from the Company.</p> <p>The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members, as the holder of the share included in the warrant, and he shall be a member of the Company.</p> <p style="text-align: center;">SHARE PREMIUM</p> <p>Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate shall be transferred to an account, to be called "Share Premium Account" and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in this clause, apply as if the share premium account were paid-up share capital of the Company.</p> <p>The share premium account may, notwithstanding sub-clause (1) hereof, be applied by the Company –</p> <ul style="list-style-type: none"> (a) in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) in writing off the preliminary expenses of the Company, (c) in writing off the expenses of or the commission paid or discount allowed on any issue of shares or debentures of the Company. (d) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company. <p>If by the terms of issue of any shares or otherwise the whole or any part of the amount or issue price thereof shall be payable by installment shall, when due, be paid to the Company by the person who for the time being and from time to time is the registered holder of the shares or by his legal representatives.</p> <p>Subject to the provisions of these Articles, any application signed by or on behalf of an applicant for shares in the Company followed by an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall, for the purposes of these Articles, be a member, provided that no share shall be applied for by or allotted to a minor, insolvent or person of unsound mind.</p>	<p>Application of Premium</p> <p>Installments on shares.</p> <p>Acceptance of shares.</p>
	VARIATION OF SHAREHOLDERS' RIGHTS	
14.	<p>If at anytime the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the issued shares of that class.</p>	Authority for sanction
	<p>Subject to the provisions of Section 170(2) (a) and (b) of the Act, to every such separate general meeting, the provisions of these Articles relating to general meeting shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class in question.</p>	Quorum of such meeting
	<p>The rights conferred upon the holders of the shares of any class issued with preferential or other rights shall not unless otherwise provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.</p>	Issue of further shares does not vary the rights, unless otherwise provided
	CALLS ON SHARES	

15.	(a)	(i) The Board may, from time to time, make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable by installments. All such calls shall be made on a uniform basis on all shares falling under the same class.	Calls and restrictions
		(ii) Each member shall subject to receiving at least thirty days' notice specifying the time or times and place of payment, pay to the company at the time or times and place so specified, the amount called on his shares.	Notice of call
		(iii) A call may be revoked or postponed at the discretion of the Board.	Revocation/ postponement
	(b)	A call shall be deemed to have been made at a time when the resolution of the Board authorising the call was passed and shall be payable on a subsequent date to be fixed by the Board.	When call deemed to be made
	(c)	The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.	Liability of joint holders
	(d)	(i) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at 18 per cent per annum or at such lower rate, if any, as the Board may determine.	Interest on call
		(ii) The Board shall be at liberty to waive payment of any such interest wholly or in part.	Waiver of Interest
	(e)	(i) Any sum which, by the terms of issue of a share, becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall, for the purposes of these Articles, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.	Sums payable on allotment deemed to be calls
		(ii) In case of non-payment of such sum, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.	Effect of non-Payment
	(f)	(i) Subject to the provisions of Section 92 of the Act, the Board may, if it thinks fit, receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him, and	Power to accept uncalled share capital
		(ii) 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 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 pay the amount so advanced.	Interest on call moneys paid in advance
		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 mutatis mutandis apply to the calls on debentures of the Company.	
		LIEN	
16.	(a)	The Company shall have a first and paramount lien upon the Securities (other than fully paid Securities) registered in the name of each member (whether	Nature and extent of company's lien on

		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 Securities and no equitable interest in any Security shall be recognized and Article 9 hereof to have full effect. Any Such lien shall extend to all dividends and bonuses from time to time declared in respect of such Securities. Unless otherwise agreed, the registration of a transfer of Securities will operate as a waiver of the Company's lien, if any, on such Securities. The Directors may, at any time, declare any Security wholly or in part to be exempt from the provisions of this Article.	shares / debenture
	(b)	The Company may sell, in such a manner as the Board thinks fit, any Securities on which the Company has a lien, provided that no sale shall be made:	Power of sale of Securities under lien
		(i) unless a sum in respect of which the lien exists is presently payable, and	No sale unless the sum presently payable
		(ii) until the expiration of thirty days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable has been given to the registered holder for the time being of the Security or the person entitled thereto by reason of his death or insolvency.	Period after which sale to be effected
	(c)	(i) To give effect to any such sale, the Board may authorise some person to transfer the securities sold to the purchaser thereof.	Transfer of securities under lien
		(ii) The purchaser shall be registered as the holder of the securities comprised in any such transfer.	Purchaser to be registered as –holder
		(iii) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the securities be affected by any irregularity or invalidity in the proceedings in reference to the sale.	Purchasers' title not affected
	(d)	(i) The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.	Application of proceeds of sale
		(ii) The residue if any, shall subject to a like lien for sums not presently payable as existed upto the date of sale, be paid to the person entitled to the securities at the date of the sale.	Excess in sale proceeds to be paid to holder
	(e)	No member shall exercise any voting rights in respect of any Security registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.	No voting right
		FORFEITURE OF SHARES	
17.	(a)	If a member or the person entitled to the share by transmission 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 installments as is unpaid, together with any interest which may have accrued and all expenses incurred by the company by reason of such non-payment.	Notice for calls unpaid
	(b)	The notice aforesaid shall –	Form of notice
		(i) 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	Date of payment
		(ii) 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 or the installment was payable, will be liable to be forfeited.	Effect of non-payment
	(c)	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.	Forfeiture for Non-payment
	(d)	(i) A forfeited share shall be deemed to be the property of the Company and may be sold or otherwise disposed of on such terms and in such manner as	Disposal of Forfeited shares

		the Board thinks fit.	
		(ii) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.	Power to cancel Forfeiture
	(e)	(i) 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.	Liability on Forfeiture
		(ii) The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.	When liability ceases
	(f)	(i) 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.	Declaration of forfeiture of shares to be conclusive evidence
		(ii) 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.	Company to Transfer shares on disposal
		(iii) The transferee shall thereupon be registered as the holder of the share.	Transferee to be shareholder
		(iv) 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 the forfeiture, sale or disposal of the share and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.	Transferee's title unaffected
	(g)	The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.	Application of forfeiture provisions to sums payable otherwise than on calls
	(h)	<p>The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incident to the share, except only such of those rights as by these articles are expressly saved including all dividends and bonus declared in respect of forfeited shares and not actually paid before the forfeiture.</p> <p>The net proceeds of any such sale shall be applied in or towards satisfaction of the said debt, liabilities or engagements and the residue (if any) paid to such member, his heirs, executors, administrators or assigns.</p> <p>Neither a judgement nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the company in respect of payment of any such money shall preclude the company from thereafter proceeding to enforce a forfeiture of such shares as herein provided.</p> <p>The Board 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 the same on such terms as the Board may think fit.</p>	<p>Effect of Forfeiture</p> <p>Proceeds how to be Applied.</p> <p>Partial payment not to Preclude Forfeiture.</p> <p>Board may accept Surrender of Shares.</p>
		INCREASE OF CAPITAL	
18.		The Company may in the general meeting from time to time by Ordinary Resolution increase its share capital by such sum to be divided into shares of such amounts as the Resolution shall prescribe.	Authority
		In addition to and without derogating from the powers for that purpose	Power of the

		conferred on the Board under Article 4, the Company in general meeting may determine that any share (whether forming part of the original capital or of any increased capital of the company) shall be offered to such persons (whether members or not) in such proportions and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of the Section 79 of the Act) at a discount, as such general meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted any class of shares of the Company either at a premium or at par, or (subject to compliance with the provisions of Section 79 of the Act) at a discount, such option being exercisable at such times and for such consideration as may be directed by such general meeting or the Company in general meeting may make any other provisions, whatsoever for the issue, allotment or disposal of any shares.	Company in general meeting to issue shares.
		ALTERATION OF CAPITAL	
19.		The company in general meeting may by ordinary resolution	
	(a)	consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.	Consolidation and Division
	(b)	convert any or all of its fully paid-up shares into stock and reconvert that stock into fully paid-up shares of any denomination.	Conversion and Re-conversion
	(c)	sub-divide its existing shares or any of them into shares of smaller amount than is fixed in the Memorandum, subject, nevertheless, to the provisions of clause (d) of sub-section (1) of the Section 94 of the Act.	Sub-division
	(d)	cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by a person and such cancellation shall not be deemed to be a reduction in share capital.	Cancellation
20.		The company may, by special resolution reduce its share capital, any capital redemption reserve account, or any share premium account, in any manner and subject to any incident authorised and consent required by law.	Reduction of capital
21.		Subject to applicable provisions of the Act as may be in force for the time being, the Company in a General Meeting may, on such terms and conditions as deemed fit by the Board, at any time, by a Special Resolution, authorise to buy back its own shares and / or any other securities of the Company fully paid up on that date and make the payment for such shares and / or any other securities which shall be extinguished in accordance with the applicable Rules and Regulations.	Buy back of securities
22.		<p>The Company may in accordance with the provisions of Section 77 of the Act, provide money, in accordance with any scheme for the purchase of or subscription for, fully paid-up shares in the Company or its holding company, being a purchase or subscription by trustees of or for shares to be held by or for the benefit of employees of the company, including any director holding a salaried office or employment in the company. Further the company may also give loans to persons (other than directors or managers) bonafide in the employment of the company with a view to enabling those persons to purchase or subscribe for fully paid shares in the company or its holding company to be held by themselves by way of beneficial ownership.</p> <p>Provided that no loan made to any person in the bonafide employment of the Company as aforesaid shall exceed the amount of his salary or wages for a period of 6 (six months) at the time of issue of shares.</p> <p>If owing to any inequality in the number of shares to be issued and the number of shares held by Members entitled to the offer of allotment to such shares, of its owing to impracticability in consequence of the fractions involved in relation to any issue or alteration of capital, any difficulty shall arise in the apportionment of shares or otherwise howsoever, such difficulty shall, subject to any directions</p>	<p>Loan to employees for purchase of shares</p> <p>Difficulties in apportionment of alteration of capital</p>

		in the resolution creating the shares or otherwise altering the capital, be settled by the Directors by the issue of fractional certificates or coupons, the making of payments, the vesting of any shares, certificates, coupons of cash in trustee, the ignoring or rounding off of the fractions or in such other manner howsoever as the Directors, with a view to adjusting the rights of all parties, may in their absolute discretion, think expedient.	
23.		FURTHER ISSUE OF SHARES	
		Where at the time it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the un-issued capital or out of the increased share capital 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 near as the circumstances admit, to the capital paid up on those shares at the date.	
	(b)	Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of offer and 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 them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. Provided that the Director may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.	
	(d)	After expiry of the time specified in the aforesaid notice 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 off them in such manner and to such person(s) as they may think, in their sole discretion, fit.	
24.		Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (Whether or not those persons include the persons referred to in clause (a) sub-clause (1) thereof 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 special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting of vote, if any, of the Chairman) by the members who, being entitled to do so, 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.	
25.		Nothing in sub-clause (c) of (1) hereof shall be deemed;	
	(a)	To extend the time within which the offer should be accepted; or	
	(b)	To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.	
26.		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 debenture issued or loans raised by the company: (i) To convert such debentures or loans into shares in the company; or (j) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise). 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 the 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 Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the Issue of the debentures or raising of the loans.	
		ISSUE OF DEBENTURES	
27.		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.	Term Of Issue Of Debenture
		NOMINATION	
28.	(a)	Any person whose name is entered in the relevant register as a member of the Company or as a debenture holder may, if he so desires, nominate another person to whom the shares or debentures held by him shall vest on his death.	Facility of nomination
	(b)	Such nomination may be revoked at any time and the member may make fresh nomination if he so desires.	Revocation of nomination
	(c)	The nomination must be made in accordance with the provisions of the Act.	Compliance of law
	(d)	If the shares or debentures are held in joint names, all the joint holders, shall jointly, nominate a person to whom the shares or debentures shall vest on the death of all the joint holders. Otherwise the nomination shall be liable to be rejected.	Nomination and joint holding
	(e)	Any person who becomes entitled to shares or debentures due to any nomination in his favour may, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either	Rights of nominee
		(i) to be registered himself as holder of the share or debenture, as the case may be; or	
		(ii) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder could have made.	
		TRANSFER OF SHARES	
29.		Subject to the provision of the Act, and these Articles, no transfer of shares in, or debentures of the Company shall be registered, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company alongwith the certificate relating to the shares or debentures or if no such certificate is in existence, along with the letter of allotment of the shares or debentures. The transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in the respect thereof. Shares or different classes shall not be include in the same instrument of transfer.	Execution of Transfer
		The Company shall keep a book to be called the Register of Transfers and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.	Register of Transfer
		The Instrument of Transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modifications thereof for the time being shall be duly complied within respect of all transfer of shares and	Form of Instrument of transfer

	registration thereof.	
30.	<p>Subject to the provisions of Section 111 of the Act and section 22A of the Securities Contracts (Regulations) Act, 1956, the Directors may at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company.</p> <p>No shares shall in any circumstances be allotted or transferred or any minor, insolvent or person of unsound mind.</p> <ol style="list-style-type: none"> 1. An application for the registration of transfer of shares may be made either by the transferor or by the transferee. 2. Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice. 3. For the purpose of clause (2) hereof notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post. 4. If the company refuses to register the transfer of any share or transmission of right therein, the company shall within one month from the date on which the instrument of transfer, or the intimation of transmission as the case may be, was delivered to the company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be. 5. Nothing in these articles shall prejudice any power of the company to register as shareholder any person to whom the right to any shares of the company has been transmitted by operation of law. <p>Every instrument of transfer duly executed and stamped shall be left at the office for registration accompanied by the certificate of the shares to be transferred and such other evidence as the company may require to prove the title of the transferor or his right to transfer the shares.</p> <p>All instruments of transfer which are registered shall be retained by the company, but any instrument of transfer which the Board declines to register shall on demand be returned to the person depositing the same. The Board may cause to be destroyed all transfer deeds lying with the company after such period not being less than six years as it may determine.</p>	<p>Grounds of Refusal of registration</p> <p>No Transfer to a person of Unsound Mind.</p> <p>Transfer of Shares.</p> <p>Transfer to be left at office as Evidence of title given When Transfer to be retained.</p>
31.	The Board shall register the transfer, split, consolidation or issue of renewed or duplicate certificate of shares within two months from the date of lodgement of relevant documents with the company.	Time limit for registration
32.	Subject to the permissions of Section 154, the registration of transfer may be suspended at such times and for such periods as the Board may from time to time determine.	Suspension of registration
33.	<p>Nothing contained in Articles 29 to 32 shall apply to the transfer of shares, debentures or other securities affected by the transferor and the transferee, both of whom are entered as beneficial owners in the records of the Depository.</p> <p>Provided that in respect of the shares, debentures and other securities held by the Depository on behalf of a beneficial owner as defined in the Depositories Act, Section 153 of the Companies Act, 1956, shall not apply.</p>	Applicability of Depositories Act
34.	The Company may after giving not less than seven days previous notice by	Closure of Register of

		advertisement in some newspaper circulating in the district in which the registered office of the Company is situate, close the register of members or the register of debenture holders for any period or periods not exceeding in the aggregate forty five days in each year but not exceeding thirty days at any one time.	Members or Debenture- Holders
	(a)	Nothing contained in the Articles 29 - 35 shall apply in respect of any dematerialized share, debenture or other security, and the transfer of beneficial ownership of dematerialized shares, debentures and other securities shall be governed by the provisions of the Depositories Act.	Closing of the Register of Members / Debenture holders / Security holders in the case of dematerialized shares / debentures / other securities
	(b)	The provisions of Article 29 - 35 regarding closure of Register of Members and Debenture holders for registration of transfer of shares and debentures shall mutatis mutandis apply with respect to the registration of the beneficial ownership of the dematerialized shares, debentures and other securities of the Company maintained by the Depository.	
		TRANSMISSION OF SHARES	
35.		<p>Where no nomination has been made as provided in Article 28, on the death of a member, the survivor or survivors, where the member was a joint holder, and the legal representatives, where he was a sole holder, shall be the only persons recognised by the company as having any title to his interest in the shares. Nothing in this clause shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with any other person or persons.</p> <p>Subject to the provisions of the Act and these Articles, any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of any member, or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board (Which it shall not be under any obligation to give) upon producing such evidence as the Board thinks sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him, and 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.</p> <p>The Board shall have the same right to refuse to register a person entitled by transmission to any share, or his nominee, as if he were the transferee named in any ordinary transfer presented for registration.</p> <p>A transfer of a 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.</p> <p>The certification by the Company of any instrument of transfer of shares in or debentures of the Company, shall be taken as representation by the company to any person acting on the faith of the certification that there have been produced to the company such documents as on the face of them show a prima facie title to the shares or debentures in the transferor named in the instrument of transfer, but not as a representation that the transferor has any title to the shares or debentures.</p>	<p>Transmission of single and joint holding without nomination</p> <p>Transmission of shares</p> <p>Board may refuse to Transmit.</p> <p>Transfer by legal representative.</p> <p>Certificate of Transfer.</p>
36.		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.	No Fee on Transfer or Transmission:
37.		All the provisions herein contained as to the transfer and transmission of shares	Applicability to

		shall apply mutatis mutandis to the transfer and transmission of the debentures of the company.	debentures also
		GENERAL POWERS OF THE COMPANY	
38.	(a)	In the making of contracts with any individual, firm or body corporate, the Company shall conform to the provisions of Sections 46, 47, 48, 297, 299, 300, 301, 302 and 416 of the Act.	To make Contracts
	(b)	Subject to the provisions of Sections 292 and 293 of the Act: (i) The Company shall have power to borrow from any person or persons and secure the payment of any sum or sums of money for the purposes of the Company and the Directors from time to time at their discretion may exercise this power and may themselves lend to the Company on security or otherwise. Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans in the course of business) exceed the aggregate of the paid –up capital of the company and its free reserves (not being reserves set apart for any specific purpose), the Board shall not borrow such money's without the consent of the company in General Meeting.	Power to borrow and limitation thereof
		(ii) The Directors may raise or secure the repayment of any sum or sums in such manner and upon such terms and conditions in all respects as they may think fit, and in particular by the creation of any mortgage or charge on the undertaking or the whole or any part of the property, present or future, or uncalled capital of the Company or by the issue of bonds, perpetual or redeemable, debentures or debenture-stock of the Company, charged upon all or any part of the property of the company both present and future, including its uncalled capital for the time being.	Condition and manner in which money to be borrowed
		(iii) 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 subject to such privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) of General Meetings, appointment of Directors or otherwise as the Board may determine in the best interests of the company. Debentures, Debenture-stock, Bonds or other securities issued with a right of conversion into shares or for allotment of shares in any preferential manner or with an option or right to call for allotment of shares shall not be so issued except with the sanction of the Company in General Meeting.	Terms of issue of debentures
		GENERAL MEETINGS	
39.	(a)	All general meetings other than the Annual General Meetings shall be called Extra-ordinary General Meetings.	Extra-ordinary General Meeting
	(b)	The company shall in addition to holding any general meeting for any purpose, hold a general meeting styled as the Annual General Meeting in accordance with the provisions of Section 166 read with Section 210 of the Act.	Annual General Meeting
	(c)	Subject to the provisions of the Act, the Board may, whenever it thinks fit, call an Extra-ordinary General Meeting to be held on such day, time and place as may be considered convenient by the Board.	Who may call Extra-ordinary General Meeting
	(d)	All business transacted at an Annual General Meeting shall be deemed special with the exception of:- (i) the adoption of accounts, balance sheets and the reports of the Board of Directors and Auditors; (ii) the declaration of dividend; (iii) the appointment of Directors in the place of those retiring by rotation, and (iv) the appointment of and fixing of the remuneration of the Auditors. In case of any other general meeting all business transacted thereat shall be deemed special.	Special business in general meetings
	(e)	For all items of business deemed special as aforesaid the provisions of Section 173 (2) of the Act shall be complied with.	Explanatory statement when required.

		PROVIDED that where any such item of special business at the meeting of the company relates to or affects any other company, the extent of shareholding interest in that other Company of every Director or the Company shall also be set out in the statement, if the extent of such shareholding interest is not less than 20 percent of the paid up share capital of that other Company.	
		NOTICE	
40.	(a)	A General Meeting of the Company may be called by giving not less than twenty-one days' notice in writing or after giving such shorter notice as provided for in Section 171 (2) of the Act.	Length of Notice
	(b)	Notice of every general meeting of the Company shall be given:- (i) to every member of the Company; (ii) to the persons entitled to a share in consequence of the death or insolvency of a member; (iii) to the Auditor or Auditors for the time being of the Company, in the manner provided for in Section 172 of the Act.	Persons entitled to notice of general meetings
	(c)	Every notice of meeting of the Company shall contain the following:- (i) it shall specify the place, date and time of the meeting, (ii) it shall contain a statement of the business to be transacted thereat. No general meeting, annual or extraordinary shall be competent to enter upon, discuss or transact any business which has not been specifically mentioned in the notice or notices upon which it is convened.	General contents of notice Meeting not competent to discuss or transact any business not mentioned in notice.
	(d)	In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is also entitled to appoint a proxy or proxies to attend and vote instead of himself and that the proxy need not be a member.	Matters relating to proxies
	(e)	Accidental omission to give notice to or the non-receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings of the meeting.	Accidental omission not to invalidate meeting
		REPRESENTATION AT MEETINGS	
41.	(a)	A body corporate (whether a Company within the meaning of the Act or not) may, if it is a member of the Company, by resolution of its Board of Directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of members of the Company.	Representatives bodies corporate
	(b)	The person authorised by a resolution as aforesaid shall be entitled to exercise the same rights and powers including the right to appoint a proxy and vote by proxy on behalf of the body corporate which he represents as if he were the registered member.	Rights and powers of such representatives
		PROXIES	
42.	(a)	Any member of the Company entitled to attend and vote at a meeting of the Company shall also be entitled to appoint another person or persons who may or may not be members as his proxy to attend and vote instead of himself. But a proxy shall have no right to speak at the meeting. The instrument appointing a proxy shall be deemed to confer on the proxy a right to demand or join in demanding a poll.	Who can appoint proxy
	(b)	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in	Deposit of instrument of proxy or any other authority

		default the instrument of proxy shall not be treated as valid.	
	(c)	An instrument appointing the proxy shall be in either of the forms in Schedule IX to the Act or a form as near thereto as circumstances admit.	Form of proxy
	(d)	A vote given as per the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the transfer of the shares in respect of which the proxy is given if no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.	Validity of vote cast by proxy in certain cases
	(e)	Every member entitled to vote at a meeting of the Company, or on any resolution to be moved thereat shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged, at any time during the business hours of the Company, provided not less than three days' notice in writing of the intention so to inspect is given to the Company.	Members' right of inspection
		QUORUM	
43.	(a)	No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to transact business. Five members present in person shall be quorum.	Quorum for general meetings
	(b)	If within half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, if called upon the requisition of members, shall stand dissolved.	Effect of absence of quorum
	(c)	In any other case, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day at such other time and place as the Board may determine.	Adjournment of meeting
	(d)	If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the meeting, the members present shall be the quorum.	Quorum at adjourned meeting
		PROCEEDINGS AT GENERAL MEETINGS	
44.	(a)	All General Meetings of the Company shall be presided over by the Chairman, if any, of the Board or Vice-Chairman, if any of the Board, or the Managing Director, if any, for the time being of the company.	Chairman of the meeting
	(b)	If either the Chairman or the Vice-Chairman or the Managing Director as the case may be is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as Chairman of the Meeting, the Directors present shall elect one of their members to be the Chairman of the Meeting.	When Directors to elect Chairman
	(c)	If at any General Meeting no Director is willing to act as Chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting, the Members present shall, on a show of hands or on a poll properly demanded, choose one of their number to be the Chairman of the meeting in accordance with the provisions of Section 175 of the Act.	When members to elect Chairman
	(d)	(i) The Chairman may, adjourn the meeting from time to time and from place to place.	Chairman's power to adjourn the meeting
		(ii) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which adjournment took place.	Nature of business at adjourned meeting
		(iii) When a meeting is adjourned sine die or for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.	When Fresh notice required
		(iv) Save as aforesaid, it shall not be necessary to give any notice of any adjournment or of the business to be transacted at an adjourned meeting.	Saving Clause
	(e)	In the case of any equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote,	Casting vote by Chairman

		provided he is a member entitled to vote, at the meeting and on the resolution.	
	(f)	The demand for a poll on any business other than for election of chairman of the meeting or for the adjournment of the meeting shall not prevent the continuance of a meeting for the transaction of business other than that for which a poll has been demanded.	Demand for Poll not to prevent transaction of other business
	(g)	Where a resolution is passed at an adjourned meeting of the Company, the resolution shall, for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.	Date of passing of resolution
	(h)	Before or on the declaration of the result of voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company (i) which confer a power to vote on the resolution not being less than 1/10 th of the total voting power in respect of the resolution; or (ii) on which shares an aggregate sum of not less than Rs.50,000/- (Rupees Fifty Thousand Only) has been paid up.	Demand for poll
		VOTING RIGHTS	
45.	(a)	On a show of hands, every member present in person shall have one vote and on a poll, voting rights shall be as laid down in Section 87 of the Act.	Extent of voting rights
	(b)	In the case of joint holders, the vote of the senior who tenders it whether in person or by proxy shall be accepted to the exclusion of the votes of the others. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.	Votes by joint holders
	(c)	A member who is a minor, insolvent or who is of unsound mind, or in respect of whom a relevant order has been made by any competent court, may vote, whether on a show of hands or on a poll, by his Committee, or other legal guardian and any such Committee or guardian may, on a poll, vote by proxy, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the office not less than 24 hours before the time of holding the meeting or adjourned meeting at which such person claims to vote.	Votes in respect of minors, etc.,
	(d)	No member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.	No voting right when calls remain unpaid
	(e)	(i) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes.	Objections as to validity of votes
		(ii) Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.	Decision of Chairman
		POST MEETING FORMALITIES	
46.	(a)	After passing resolutions in a General Meeting, the Directors shall comply with the provisions of Sections 192, 193, 196 and 197 of the Act.	Compliance of relevant provisions
	(b)	Notwithstanding anything contained in the Act and subject to the provisions of Section 192A of the Act and the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, a Company may, and in the case of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot, shall, get any resolution passed by means of a postal ballot, instead of transacting the business in general meeting of the Company.	Passing of resolutions by postal ballot
	(c)	The minutes of meeting of Board of Directors, Committee Meetings, General Meetings of the Company, Class Meetings of the Company may be maintained in loose leaf form, if so decided by the Board and shall be kept under lock and key by the Chairman or by any other person as may be authorised by the Board	Loose leaf form of minutes and conclusive nature

		or by the Chairman. In no case the minutes of the proceedings of a meeting shall be attached to any such books by pasting or otherwise. Any such minutes kept as aforesaid shall be conclusive evidence of the proceedings recorded therein.	
	(d)	Any matter which, in the opinion of the Chairman of the Meeting – (i) is, or could reasonably be regarded as defamatory of any person; (ii) is irrelevant or immaterial to the proceeding; or (iii) is detrimental to the interests of the Company; may be excluded by the Chairman from the minutes of proceedings of the meeting.	Exclusion of certain unwanted matters
	(e)	The Chairman shall exercise an absolute discretion in regard to the inclusion or exclusion of any matter in the minutes on the grounds specified in this sub-clause.	Chairman's discretion
		DIRECTORS	
47.		Unless otherwise decided by the General Meeting, the Company shall not have less than three or more than twelve Directors.	Minimum and maximum number
48.		A director shall not be required to hold any qualification shares in the company.	Qualification shares
49.		The directors of the Company for the time being shall be those persons whose names are entered and shown as those occupying the office of director for the time being, in the Register of Directors maintained by the company.	Directors of the company for the time being
50.		The Board shall have power at any time and from time to time to appoint any person as an additional director subject to the provisions of Section 260 of the Act.	Additional Director
51.		The Board may subject to the provisions of Section 262 of the Act fill any casual vacancy arising in the Board.	Casual vacancy
52.	(a)	The Board may in accordance with and subject to the provisions of Section 313 of the Act appoint any person to act as an Alternate Director for a Director during the latter's absence for a period of not less than three months from the state in which meetings of the Board are ordinarily held.	Alternate Director
	(b)	An original Director shall not be liable for the acts and defaults of any Alternate Director appointed in his place.	Liability of original Director
53.	(a)	Notwithstanding anything to the contrary contained in these articles so long as moneys remain owing to any financial institution or bank or any other lender and if the terms of financial assistance so provide, so long as there remains outstanding any liability of the company arising out of such financial assistance, the lender may have the right to appoint, from time to time, any person as a director or directors in the board of the company and such director may be referred to as a Nominee Director.	Nominee Director
	(b)	The Board of Directors of the Company shall have no power to remove nominee Directors. Nominee Directors shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.	
	(c)	Nominee Directors appointed in exercise of the aforesaid power shall ipso facto vacate such office immediately when the moneys owing by the Company to the corporation is paid off or the corporation ceasing to hold debentures or shares in the company or on the satisfaction of the liability of the company arising out of any guarantee furnished by the corporation.	
	(d)	A Nominee Director appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings.	
	(e)	The Nominee Director shall also be entitled for reimbursement of expenses and payment of sitting fees to which the other Directors of the Company are entitled, and such reimbursement or payment shall be paid by Company directly to the corporation.	
54.	(a)	Subject to the provision of Section 252 of the Companies Act, a Company may have a director elected by small shareholders as provided in the Act read with the Companies (Appointment of the Small Shareholders' Director) Rules, 2001.	Directors appointed by Small Shareholders

(b)	Every Director of the company who is in any way, whether directly or indirectly concerned or interested in any contract or arrangement, or proposed contract or arrangement, entered into or to be entered into, by or on behalf of the company shall disclose the nature of his concern or interest at a meeting of the Board of Directors.	Disclosure of Interest of Directors
(c)	In the case of a proposed contract or arrangement the disclosure required to be made by a Director under clause (b) shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration or if a Director was not, at the date of that meeting concerned or interested in the proposed contract or arrangement, at the first meeting of the Board held after he becomes so concerned or interested.	
(d)	In the case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.	
(e)	For the purpose of clauses (b) and (c) hereof, a general notice given to the Board by a Director to the effect that he is a director or a member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made.	
(f)	Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time, by a fresh notice in the last month of the financial year in which it would otherwise have expired.	
(g)	No such general notice and no renewal thereof shall be effective unless either it is given at a meeting of the Board, or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the board after it is given.	
(h)	Nothing in this Article shall apply to any contract or arrangement entered into between two companies when any of the Directors of the company or two of them together holds or hold not more than two percent of the paid up share capital in the other company.	Interested Director not to participate or vote on Board's proceedings.
(i)	No Director of the company shall, as Director, take any part in the discussion of or vote on any contract or arrangement entered into or to be entered into by or on behalf of the company if he is in any way whether directly or indirectly, concerned or interested in the contract or arrangement, not shall his presence count for the purpose of forming quorum at the time of any such discussion or vote and if he does vote his vote shall be void, provided however, that a Director may vote on any contract of indemnity against any loss which the Directors or any one or more of them may suffer by reason of becoming or sureties of surety for the company.	
(j)	A Director of the company or his relative, a firm in which such a Director or relative is partner, any other partner in such firm or a private company of which the Director is a member or Director shall not enter into any contract with the Company, except to the extent and subject to the provisions of the Act.	
		Board's sanction to be required for certain contracts in which particular Director is interested.

	(k)	A Director may at any time give notice in writing of his intention to resign by addressing it to the Board of Directors of the Company and delivering such notice to the Secretary or leaving the same at the Registered office of the company, and thereupon his office shall be vacated.	Resignation of Director.
	(l)	The Company shall keep at its registered office a register of Directors, Managing Director, Manager and Secretary containing the particulars as required by Section 303 of the Act, and shall send the Registrar a return in prescribed form containing the particulars specified in the said register and shall notify to the Registrar any change among its directors, Managing Directors, Manager and Secretary or any of the particulars contained in the register as required by Section 303 of the Act.	Register of Directors and notification of change to Registrar.
		RETIREMENT OF DIRECTORS BY ROTATION	
55.	(a)	Notwithstanding anything contained in Article 71(c) and (e), not less than two-third of the total number of directors of the company for the time being, shall be persons whose tenure of office is liable to retirement by rotation. Provided any director who is rendering whole time service, shall have priority while determining the directors who shall not be liable to retirement by rotation.	Maximum number of directors liable to retire by rotation
	(b)	At every Annual General Meeting one-third of such of the Directors for the time being as are liable to retire by rotation, or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office. A retiring Director shall be eligible for re-appointment.	Number of directors to retire by rotation
	(c)	The Directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lot.	
	(d)	At the annual general meeting at which a Director retires as aforesaid, the Company may fill up the vacancy appointing the retiring Director or some other person thereto.	
	(e)	If the place of the retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is public holiday, till the next succeeding day which is not public holiday, at the same time and place, and if at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless: (i) At the meeting or at the previous meeting a resolution for the re-appointment of such Director has been put to the meeting and lost; The retiring Director has, by a notice in writing addressed to the Company or its Board of Directors expressed his unwillingness to be so re-appointed; (ii) He is not qualified or is disqualified for appointment, a resolution, whether special or ordinary, is required for his appointment or re-appointment, in virtue of any provisions of the Companies Act.	
56.	(a)	At every annual general meeting of the Company a motion shall not be made for the appointment of two or more persons as Directors of the Company by a single resolution, unless a resolution that it shall be so made has been first agreed to by the meeting without any vote being given against it.	Appointment of Director to be voted on individually
	(b)	A resolution moved in contravention of sub-clause (a) of this Article shall be void whether or not objection was taken at the time to its being so move;	

		Provided that where a resolution so moved is passed; no provision for the automatic re-appointment of retiring Directors in default of another appointment shall apply.	
	(c)	For the purpose of this Article, a motion for approving a person's appointment or for nominating a person for appointment shall be treated as a motion for his appointment.	
57.		No person not being a retiring Director shall be eligible for appointment to the office of the Director at any General Meeting, unless he or some member intending to propose him has not less than fourteen days before the Meeting left at the office of the Company a Notice in writing under his hand signifying his candidature for the office of a Director or the intention of such Member to propose him as a candidate for that office, as the case may be, along with a Deposit of Rs.500/- (Rupees Five Hundred Only), which shall be refunded to such person or as the case may be to such member, if the candidate succeeds in getting elected as a Director.	Appointment in general meeting
58.	(a)	Acts done by a person as a Director shall be valid notwithstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or termination by virtue of any provisions in the Act or in these Articles, provided that nothing in the Act shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to be terminated.	Validity of acts of Directors
	(b)	No acts or things done by the Directors or by the Board shall be deemed to be invalid by reason only of the fact that the number of Directors shall be reduced to less than three by virtue of the death, retirement, removal or disqualification of a Director; Provided that the number of Directors shall be increased to three at the earliest available time.	Reduction in number of directors
	(c)	The Company may by ordinary resolution remove a Director before the expiry of his period of office not being a Nominee Director or a Debenture Director.	
	(d)	Special notice shall be required of any resolution to remove a Director under this Article or to appoint somebody instead of a Director so removed at the meeting at which he is removed.	
	(e)	On receipt of notice of a resolution to remove a Director under this Article, the Company shall forthwith send a copy thereof to the Director concerned, and the Director (whether or not he is a member of the Company) shall be entitled to be heard on the resolution at the meeting.	
	(f)	Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding a reasonable length) and requests their notification to members of the Company, the Company shall, unless the representations are received by it too late for it to do so. In any notice of the resolution given to members of the Company, state the fact of the representations having been made; and send a copy of the representations to every member of the Company to whom notice of the meeting is sent (whether before or after receipt of the representations by the Company) and if a copy of the representations is not sent as aforesaid because they were received too late or because of the Company's default the Director may (without prejudice to his right to be heard orally require that the representations shall be read out at the meeting; Provided that copies of the representations need not be sent out and the representations need not be read out at the meeting if, on the application either of the Company or of any other person who claims to be aggrieved, the court is satisfied that the rights conferred by this sub-clause are being abused to secure needless publicity for defamatory matter.	
	(g)	A vacancy created by the removal of a Director under this Article may, if he had been appointed by the Company in general meeting or by the Board, be filled by the appointment of another Director in his stead by the meeting at which he is	

		removed, provided special notice of the intended appointment was given under sub-clause (b) of this Article. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.	
	(h)	If the vacancy is not filled under sub-clause (e) of this Article it may be filled as a casual vacancy in accordance with the provisions so far as they may be applicable of Article 99 and all the provisions of that Article shall apply accordingly; provided that the Director who is removed from office shall not be re-appointed as a Director by the Board of Director.	
59.		The office of a Director shall become vacant on the happening of any of the matters provided for in Section 283 of the Act.	Vacation of office of director
60.		Subject to the provisions of the Act, a Director may be appointed as Manager or Secretary of the Company or in any other capacity as the Board may deem fit.	Director as Manager/ Secretary
		COMMITTEE	
61.	(a)	The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or members of its body as it thinks fit. Any committee so formed shall, in exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board. All Acts of the Committee shall be deemed to have force as if done by the Board itself.	Function
	(b)	A committee may elect a chairman of its meetings, if no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be the chairman of the meeting.	Chairman
	(c)	A committee may meet and adjourn as it thinks proper. Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present and in case of an equality of votes, the chairman shall have a second or casting vote.	Meeting and Voting
	(d)	All acts done by any meeting of the Board or of a committee thereof or by any person acting as a Director, shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every director or such person had been duly appointed and was qualified to be a director. Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.	Saving clause
		REGISTERS AND RETURNS	
62.	(a)	The Directors shall cause to be kept and maintained the following:- - Register of Members; - Index of Members; - Register and index of Debenture holders; - - Copies of all Annual Returns together with the certificates and documents required to be annexed thereto; - Instrument creating charges;	
	(b)	The registers, indexes, returns, and copies of certificates and other documents referred to in sub-clause (a) shall except when the register of members or debenture holders is closed under the provisions of the Companies Act, be open during business hours to the inspection of:- Any member or debenture holder without fee; and Any other person on payment of a fee or one rupee for each inspection.	
	(c)	Any such member, debenture holder or other person may:-	

		Make extracts from any register, index or copy referred to in sub-clause (a) without fee or additional fee, as the case may be; or Require a copy of any such register, index or copy or of any part thereof, on payment of such fee as prescribed under the Companies Act and rules made thereon.	
		GENERAL POWERS OF THE BOARD	
63.	(a)	The Board of Directors shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do; Provided that the Board shall not exercise any power or do any act or thing, which is directed or required by the Act or any other provision of law or by the Memorandum of Association of the Company or by these Articles, to be exercised or done by Company in General Meeting. Provided further that the Board shall, in exercising any such power or doing any act or thing, be subject to the provisions contained in that behalf in the Act or any other provision of law or the Memorandum of Association of the Company or these Articles or in any regulation not inconsistent therewith and duly made hereunder, including regulations made by the Company in General Meeting.	General powers and limitation thereon
	(b)	No regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.	Provision against invalidation of prior acts of Board
		SPECIFIC POWERS OF THE BOARD	
64.		Without prejudice to the general powers, the Board shall have the following specific powers:	
	(a)	To carry out the objects and exercise the powers contained in Clause III of the Memorandum of Association of the Company.	Powers under Memorandum
	(b)	To have the superintendence, control and direction over Managers, Managing Directors, Whole-time Directors and all other officers of the Company.	Overall control of the Board
	(c)	To carry on the business on the vacation of office by the Managerial Personnel of the Company.	To act despite vacancy
	(d)	To delegate, subject to the provisions of Section 292 of the Act, by a resolution passed at a meeting, to any Committee of Directors, Managing Director, or the Manager of the Company; (i) power to borrow moneys otherwise than on debentures, (ii) subject to Section 372A of the Act the power, to invest the funds of the Company. (iii) the power to make loans.	Delegation of certain powers
		Provided however that every resolution delegating the power in clause (i) shall, specify the total amount upto which moneys may be borrowed by the delegate; every resolution delegating the power in clause (ii) shall specify the total amount upto which the funds may be invested and the nature of the investments which may be made, and every resolution delegating power in clause (iii) shall specify the total amount upto which loans may be made by the delegate, the purpose for which the loans may be made, and the maximum amount of loans which may be made for each such purpose in individual cases;	
		Provided further that nothing in this clause shall be deemed to affect the right of the Company in General Meeting to impose restrictions and conditions on the exercise by the Board of any of the powers specified above.	
	(e)	To provide for the management of the affairs of the Company in any specified locality in or outside India and to delegate to persons in charge of the local management such powers not exceeding those which are delegable by the Directors under these Articles.	Local Management
	(f)	To appoint at any time and from time to time by a power of attorney under Seal, any person to be the attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those which are vested in or	To grant power of attorney

		exercisable by the Directors under these Articles) and for such period and subject to such conditions as the Board may from time to time think fit, with powers for such attorneys to sub-delegate all or any of the powers, authorities and discretions vested in the attorney for the time being.	
	(g)	To acquire by lease, mortgage, purchase or otherwise any property, rights or privileges which the Company is authorised to acquire at such price and on such terms and conditions as the Board may think fit and to sell, let, exchange or otherwise dispose of absolutely or conditionally any property, rights, privileges and undertakings of the Company upon such terms and conditions and for such considerations as they think fit. Provided, however, that the Directors shall not exercise the powers to sell the whole or substantially the whole of its undertaking or assets unless the previous consent of the Company is obtained by a resolution.	To acquire and dispose of property and rights
	(h)	To open any account or accounts with such Bank or Banks as the Board may select or appoint, to operate on such accounts, to make, sign, draw, accept, endorse or otherwise execute all cheques, promissory notes, drafts, hundies, orders, bills of exchange, bills of lading and other negotiable instruments, to make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company to make contracts and to execute deeds provided however the provisions of Sections 46, 47 and 48 of the Act shall be complied with.	To open accounts, enter into contracts, execute instruments
	(i)	To appoint officers, clerks and servants for permanent, temporary or special services as the Board may from time to time think fit and to determine their powers and duties and to fix their salaries and to require security in such instances of such amount as the Board may think fit and to remove or suspend any such officers, clerks and servants.	To appoint officers
	(j)	To sanction, pay and reimburse officers of the Company in respect of any expenses incurred by them on behalf of the Company.	To reimburse expenses
	(k)	To invest and deal with any of the moneys of the Company and to vary or dispose of such investments subject to the provisions of Sections 42, 49, 292 and 372A of the Act.	To make investments
	(l)	To refer claims or demands by or against the Company to arbitration and observe and perform any awards made thereon.	To refer to arbitration
	(m)	To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due to and of claims or demands by or against the Company and to appoint Solicitors, Advocates, Counsels and other legal advisers for such purposes or for any other purpose and settle and pay their remuneration.	To institute and defend legal proceedings and to appoint legal advisers
	(n)	To act on behalf of the Company in all matters in insolvency in which the Company is interested.	To act in matters of insolvency
	(o)	Subject to the provisions of the Act to pay and give gratuities, pensions and allowances to any person or persons including any Director or to his widow, children or dependants that may appear to the Directors just or proper whether any such person, widow, children or other dependants have or have not a legal claim upon the Company and whether such person is still in the service of the Company or has retired from its services, to make contributions to any funds and pay premiums for the purchase or provision of any such gratuity, pension or allowance.	To pay gratuity, pension etc.,
	(p)	To establish, maintain, support and subscribe to any charitable or public object or any institution, society or club which may be for the benefit of the Company or its employees.	To support or subscribe for charitable objects
	(q)	To set aside portions of the profits of the Company to form a fund or funds for objects mentioned above before recommending any dividends.	To set aside profits to form a fund
	(r)	To make and alter rules and regulations concerning the time and manner of	To make / alter Rules

		payment of the contributions of the employees and the Company respectively to any such fund and accrual, employment, suspension and forfeiture of the benefits of the said fund and the application and disposal thereof and otherwise in relation to the working and management of the said fund as the Directors shall from time to time think fit.	
	(s)	To exercise the powers conferred by Section 50 of the Act with regard to having an office seal for use abroad.	To provide seal for use abroad
	(t)	To exercise the powers conferred by Sections 157 and 158 of the Act with regard to keeping of foreign registers.	To keep Foreign Registers
	(u)	To undertake any branch or kind of business, duly authorised, at such time or times as it shall think fit and further to keep it in abeyance whether such branch or kind of business may have been actually commenced or not, so long as the Board may deem it expedient not to commence or proceed with such branch or kind of business.	To undertake/ keep in abeyance any authorised business
	(v)	To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on.	
	(w)	Without limitation on the matters which the Board may discuss, the following items will also be matters for the Board: (a) Approval of quarterly management reports, including financial statements, compliance with financial covenants and compliance with applicable law and regulations in each case in a format to be agreed between the Parties; (b) To determine general remuneration policy;	
		CERTAIN POWERS TO BE EXERCISED BY THE BOARD ONLY BY RESOLUTION PASSED AT MEETINGS	
65.	(a)	The Board shall exercise the following powers on behalf of the Company only by means of resolution passed at meetings of the Board;	Powers to be exercised in meetings only.
		I. to make calls on shareholders in respect of money unpaid on their shares. II. to issue debentures. III. to borrow money otherwise than on debentures. IV. to invest the funds of the Company. V. to make loans	
	(b)	The Board shall also exercise the powers mentioned in Sections 297, 372A, 386 and 488 of the Act only at meetings of the Board and in accordance with the provisions of those Sections.	Compliance of provisions
66.	(a)	Subject to the provisions of the Act requiring a unanimous resolution of the Board of Directors all questions arising at any meeting of the Board shall be decided by a majority of votes.	Questions to be decided by majority of votes
	(b)	In case of an equality of votes, the Chairman of the meeting shall have a casting or second vote.	Chairman's casting vote
67.		No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft together with necessary papers, if any, to all the Directors or to all the members of the Committee then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee as the case may be) and to all other Directors or members, at their usual address in India and has been approved by such Directors as are then in India, or by a majority of such of them as are entitled to vote on the resolution.	Resolution by circulation
68.		In the appointment of sole selling agents for any area the Board shall conform to the provisions of Section 294 of the Act.	Sole Selling Agents
		PROCEEDING OF THE BOARD	
69.	(a)	The Board, may elect Chairman and Vice-Chairman for its meetings and	Election of Chairman

		determine the period for which they are to hold office. If at any meeting of the Board, the Chairman is not present within 15 (Fifteen) minutes from the time appointed for holding the meeting or in case he is unwilling to preside or where no Chairman has been elected, the Vice-Chairman shall occupy the chair and in the absence of the Vice-Chairman or in case he is unwilling to act or where no Vice-Chairman has been elected, the Managing Director or in case he is unwilling, the Directors present may choose one among them to be the Chairman of the meeting.	
	(b)	The Chairman or the Managing Director may, on his own initiative, or on the request of a Director, either by himself or through the Secretary shall, at any time summon a meeting of the Board.	Who can Summon Meeting
	(c)	The Board shall cause a notice in writing or by email, fax to be circulated to every Director of the Company who is for the time being in India and in the case of every other Director in accordance with Section 286 of the Act.	Notice of meeting
	(d)	The Company may if permitted by law hold Board meetings by way of physical presence of the Directors or by video conferencing or by tele-conferencing in accordance with the provisions of Companies Act and the rules prescribed or may be prescribed by the Central Government from time to time	Meeting by tele-conferencing
	(e)	i. Unless the contrary is stated therein, any such resolution shall be deemed to have been passed on the date on which it was signed by the director last signing it. A facsimile transmission of a directors' signed resolution shall be acceptable evidence that such resolution has been signed by the director whose signature appears on the facsimile transmission.	Passing of resolution by circulation
		ii. No resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors, or to all the members of the committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or committee, as the case may be) and to all other Directors or members, at their usual address in India by e-mail, fax or otherwise and has been approved by such of the Directors as are then in India or by a majority of such of them, as are entitled to vote on the resolution.	
	(f)	The quorum for a meeting of the Board shall be determined from time to time in accordance with the provisions of Section 287 of the Act. If a quorum is not present within fifteen minutes from the time appointed for holding a meeting of the Board it shall be adjourned until such date and time as the chairman of the meeting shall determine.	Quorum
	(g)	The continuing Directors may act, notwithstanding any vacancy in their body, but if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing Director or Directors may act for the purpose of increasing the number of Directors to that fixed for the quorum or of summoning a General Meeting of the Company, but for no other purpose.	Fall in strength of directors below quorum
	(h)	Save as otherwise expressly provided in the Act, a resolution in writing signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be as valid and effectual as if had been passed at a meeting of the Board or committee duly convened and held.	Validity of resolution
70.		Subject to the provisions of the Act, no Director of the company shall be disqualified by his office from holding any office or place of profit under the company or under any other company, in which this company shall be a shareholder or otherwise interested, or from entering into any contract with the company either as a vendor, purchaser or otherwise. Neither any such contract or arrangement entered into by or on behalf of the company, in which any Director may be interested in any way shall be avoided nor shall any director be liable to account to the company for any profit arising from such office or place of profit	Office or Place of Profit

		or realised by any such contract or arrangement by reason only of such director holding that office or of the fiduciary relationship thereby established, but subject to the compliance of the provisions of the Act.	
		MANAGING / WHOLE-TIME DIRECTOR	
71.	(a)	<p>Subject to the provisions of the Companies Act and pursuant to the provisions of Section 269 read with Schedule XIII of the Companies Act, the Board may at any time appoint, subject to approval of Central Government where necessary one or more of its body as Managing Director(s) of the company for any period and on such terms and conditions, as to their powers and duties as the Board may determine. The Board may also designate them as Joint Managing Director(s) or by any other designation.</p> <p>The Company shall not appoint or employ or continue the employment of any person as its Managing Director or Whole-time Director who:</p> <p>(i) is an undischarged insolvent or has at any time been adjudged an insolvent;</p> <p>(ii) suspends or has at any time suspended, payment to his creditors or makes or has at any time made composition with them; or</p> <p>(iii) is or has at any time been, convicted by a court of an offence involving moral turpitude.</p>	<p>Appointment by Board</p> <p>Certain persons not to be appointed Managing Directors.</p>
	(b)	Subject to the superintendence, control and direction of the Board, the Managing Director shall manage the whole of the business of the company and all its affairs, shall exercise all powers, control its finances, appoint and manage employees of all grades, and perform all duties generally in relation to the management of affairs and transactions of the company, as may be proper or expedient and in particular, exercise the power conferred on the Board, except those which can only be exercised by the Board or the company in General Meeting and the Managing Director shall always act for and on behalf of the company in the management of its affairs.	Powers
	(c)	Subject to Article 55(a), a Managing Director holding office is not subject to retirement by rotation.	Inapplicability of rotational retirement
	(d)	In the event of there being more than one Managing Director at any time holding office, whether designated as Managing Director or Joint Managing Director, or otherwise, then all the powers vested in the Managing Director(s) by or under these presents shall be exercised by them in such manner as may be determined by the Board.	Share of powers in case there is more than one Managing Director
	(e)	Subject to Article 55(a), and subject to the provisions of the Act, the Board may appoint one or more of their body as whole-time Director(s) under the designation of Technical Director, Executive Director, Administrative Director or under such other designation as the Board deems fit. The whole-time Directors shall perform duties under the control, supervision and directions of the board and Managing Director(s) and exercise powers delegated by the Board or Managing Director(s) under conditions and restrictions imposed by the Board or Managing Director/s. Such whole-time Director/s shall not be liable for retirement by rotation.	Whole-time Director – Designation and Functions
	(f)	In the matter of compensation payable to the Managing or Whole-time Director for loss of office the provisions of Sections 318 to 321 of the Act shall be complied with.	Compensation for loss of office
		REMUNERATION OF DIRECTORS	
72.	(a)	If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from headquarters for any of the purposes of the company or in giving special attention to the business of the company or as a member of a committee of the Board then subject to Sections 198, 309 and 310 of the Act, the Board may remunerate the Director so doing either by a fixed sum or by a percentage of profits or otherwise.	Special remuneration
	(b)	Every Director shall be entitled to receive out of the funds of the company by	Sitting fees

		way of sitting fees a sum not exceeding such amount as may be prescribed under the Companies Act, 1956 from time to time for every meeting of board or any committee thereof attended by him. Any director or all Directors is / are entitled to renounce his/ their right to receive the sitting fees. The Directors shall be entitled to be paid their reasonable travelling, hotel and other out of pocket expenses incurred in connection with their attending the Board and committee meeting or otherwise incurred in the execution of their duties as Directors.	
	(c)	The Managing Director(s)/ whole-time Director(s) shall be paid such remuneration as the company in General Meeting shall determine subject to the approval of the Central Government wherever necessary.	Remuneration of Managing / Whole-time Director
	(d)	Where there is no Managing Director / Whole-time Director, the Directors may be paid such remuneration as may be decided by the Board, subject to the limits prescribed in Section 309 of the Act.	Managerial remuneration
		MANAGER / SECRETARY	
73.	(a)	Subject to the provisions of the Act, a manager or secretary may be appointed by the Board, for such term at such remuneration and upon such conditions as it may think fit, provided however, that no firm, body corporate or association of persons shall be appointed as manager or secretary and any manager or secretary so appointed may be removed by the Board.	Appointment and Removal
	(b)	No office in the company shall be capable of being assigned and any assignment of office shall be void.	Prohibition of Assignment of office
		DIVIDENDS AND RESERVE	
74.		<p>The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.</p> <p>The profits of the Company which it shall from time to time determine, subject to the provisions of the Act, to divide in respect of any year or other period, shall be applied first in paying the fixed preferential dividend on the capital paid up on the preference shares if any and secondly in paying a dividend declared for such year or other period on the capital paid up on the equity shares.</p> <p>The declaration of the Board as to the amount of the net profits of the Company shall be conclusive.</p> <p>The Board may retain any dividends payable on shares on which the Company has a lien and may apply the same in or towards the satisfaction of the debts. Liabilities or engagements in respect of which the lien exists.</p> <p>The Board may retain the dividends payable upon shares in respect of which any person is under Article 29 entitled to become a member or which any person under that article is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.</p> <p>No member shall be entitled to receive payment of any interest on dividend in respect of his own share or shares whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any shareholder all sums of money so due, from him to the Company.</p> <p>The Company shall pay dividend or send the warrant in respect thereof to the shareholder entitled to the payment of the dividend within forty two days from the date of the declaration of the dividend unless :</p>	<p>Declaration of dividend in General Meeting</p> <p>Division of Profits</p> <p>Debts may be deducted.</p> <p>Retention in certain cases.</p> <p>No member to receive interest or dividend whilst indebted to the Company and Company's right to Reimbursement thereout.</p> <p>Dividend to be paid within forty two days.</p>

		(a) the dividend could not be paid by reason of the operation of any law or (b) a shareholder has given directions to the Company regarding the payment of dividend and these directions cannot be complied with, or (c) there is a dispute, regarding the right to receive the dividend, or (d) the dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder, or (e) for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.	
75.		The Board may from time to time declare and pay to the members such interim dividends as appear to it to be justified by the profits of the Company.	Declaration of dividend by Board
76.	(a)	No dividend shall be declared or paid for any financial year except out of the profits of the Company for that year or of any previous year or years or of both and after having provided for depreciation in conformity with Section 205 of the Act, and except after transfer to the Reserves of the Company as prescribed under Section 205 (2A) of the Act.	Provisions to be made before declaring dividend
	(b)	The provisions of Section 205(1A) and (1B) of the Act in respect of any dividend declared shall be applicable, observed, performed and complied with.	Deposit of dividend amount
77.	(a)	The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall, at the discretion of the Board be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends; and pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may, from time to time think fit.	Reserve
	(b)	The Board may carry forward any profits without declaring dividend or setting them aside as a reserve.	Power to carry forward profits
	(c)	Subject to any special rights as to dividends, all dividends shall be declared and paid according to the amounts paid up or credited as paid up on the shares in respect whereof a dividend has been declared.	Dividend payable on amount paid up.
	(d)	Amount paid up or credited as paid up on a share in advance of calls shall not be eligible for the purpose of this clause as paid-up capital.	Calls in advance
	(e)	All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any part or parts of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.	Pro- rata dividend
	(f)	No unclaimed dividend shall be forfeited by the Board before the claims become barred by law and the Company shall comply with the conditions laid down under Section 205A of the Act in respect of such dividends.	Unclaimed dividend
78.		The Board may deduct from any dividend payable to any member all sums of money, if any presently payable by him to the Company on account of calls or on account of any interest in delayed payment of calls made or otherwise in relation to the shares of the Company.	Deduction from dividend
79.	(a)	Where a dividend declared by the Company has remained unclaimed, within 30 days from the date of declaration, to any shareholder entitled to the payment of the said dividend, the company shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend that 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'.	Transfer of unclaimed dividend
	(b)	Where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the Company, it shall, notwithstanding anything contained in any other provisions	Dividend on shares in the process of transfer

		of the Act:	
		(i) transfer the dividend in relation to such shares to the Special Account referred to in Article 79(a) unless the Company is authorised by the Registered Holder of such shares in writing to pay such dividend to the Transferee specified in such Instrument of Transfer; and	
		(ii) keep in abeyance in relation to such shares any offer of right shares under Clause (a) of sub-section (1) of Section 81 and any issue of fully paid up bonus shares in pursuance of sub-section (3) of Section 205 of the Act.	
	(c)	Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed 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 first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.	Payment by cheque or warrant
	(d)	Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.	To whom payable
	(e)	Any one or two or more joint holders of a share may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such shares.	Payment to joint holders
	(f)	Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.	Notice of dividend
	(g)	No dividend shall bear interest against the Company.	No interest on dividend
		UNPAID OR UNCLAIMED DIVIDEND	
80.		<p>Where a dividend declared by the Company has remained unclaimed, within 30 days from the date of declaration, to any shareholder entitled to the payment of the said dividend, the company shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend that 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'.</p> <p>Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be referred to the Central Government by the shareholders to whom the money is due.</p> <p>No unclaimed or unpaid dividend shall be forfeited by the Board.</p>	
		ACCOUNTS	
81.	(a)	In making the balance sheet the Company shall comply with the provisions of Section 210 to 222 of the Act.	Preparation of Balance Sheet
	(b)	In making the annual returns the Company shall comply with the provisions of Sections 159 and 161 of the Act and Schedule V of the Act.	Annual Return
	(c)	<p>Every balance sheet and profit and loss account of the company when admitted and adopted by the company, in general meetings shall be conclusive, and if any error is discovered therein after the adoption thereof, such error shall be corrected in the accounts of the Company for the subsequent years.</p> <p>The Company shall cause to be kept proper books of account with respect to :</p> <p>(a) all sums of money received and expended the company and the matters in respect of which receipts and expenditure take place;</p> <p>(b) all sales and purchases of goods by the company; and</p> <p>(c) the assets and liabilities of the company.</p>	<p>Conclusive nature of Financial Statements</p> <p>Books of Account to be kept.</p>
		AUDITOR	

82.	(a)	Auditors shall be appointed and their duties regulated in accordance with Sections 224 to 233 of the Act (both inclusive).	Appointment
	(b)	The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the company in general meeting may determine, except that the remuneration of any auditors appointed to fill up any casual vacancy may be fixed by the Board.	Remuneration
		SEAL	
83.	(a)	The Directors shall provide a seal for the purpose of the Company and may from time to time destroy the seal and substitute a new seal in lieu thereof and shall provide for the safe custody of the seal.	Safe custody of Seal
	(b)	The Seal of the Company shall not be affixed to any instrument except by the authority of a Resolution of the Board or a Committee of the Board authorised by it in that behalf and except in the present of : i. at least one Director and the Secretary or such other persons as the Board may appoint for the purpose who shall sign every instrument to which the Seal of the Company is so affixed in their presence OR ii. at least two Authorised Officers of the Company authorised in that behalf and such Authorised Officers shall sign every instrument to which the Seal of the Company is so affixed in their presence.	Affixing of Seal to be Authorised by Board
		CAPITALISATION OF PROFITS	
84.	(a)	The Company in General Meeting may upon the recommendation of the Board, resolve –	Capitalisation requires resolution of general meeting
		(i) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and	
		(ii) that such sum be accordingly set free for distribution in the manner specified in clause (b) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.	
	(b)	The sum aforesaid shall not be paid in cash but shall be applied subject to the provisions contained in clause (c) either in or towards -	Mode of payment
		(i) paying up any amounts for the time being unpaid on any shares held by such members respectively.	
		(ii) paying up in full, unissued shares or debentures of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid, or	
		(iii) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).	
	(c)	A share premium account and a capital redemption reserve fund may, for the purpose of this regulation, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.	Application of share premium account and capital redemption reserve fund
	(d)	The Board shall give effect to the resolution passed by the Company in pursuance of this clause.	Board to give effect to resolution
85.		Whenever such a resolution shall as aforesaid have been passed, the Board shall–	Appropriation and application of undivided profits
	(a)	make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid shares or debentures, if any, and	
	(b)	generally do all acts and things required to give effect thereto.	

86.	(a)	The Board shall have full power –	Board's power in case of fractional distribution of shares or debentures
		(i) to make such provision by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares or debentures becoming distributable in fractions; and also.	
		(ii) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares or debentures.	
	(b)	Any agreement made under such authority shall be effective and binding on all such members.	Effect of Agreement
		SECURITY	
87.		Every Director, Secretary, Manager, Auditor, Trustee for the company, its members or debenture-holders, member of a committee, officer, servant, agent, accountant or other person employed in or about the business of the company shall if so required by the Board, 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 not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required to do so by the Board or by any General Meeting or by a court of law and except so far as may be necessary in order to comply with any of the provisions contained in these Articles.	Duty of Director, etc.
88.	(a)	No shareholder or other person not being a director shall be entitled to enter into the premises or the properties of the company, or to inspect the premises or properties or books of account of the company, except to the extent authorised by the Act and subject to such restrictions as the company in general meeting or the Board may impose in this behalf, from time to time.	Restriction on the rights of members – Entry and Inspection
	(b)	No person shall be entitled to require the disclosure of any information respecting any details in the nature of a trade secret, mystery of trade, process or of any matter whatsoever, which, in the opinion of the Board or the Managing Director of the company would be inexpedient to communicate.	Restriction on the rights of members - Disclosure
		INDEMNITY	
89.		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 as Auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, Secretary, Officer, Employee or Auditor in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted, or in any application under Section 633 of the Act in which relief is granted to him by the Court.	Right to be indemnified, if acquitted.
		Subject to the provisions of the Companies Act, no Director, auditor or other officer of the Company shall be liable for the acts, receipts, neglects or defaults or any other Director or Officer, or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or	Individual responsibility of directors

		tortuous act of any person with whom any moneys, securities or effects shall be deposited or for any loss occasioned by any error of judgement, omission, default or oversight on his part or for any other loss, damage or misfortune whatever, which shall happen in relation to the execution of the duties of his office or in relation thereto unless the same happen through his own dishonesty.	
		WINDING UP	
90.	(a)	If the Company shall be wound up the liquidator may with sanction of a special resolution of the Company and any other sanction required by the Act divide amongst the members in specie or kind the whole or any part of the assets of the Company whether they shall consist of property of the same kind or not.	Sanctioning Authority
	(b)	For the purpose aforesaid, the liquidator may set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.	Liquidator's power to fix value and divide property
	(c)	The liquidator may with the like sanction vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.	Liquidator's power to vest property with the trustees

SECTION X: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the 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 the Company situated at Survey No. - 285, 37th KM Stone, Tumkur Road, Kasaba Hobli, T. Begur, Nelamangala- 562123, Karnataka, India. from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Letter of Appointment dated February 24, 2006 to Anand Rathi Securities Limited from the Company appointing them as the BRLM to the Issue.
2. Memorandum of Understanding (MOU) dated September 15, 2006 between the Company and the BRLM.
3. Addendum to the MOU dated January 25, 2007 between the Company and the BRLM
4. Memorandum of Understanding dated January 25, 2007 executed by the Company with Registrar to the Issue.
5. Escrow Agreement dated January 29, 2007 between the Company, the BRLM, Escrow Collection Banks, and the Registrar to the Issue.
6. Syndicate Agreement dated January 29, 2007 between the Company, the BRLM and Syndicate Members.
7. Underwriting Agreement dated [●] between the Company, the BRLM and the Syndicate Members.

Material Documents

1. Memorandum and Articles of Association of the Company as amended till date.
2. Certificate of incorporation of the Company dated June 10, 1999 and Fresh Certificate of Incorporation dated July 6, 2006.
3. Shareholders' resolutions dated June 27, 2006 in relation to this Issue and other related matters.
4. Resolutions of the Board dated December 4, 2006, approving the Draft Red Herring Prospectus and dated February 2, 2007 approving the Red Herring Prospectus and dated [●] approving the Prospectus.
5. Resolutions of the general body for appointment and remuneration of Company's whole-time Directors
6. Report of the statutory Auditors dated November 18 2006, M/s Suri & Co., Chartered Accountants, prepared as per Indian GAAP and mentioned in this Red Herring Prospectus and their consent to include in the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus.
7. Copies of Annual Reports of our Company.
8. General Powers of attorney executed by our Directors in favour of person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
9. Consents of Auditors, Bankers to the Company, BRLM, Underwriters, Registrar to the Issue, Domestic Legal Counsel to the Issue, the Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

10. In-principle listing approval dated January 12, 2007 and December 26, 2006 from the NSE and the BSE respectively.
11. Tripartite agreement between NSDL, the Company and the Registrar to the Issue dated February 2, 2007.
12. Tripartite agreement between CDSL, the Company and the Registrar to the Issue dated February 2, 2007.
13. Due diligence certificate dated December 1, 2006 to SEBI from Anand Rathi Securities Limited.
14. A copy of Tax Benefit Certificate dated November 18, 2006 from our Statutory Auditor, M/s Suri & Co for the possible tax benefits available to our shareholders and the Company.
15. Listing Agreement dated [●] with [●]
16. Initial listing applications dated [●] and [●] filed with BSE and NSE respectively
17. Copies of the Agreements dated April 22, 2004 entered with the SSI units
18. Agreement dated May 6, 2006 entered with M/s Sai Lakshmi Industries Pvt Ltd for buying their Fabric Division
19. Remuneration Contracts of the Executive Directors of the Company
20. Appraisal Report of Karnataka Bank Corporation Bank and UTI Bank for the sanction of Rupee Term Loans for the Expansion Project.
21. SEBI observation letter bearing number CFD/DIL/ISSUES/EB/84880/2007 dated January 22, 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 provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act 1956, and the guidelines issued by the Government of India or the guidelines issued the by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. The Company and the signatories mentioned below further certify that all statements in this Red Herring Prospectus are true and correct.

SIGNED BY ALL DIRECTORS

Mr Gerhard Bornemann, Non Executive Chairman & Director*

Mr Nitin N. Mandhana, Vice Chairman & Managing Director*

Mr Shashikant G. Mandhana, Executive Director

Mr Prakash G. Mandhana, Executive Director*

Mr Balaji V Bhat, Independent Director*

Mr Venkatesh Sivaraman , Executive Director*

Through the Power of Attorney given to Mr. Shashikant Mandhana.

Place: Bangalore

Date: February 02, 2007