RED HERRING PROSPECTUS
Dated July 23, 2007
Please read section 60B of the Companies Act, 1956
100% Book Built Issue

K.P.R. Mill Limited

(The Company was incorporated as K.P.R. Cotton Mills Private Limited on March 19, 2003 under the Companies Act, 1956, as amended. The name of the Company was subsequently changed to K.P.R. Mill Private Limited and the status of the Company was also changed from a private limited company to a public limited company following a merger and pursuant to a scheme of arrangement approved by the High Court of Judicature at Madras on August 19, 2006 with effect from April 1, 2005. The fresh certificate of incorporation consequent upon the change of name and status of the Company was granted on October 5, 2006, by the Registrar of Companies, Tamil Nadu, located at Coimbatore (the "RoC")).

Registered Office: No. 9, Gokul Buildings, 1st Floor, A.K.S. Nagar, Thadagam Road, Coimbatore – 641 001, Tamil Nadu, India
Telephone: +91 422 247 9835; **Fax**: +91 422 247 0159
Corporate Office: 270 J, Periyar Colony, Anupparpalayam, Tirupur – 641 652, Tamil Nadu, India
Telephone: +91 421 248 7051; **Fax**: +91 421 247 7254
Contact Person: Mr. Govind M. Joshi; **Tel**: +91 421 248 7051
Email: kpr.ipo@kprmill.com; **Website**: www.kprmilllimited.com

PUBLIC ISSUE OF 5,912,100 EQUITY SHARES OF RS.10 EACH ("EQUITY SHARES") OF K.P.R. MILL LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF RS.[•] PER EQUITY SHARE, AGGREGATING RS.[•] MILLION (THE "ISSUE"). THE ISSUE WILL CONSTITUTE 15.69% OF THE FULLY DILUTED POST-ISSUE EQUITY SHARE CAPITAL OF THE COMPANY.

PRICE BAND: RS.225 TO RS.265 PER EQUITY SHARE OF FACE VALUE OF RS.10 EACH.

THE ISSUE PRICE IS 22.5 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 26.5 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND.

In case of revision in the Price Band, the Bidding Period shall be extended for three additional working days after such revision, subject to the Bidding Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE"), by issuing a press release and also by indicating the change on the website of the Book Running Lead Manager, the Co Book Running Lead Manager and at the terminals of the other members of the Syndicate.

Pursuant to Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957, as amended ("SCRR"), this Issue is for less than 25% of the post-Issue share capital of the Company and is being made through a 100% Book Building Process wherein at least 60% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. In addition, in accordance with Rule 19(2)(b) of the SCRR, a minimum of two million securities are being offered to the public and the size of the Issue shall aggregate to atleast Rs. 100 crore (Rs. 1,000 million). If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

The Company has not opted for a grading of this Issue from any credit rating agency.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is [●] times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares offered 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 Issuer and the Issue, including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Red Herring Prospectus. Specific attention of the investors is invited to the statements in the section titled "Risk Factors" beginning on page xi of this Red Herring Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Company and the Issue that 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 the Red Herring Prospectus are proposed to be listed on the BSE and the NSE. The Company has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated April 25, 2007 and May 7, 2007, respectively. For the purposes of this Issue, the BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar, 229 Nariman Point, Mumbai - 400 021, India Tel: +91 22 6634 1100 Fax: +91 22 2284 0492 Email: kpr.ipo@kotak.com Contact Person: Mr. Chandrakant Bhole Website: www.kotak.com SEBI Registration Number: INM 000008704	**Karvy Computershare Private Limited** Karvy House, 46, Avenue 4, Street No.1 Banjara Hills, Hyderabad – 500 034, India Tel: +91 40 2342 0818 Toll Free India No.: 1800 3454 001 Fax: +91 40 2342 0814 Email: einward.ris@karvy.com Contact Person: Mr. M. Murali Krishna Website: www.kcpl.karvy.com SEBI Registration Number: INR 00000022

BID/ISSUE PROGRAM

BID/ISSUE OPENING DATE: AUGUST 2, 2007	BID/ISSUE CLOSING DATE: AUGUST 7, 2007

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SECTION I- GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or requires, the following terms shall have the following meanings in this Red Herring Prospectus.

Company Related Terms

Term	Description
"K.P.R. Mill Limited" or the "Issuer" or the "Company" or "our Company"	K.P.R. Mill Limited, a public limited company incorporated under the Companies Act.
"We" or "us" or "our"	The Company, together with K.P.R. Spinning Mill Private Limited and K.P.R. Mill Private Limited which have both been merged into and with the Company pursuant to a scheme of arrangement approved by the High Court of Judicature at Madras on August 19, 2006 with effect from April 1, 2005.
Articles/Articles of Association	Articles of Association of the Company, as amended.
Auditors	Deloitte Haskins & Sells, Chartered Accountants.
Board/ Board of Directors	Board of Directors of the Company, as constituted from time to time, or a committee thereof.
Directors	Directors on the Board of the Company, as appointed from time to time.
Investment Agreement	Investment Agreement dated November 14, 2006 among the Company, Ares Investments, Brandot Investments Limited, Argonaut Ventures, the Promoters, Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj and their respective spouses, Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi.
Memorandum/Memorandum of Association	Memorandum of Association of the Company, as amended.
Promoters	Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj.
Promoter Group	The companies, entities or individuals referred to in the section "Our Promoters and Promoter Group" beginning on page 94 of this Red Herring Prospectus.
Registered Office	The registered office of the Company which is No.9, Gokul Buildings, 1st Floor, A.K.S. Nagar, Thadagam Road, Coimbatore – 641 001, Tamil Nadu, India.
Supplementary Agreement	Supplementary Agreement dated March 15, 2007 among the Company, Ares Investments, Brandot Investments Limited, Argonaut Ventures, the Promoters, Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj and their respective spouses, Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi.
2nd Supplementary Agreement	2nd Supplementary Agreement dated July 17, 2007 among the Company, Ares Investments, Brandot Investments Limited, Argonaut Ventures, the Promoters, Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj and their respective spouses, Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi.

Issue Related Terms

Term	Description
Allot/Allotment/Allotted/ allotment/allotted/ Allocated/allocated/ allocation	The issue/allotment pursuant to the Issue.
Allottee	The successful Bidder to whom the Equity Shares are Allotted.

Term	Description
Banker(s) to the Issue	Kotak Mahindra Bank Limited and ICICI Bank Limited.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe for or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe or purchase the Equity Shares and which will be considered as the application for Allotment pursuant to the terms of the Red Herring Prospectus and the Prospectus.
Bid / Issue Closing Date	The date after which the members of the Syndicate shall not accept any Bids for the Issue and which shall be notified in a widely circulated English national newspaper, a widely circulated Hindi national newspaper and a widely circulated Tamil newspaper.
Bid / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue and which shall be notified in a widely circulated English national newspaper, a widely circulated Hindi national newspaper and a widely circulated Tamil newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.
Bidding Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date (inclusive of both days) and during which prospective Bidders can submit their Bids, including any revisions thereof.
Book Building Process	The book building process as described in Chapter XI of the SEBI Guidelines and in terms of which the Issue is being made.
Book Running Lead Manager / BRLM	Book Running Lead Manager to the Issue, in this case being KMCC.
BSE	The Bombay Stock Exchange Limited.
Business Day	Any day other than Saturday or Sunday on which commercial banks in Mumbai are open for business.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted.
CDSL	Central Depository Services (India) Limited.
Co-Book Running Lead Manager/CBRLM	Co-Book Running Lead Manager to the Issue, in this case being ISEC.
Companies Act/Act	The Companies Act, 1956, as amended.
Cut-off Price	Any price within the Price Band finalized by the Company in consultation with the BRLM. A Bid submitted at the Cut-off Price by a Retail Individual Bidder is a valid Bid. Only Retail Individual Bidders are entitled to bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to bid at the Cut-off Price.
Depositories	NSDL and CDSL.
Depositories Act	The Depositories Act, 1996, as amended.
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended.
Depository Participant/DP	A depository participant as defined under the Depositories Act.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account of the Company to the Public Issue

Term	Description
	Account after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to successful Bidders.
Designated Stock Exchange	The BSE.
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated March 30, 2007 as filed with SEBI, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue.
ECS	Electronic Clearing System.
Eligible NRIs	NRIs from such jurisdictions outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe or purchase the Equity Shares offered thereby.
Equity Shares	Equity shares of the Company of face value of Rs.10 each, unless otherwise specified in the context thereof.
Escrow Account	An account opened with Escrow Collection Bank(s) for the Issue and in whose favor the Bidder will issue cheques or drafts in respect of the Margin Amount when submitting a Bid and the remainder of the Bid Amount, if any, collected thereafter.
Escrow Agreement	The agreement to be entered into among the Company, the Registrar to the Issue, the BRLM, the CBRLM, the Syndicate Members, Refund Banker and the Escrow Collection Bank(s) to the Issue for collection of the Bid Amounts and, where applicable, for remitting refunds of the amounts collected to the Bidders on the terms and conditions thereof.
Escrow Collection Bank(s)	Kotak Mahindra Bank Limited and ICICI Bank Limited, which are clearing members and registered with SEBI as Bankers to the Issue with whom the Escrow Account will be opened.
FDI	Foreign Direct Investment, as understood under applicable Indian regulations.
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations framed thereunder, as amended.
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended.
FII	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended) registered with SEBI.
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Fiscal/Financial Year/FY	A period of twelve months ended March 31 of that particular year, unless otherwise stated.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted.
FVCI	Foreign Venture Capital Investors (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000, as amended) registered with SEBI.
GIR Number	General Index Registry Number.
Indian GAAP	Generally Accepted Accounting Principles in India.
Industrial Policy	The policy and guidelines relating to industrial activity in India issued by the Ministry of Commerce and Industry, Government of India, as updated, modified or amended from time to time.
IFRS	International Financial Reporting Standards.
IFSC	Indian Financial System Code.

Term	Description
ISEC	ICICI Securities Limited, a public limited company incorporated under the Companies Act and whose registered office is at ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai - 400 020, India.
Issue	The public issue of an aggregate of 5,912,100 Equity Shares.
Issue Price	The final price at which Equity Shares will be Allotted in the Issue, as determined by the Company, in consultation with the BRLM, on the Pricing Date.
KMCC	Kotak Mahindra Capital Company Limited, a public limited company incorporated under the Companies Act and whose registered office is at 3rd Floor, Bakhtawar, 229 Nariman Point, Mumbai 400 021, India.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid which may range between 10% and 100% of the Bid Amount.
MICR	Magnetic Ink Character Recognition.
Mutual Funds/MFs	Mutual funds registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended.
Mutual Fund Portion	5% of the QIB Portion, equal to a minimum of 177,363 Equity Shares available for allocation to Mutual Funds from the QIB Portion.
NEFT	National Electronic Fund Transfer.
Non-Institutional Bidders	Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and have bid for an amount more than Rs.100,000.
Non-Institutional Portion	The portion of the Issue being not less than 10% of the Issue, consisting of 591,210 Equity Shares, available for allocation to Non-Institutional Bidders.
Non-Residents/NRs	All eligible Bidders that are persons resident outside India, as defined under FEMA, including Eligible NRIs, FIIs and FVCIs.
NRI	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, such term as defined under the Foreign Exchange Management (Deposit) Regulations, 2000, as amended.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs and includes overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under FEMA. OCBs are not permitted to invest in the Issue.
Pay-in Date	The Bid/Issue Closing Date with respect to the Bidders whose Margin Amount is 100% of the Bid Amount or the last date specified in the CAN sent to the Bidders with respect to the Bidders whose Margin Amount is less than 100% of the Bid Amount.
Pay-in Period	(a) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date; and (b) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date specified in the CAN.
Price Band	The price band with a minimum price (Floor Price) of Rs.225 per Equity Share and the maximum price (Cap Price) of Rs.265 per Equity Share, including all revisions thereof.
Pricing Date	The date on which the Issue Price is finalized by the Company in

Term	Description
	consultation with the BRLM.
Prospectus	The prospectus to be filed with the RoC after the Pricing Date, containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	The account opened with the Bankers to the Issue to receive monies from the Escrow Account in relation to the Issue on the Designated Date.
Qualified Institutional Buyers or QIBs	As defined under the SEBI Guidelines to include Public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, VCFs, FVCIs, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs.250 million and pension funds with a 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 at least 60% of the Issue, consisting of 3,547,260 Equity Shares, to be Allotted to QIBs on a proportionate basis.
Refund Account	The account opened with Refund Banker, from which refunds, if any, of the whole or part of the Bid Amount shall be made.
Refund Banker	Kotak Mahindra Bank Limited.
Refunds through electronic transfer of funds	Refunds through ECS, NEFT, Direct Credit or RTGS, as applicable.
Registrar/Registrar to the Issue	Karvy Computershare Private Limited having its registered office as indicated on the cover page.
Retail Individual Bidders	Bidders (including HUFs) who have bid for Equity Shares of an amount less than or equal to Rs.100,000.
Retail Portion	The portion of the Issue being not less than 30% of the Issue, consisting of 1,773,630 Equity Shares, available for allocation to Retail Individual Bidders.
Revision Form	The form used by Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	This Red Herring Prospectus 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 become a Prospectus upon filing with the RoC after the Pricing Date.
RoC	The Registrar of Companies, Tamil Nadu, located at Coimbatore.
RTGS	Real Time Gross Settlement.
SCRA	The Securities Contracts (Regulation) Act, 1956, as amended.
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	The Securities and Exchange Board of India Act 1992, as amended.
SEBI Guidelines	The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as amended.
SEBI MAPIN Regulations	The SEBI (Central Database of Market Participants) Regulations, 2003, as amended.
SICA	The Sick Industrial Companies (Special Provisions) Act, 1985, as

Term	Description
	amended.
Stock Exchanges	The BSE and the NSE.
Syndicate Agreement	The agreement to be entered into among the Company and the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	Kotak Securities Limited
Syndicate or members of the Syndicate	The BRLM, the CBRLM and the Syndicate Members.
Takeover Code	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended.
TRS/Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid.
Underwriters	The BRLM, the CBRLM and the Syndicate Members.
Underwriting Agreement	The agreement among the Underwriters and the Company to be entered into on or after the Pricing Date.
US GAAP	Generally Accepted Accounting Principles in the United States of America.
Venture Capital Funds/VCFs	Venture Capital Funds (as defined under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, as amended) registered with SEBI.

Conventional and General Terms/ Abbreviations

Term	Description
A/c	Account.
Air Act	Air (Prevention and Control of Pollution) Act, 1981, as amended.
AGM	Annual General Meeting of the shareholders of a company.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
AY	Assessment Year.
Bonus Act	The Payment of Bonus Act, 1965, as amended.
BPLR	Below Prime Lending Rate.
CAGR	Compounded Annual Growth Rate.
CENVAT	Central Value Added Tax.
CLB	Company Law Board.
CLRA	The Contract Labor (Regulation and Abolition) Act, 1970, as amended.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization.
EGM	Extraordinary General Meeting of the shareholders of a company.
EPS	Earnings per share i.e., profit after tax for a fiscal/period divided by the weighted average number of equity shares/potential equity shares during that fiscal/period.
ESI Act	The Employees State Insurance Act, 1948, as amended.
EU	European Union.
Factories Act	The Factories Act, 1948, as amended.
FIPB	The Foreign Investment Promotion Board of the Government of India.
Gratuity Act	The Payment of Gratuity Act, 1972, as amended.
GDP	Gross Domestic Product.
GoI/Government	Government of India.

Term	Description
HUF	Hindu Undivided Family.
IPO	Initial Public Offering.
I.T. Act	The Income Tax Act, 1961, as amended.
I.T. Rules	The Income Tax Rules, 1962, as amended.
kg	Kilograms.
kms	Kilometers.
KYC	Know Your Customer.
MOU	Memorandum of Understanding.
MW	Mega Watts.
NA	Not Applicable.
NAV	Net Asset Value.
NRE Account	Non Resident External Account.
NRO Account	Non Resident Ordinary Account.
p.a.	Per Annum.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number allotted under the I. T. Act.
PLR	Prime Lending Rate.
RMG	Ready Made Garments.
RBI	The Reserve Bank of India.
RONW	Return on Net Worth.
Rs.	Indian Rupees.
Sec.	Section.
U.S./USA	The United States of America, together with its territories and possessions.
Water Act	The Water (Prevention and Control of Pollution) Act, 1974, as amended.
w.e.f.	With effect from.

Industry Related Terms

Term	Description
AEPC	Apparel Export Promotion Council.
AIM	Apparel International Mart.
ALS	Advance Authorization Scheme (formerly known as the Advance Licensing Scheme).
ATC	Agreement on Textiles and Clothing.
Capacity utilization	A percentage of the spindle hours worked in relation to Total Spindle Hours in a year excluding holidays.
CLCS-TUFS	Credit Linked Capital Subsidy of the Technology Upgradation Fund Scheme.
DEPB Scheme	Duty Entitlement Pass Book Scheme.
EPC	Export Promotion Council.
EPCG Scheme	Export Promotion Capital Goods Scheme.
FOB/Free on Board	The vendor fulfills its obligation to deliver when the goods are delivered to the freight forwarder designated by the customer, who is responsible for all freight costs and customs clearance.
GATT	General Agreement on Tariffs and Trade.

Term	Description
IREDA	Indian Renewable Energy Development Agency Limited.
MDA	Marketing Development Association.
MFA	Multi-Fibre Arrangement.
MNES	Ministry of Non Conventional Energy Sources, India.
NTP-2000	National Textile Policy, 2000, as amended.
SIPCOT	State Industries Promotion Corporation of Tamil Nadu Limited.
SSI	Small Scale Industries.
TNEB	Tamil Nadu Electricity Board.
Total Spindle Hours	The number of hours available for working in a year considering three shifts in a day excluding holidays.
TUFS	Technology Upgradation Fund Scheme.
WTO	World Trade Organization.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Unless indicated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines. Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the twelve month period ended on March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP, IFRS and US GAAP; accordingly the degree to which the Indian GAAP financial statements (consolidated or unconsolidated) included in this Red Herring Prospectus will provide meaningful information is entirely dependant on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. The Company has not attempted to quantify those differences or their impact on the financial data included herein, and you should consult your own advisors regarding such differences and their impact on our financial data. For more information on these differences, see the section titled "Summary of Significant Differences between Indian GAAP, U.S. GAAP and IFRS" beginning on page 157 of this Red Herring Prospectus.

Unless otherwise specified or the context otherwise requires, all references to "India" in this Red Herring Prospectus are to the Republic of India, together with its territories and possessions and all references to the "US" or the "USA" or the "United States" or the "U.S." are to the United States of America, together with its territories and possessions.

Currency of presentation

All references to "Rupees", "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "$", "US$", "USD" or "U.S. Dollars" are to United States Dollars, the official currency of the United States of America. All references to "EURO", "euro" or "Euro" are to the official currency of the European Union.

This Red Herring Prospectus contains translations of certain U.S. Dollar and Euro amounts into Indian Rupees. These have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines. These translations should not be construed as a representation that such Indian Rupee or U.S. Dollar could have been, or could be, converted into Indian Rupees, as the case may be, at any particular rate or at all.

Industry and Market Data

Unless stated otherwise, market and industry data used in this Red Herring Prospectus has generally been obtained or derived from industry publications and sources. These publications typically state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that the industry data used in this Red Herring Prospectus is reliable, it has not been verified by any independent source.

Further, the extent to which the market and industry data used in this Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business and methodologies and assumptions may vary widely among different industry sources.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain "forward-looking statements". These forward-looking statements can generally be identified by words or phrases such as "aim", "anticipate", "believe", "contemplate", "expect", "estimate", "intend", "objective", "plan", "project", "seek to", "shall", "will", "will continue", "will likely result", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our objectives, strategies, 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:

(i) changes in cotton supply and demand and cotton prices;

(ii) our ability to successfully implement our strategy, our growth and expansion plans and technological changes;

(iii) general economic and political changes in laws and regulations that apply to the Indian textile industry, import duties, excise duties or environmental regulations;

(iv) the loss or shut down of operations at any of our plants or at any of the plants of the third parties upon whom we depend; including as a result of expansion of projects or interruptions in the supply of power; the loss of any significant customers;

(v) an adverse outcome in the legal proceedings in which we are involved;

(vi) labor unrest or other difficulties;

(vii) governmental and business conditions globally and in India;

(viii) changes in interest rates, and in exchange rates;

(ix) changes in competitors' pricing and other competitive strategies; and

(x) changes in other raw material and energy prices, our ability to obtain financing needed to repay maturing obligations and to fund expansion in a timely manner and on satisfactory terms and conditions and various other factors.

For a further discussion of factors that could cause our actual results to differ, see the sections titled "Risk Factors", "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages xi, 55 and 139, respectively, 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 the Company, its Directors and officers, any Underwriter nor any of their respective affiliates or associates has 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 BRLM and the Company will ensure that investors in India are informed of material developments until the grant of final listing and trading permissions by the Stock Exchanges for the Equity Shares Allotted pursuant to the Issue.

SECTION II- RISK FACTORS

RISK FACTORS

An investment in the Equity Shares involves a high degree of risk. You should carefully consider all information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. To obtain a complete understanding of our business, you should read this section in conjunction with the sections titled "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 55 and 139, respectively, of this Red Herring Prospectus as well as other financial information contained in this Red Herring Prospectus. If any of the following risks or any of the other risks and uncertainties discussed in this Red Herring Prospectus 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.

Risk Factors Relating to the Company

1. Raw materials constitute a significant percentage of our total expenses. Particularly, any increase in cotton prices and any decrease in the supply of cotton could materially and adversely affect our business.

Raw material constituted 84.8% and 84.4% of our total expenses of Rs.3,745.67 million and Rs.3,204.61 million in fiscal 2007 and fiscal 2006, respectively. Our primary raw material is cotton. Currently, we purchase all of our cotton from the domestic market in Gujarat. Domestic cotton prices have been lower than world price levels for cotton in the recent past but there can be no assurance that the price levels of cotton will remain where they currently are. Any increase in cotton prices would have a material adverse effect on our business. Further, because we procure substantially all of our cotton during the peak season, any subsequent fall in the price of cotton during the year may have an adverse impact on the price of cotton yarn, which would have a material adverse effect on our business. The use of domestic hedging techniques against the risks associated with fluctuations in cotton prices is a new development in India, and we do not engage in hedging techniques against cotton price fluctuations.

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

2. We do not have long-term contracts with any of our suppliers or customers.

Our dealings with our suppliers and customers are primarily on a per-transaction basis. While cotton and other raw materials that we use are generally available from a wide variety of sources and no significant shortage of cotton or our other manufacturing materials is currently anticipated, the lack of long-term commitments by our suppliers could cause temporary disruptions in our production if we are unable to find alternative sources in a timely manner.

We do not have long-term sales contracts with any of our apparel customers. Sales to each of our apparel customers are dependent on our ability to manufacture apparel 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, our apparel customers could have a material adverse effect on our business, results of operations and financial condition. In addition, while we have been dealing with some of our fabric and yarn customers for several years, we do not have any long-term contracts with them. Further, fabric and yarn products are interchangeable to some extent. As a result, customers can terminate their relationships with us due to a change in vendor preference or any other reason upon relatively short notice, which could materially and adversely impact our business.

3. We have on-going and planned capital expenditure, which may not yield the benefits intended.

We currently are undertaking capital expenditure projects at a total cost of Rs.4,716.70 million, which is substantially funded through term loans aggregating Rs.3,489 million, of which approximately 76.5% had been expended as of March 31, 2007. The capital expenditure projects include construction of the Arasur manufacturing facility near Coimbatore and implementation of apparel manufacturing and spinning operations at this location. Construction is complete, and apparel manufacturing and spinning operations are gradually being phased in, with full operational capacity expected by the end of fiscal 2008. The capital expenditure projects also include construction of our processing unit at SIPCOT, Perundurai, which is expected to be fully operational by July 2007. Finally, we have already completed modernization of our Sathyamangalam spinning mill and the set up of 12 new windmills with an aggregate capacity of 19.8 MW at Thenkasi. For details of our expansion projects, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Historical and Planned Capital Expenditure" beginning on page 154 of this Red Herring Prospectus. Full implementation of these projects is subject to risks, including delays in delivery of machinery that we have ordered, employee recruitment and final government approvals, among others.

We also have planned expansion plans which we intend to fund through the proceeds of the Issue, such as expanding our existing apparel facility at Arasur; setting up a design studio at Arasur; construction of an additional hostel facility at Arasur; expanding our processing facility at SIPCOT, Perundurai; investing in a new knitting facility at Arasur and adding balancing equipment at our spinning facility at Sathyamangalam. We do not intend to fund our proposed expansion plans described in the section titled "Objects of the Issue" beginning on page 29 of this Red Herring Prospectus through any term loans or other debt facilities. . Our planned capital expenditure plans are also subject to a number of variables, including possible cost overruns; development delays or defects in construction; receipt of critical governmental approvals; delay in delivery of machinery; employee recruitment and changes in management's views of the desirability of such plans, among others.

In view of the reasons stated above, we cannot assure you that we will be able to execute our on-going and proposed expansion plans as contemplated. Due to time and/or cost overrun the overall benefit of such plans to our revenues and profitability may decline. Further, if we are unsuccessful in increasing the demand for our products to match our increased capacity, our expenses will increase as a percentage of our revenues, which may have an adverse effect on our results of operations and cash flows. To the extent that completed and/or planned capital expenditure do not produce anticipated or desired revenue or cost-reduction outcomes, our profitability and financial condition will be negatively affected.

4. We may not be able to implement our business and growth strategy according to our current plans.

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. We plan to develop relationships with existing clients and new clients who are seeking to fill volume orders on an ongoing basis. This will reflect a change from our current practice of taking smaller orders on a non-permanent basis. Provided that this strategy is successfully implemented, these new client relationships may help grow our business, however, they may also prove to be difficult for us to effectively manage. We do not have previous experience in filling high volume orders on an on-going basis. Should we be unable to effectively manage long-term relationships based on large orders, we may experience an adverse impact on our efforts to grow our business. Further, lengthy qualification processes required by large U.S. and European value retailers may limit our ability to secure new value retail customers. While these rigorous qualification requirements tend to favor large and established suppliers over small to medium suppliers, if we are unable to secure new customers in the future as a result of our not meeting such qualification requirements, our business, financial condition and results of operations could be materially and adversely affected.

As part of our plan to develop value retail customers, we intend to enter the U.S. market. Our past success in expanding our customer base outside of India offers no guarantee of our ability to successfully enter the U.S. market. By focusing resources, including management time and effort, on the U.S. market, we will be diverting our resources from existing or other new potential markets. There is no guarantee that we will be able to develop or implement successful business strategies specifically designed for the U.S. market. A failure to penetrate the U.S. market may have a material adverse impact on our business.

We are also pursuing opportunities to venture into the retail sector in India by designing, manufacturing and selling apparel products directly to Indian retailers. Neither we nor our Promoters have significant operational experience in the retail segment, particularly in designing our own apparel products, and we have not generated any revenues from this business in the past. Further, as we intend to design our own products, any failure on our part to keep abreast with the latest trends in the fashion industry may adversely affect our competitiveness and ability to grow this business segment.

While we have successfully executed our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within our estimated budget, or that our expansion and development plans will increase our profitability. Any of these factors could adversely impact our results of operations. We expect our growth strategy to place significant demands on our management, financial and other resources and require us to continue developing and improving our operational, financial and other internal controls. Our inability to manage our business and growth strategy could have a material adverse effect on our business, financial condition and profitability.

5. *We may face labor disruptions and other planned and unplanned outages that would interfere with our operations.*

Our activities are labor intensive. Strikes and other labor action, such as unionization, may have an adverse impact on our operations, though we have not experienced any such labor disruption in the past and our workforce is not currently unionized. We cannot guarantee that we will not experience any strike, work stoppage or other industrial action in the future. Also, our third-party suppliers of raw materials or apparel products may experience strikes or other industrial action. Any such event could disrupt our operations, possibly for a significant period of time, result in increased wages and other costs and otherwise have a material adverse effect on our business, results of operations or financial condition. Further, if our workforce unionizes, we may be subject to industrial unrest, slow downs, work stoppages and increased wage costs.

6. *We have installed 39 windmills with a capacity of 39.07 mega watts. Generation of power from windmills is subject to fluctuation in wind speeds and grid availability.*

We have installed 39 windmills with a capacity of 39.07 mega watts. For more information on our windmills, see the section titled "Business - Windmill Operations" beginning on page 68 of this Red Herring Prospectus. Wind power generation is subject to a high degree of risk. Consistent wind patterns remain a key to the feasibility of power generation, and there can be no guarantee or clear prediction of wind patterns going forward. Due to normal climatic changes, there could be periods of less wind than historical levels, which would require us to rely more on electricity from the state electrical grid or our back up diesel generators. Additionally, all of the electricity generated by our windmills is transported over the state electrical grid; therefore we remain subject to the risk of grid failure or decreased availability from the grid. We are also subject to a decrease in availability of electricity during peak operating hours. At such times, we may be required to decrease capacity utilization until the power supply is sufficient, which would affect our results of operations. Furthermore, the cost of equipment required for wind power generation may rise, or related tax incentives may be revoked, making the process less cost-effective for the Company.

7. *Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.*

The apparel industry has experienced rapid improvements in technology and sophistication in production equipment. The use of modern technology and automation in 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, we may be required to implement new technology, or upgrade or retro fit the machinery we currently employ. The cost of implementing new technology and upgrading our machines could be significant and could adversely affect our financial condition and results of operations.

8. *We depend in part on third-party sales agents for sales of our yarn and fabric products.*

We depend in part on third-party sales agents to promote our yarn and fabric products to specific customers in the Tirupur region. Such sales agents were responsible for 92.8% and 77.1% of total sales of yarn and fabric products, respectively, during fiscal 2007. Sales agents receive a commission based on the quantity of fabric and yarn purchased by the customers they cover. For further details of the third-party sales agents, see the section titled "Business – Marketing and Distribution" beginning on page 67 of this Red Herring Prospectus. Although we believe we have strong relationships with our sales agents, we have no agreements in place between us and the sales agents, and the sales agents are not exclusive to our Company. If our sales agents significantly reduce their efforts on our behalf or promote other manufacturers' products instead of ours, our financial condition and results of operations could be adversely affected.

9. *Our success depends on the smooth supply and transportation of our products from our manufacturing facilities to our customers, which are subject to various uncertainties and risks.*

We depend on sea borne freight, rail and trucking to deliver our products from our manufacturing facilities to our customers. We rely on third parties to provide such services. These transportation facilities may not be adequate to support our existing and future operations. Further, disruptions of transportation services due to weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, or other events could impair our ability to supply our products to our customers. Any such disruptions could materially and adversely affect our business, financial condition and results of operations.

10. We have high working capital requirements. If we experience insufficient cash flows to meet required payments on our debt and working capital requirements, our results of operations could be adversely affected.

Our business requires a significant amount of working capital. In many cases, significant amounts of our working capital are required to finance the purchase of raw materials and to maintain our manufacturing facilities and equipment. Moreover, we may need to incur additional indebtedness in the future to satisfy our working capital needs. Our working capital requirements are also affected by the credit lines that we extend to our customers, in line with industry practice. All of these factors have resulted, or may result, in increases in the amount of our receivables and short-term borrowings. There can be no assurance that we will continue to be successful in arranging adequate working capital for our existing or expanded operations on acceptable terms or at all, which could adversely affect our financial condition and results of operations.

11. We may be unable to renew or maintain statutory and regulatory permits, licenses and approvals required to operate our business.

We require certain statutory and regulatory permits, licenses and approvals to operate our business. The following approvals are currently pending before applicable regulatory authorities:

- Application dated July 27, 2006 to the Tamil Nadu Pollution Control Board for consents under Air Act and Water Act for our operations located at Arasur, near Coimbatore.
- Application dated December 15, 2006 to the Tamil Nadu Pollution Control Board for consents under Air Act and Water Act for our processing unit located at SIPCOT, Perundurai.
- Application dated February 10, 2007 for conversion of land use from agricultural to non-agricultural for our unit located at Sathyamangalam.
- Application dated March 19, 2007 to the Tamil Nadu Pollution Control Board for renewal of consents under Air Act and Water Act for our operations located at Neelambur.
- Application dated March 19, 2007 to the Tamil Nadu Pollution Control Board for renewal of consents under Air Act and Water Act for our operations located at Sathyamangalam.

In the future, we will be required to regularly renew permits, licenses and approvals for our business, and to obtain new permits, licenses and approvals for any proposed expansions. While we believe that we will be able to renew or obtain such approvals as required, there can be no assurance that the relevant authorities will issue any such approvals within our anticipated timeframes or at all. An inability to renew, maintain or obtain any required permits, licenses or approvals may result in the interruption of our operations and have a material adverse effect on our business, financial condition and results of operations. For further information regarding licenses and approvals, see the section titled "Government and Other Approvals" beginning on page 177 of this Red Herring Prospectus.

12. Our business is dependent on our manufacturing facilities and in fiscal 2007 69.9% of our apparel business was dependent on contract manufacturing facilities. If our or our contract manufacturers' operations are interrupted for any significant period of time, our business and results of operations would be materially adversely affected.

Our products are produced in our four factories located in Coimbatore, Tirupur and Sathyamangalam. In addition, in fiscal 2007, we outsourced 69.9% of our sewing requirements to over 75 contract manufacturing facilities in Tirupur, who may also meet the sewing requirements of other apparel manufacturers that compete with us. We also currently outsource all of our fabric dyeing requirements to third-party processing facilities. Our and our contract manufacturers' production facilities are susceptible to operating risks, such as damage or interruption from human error, fire, flood, power loss, work stoppages, terrorist attacks, acts of war, theft, earthquake and other force majeure events. Any interruptions in our manufacturing operations for any significant period of time could damage our reputation and would materially adversely affect our business and results of operations.

In addition, refurbishments, installation of new plants and machinery, accidents or sustained bad weather at our or our contract manufacturers' facilities could result in production losses and delays in delivery of our products, which may adversely affect our operations and profitability. Production may also fall below historic or estimated levels as a result of unplanned outages.

13. Compliance with, and changes in, safety, health and environmental laws and various labor, workplace and related laws and regulations impose additional costs and may adversely affect our results of operations and our financial condition.

Compliance with, and changes in, safety, health and environmental laws and various labor, workplace and related laws and regulations may adversely affect our results of operations and financial condition. We and our third party manufacturers and processors are subject to a broad range of safety, health and environmental laws and various labor, workplace and related laws and regulations in the jurisdictions in which we and such third parties operate, which impose controls on the disposal and storage of raw materials, noise emissions, air and water discharges, on the storage, handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of our operations and products. While we believe we are in compliance in all material respects with all applicable safety, health and environmental laws and regulations, the discharge of our or such third parties' raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may nevertheless cause us to be liable to the Government of India or other governments where we operate or to third parties. Penalties imposed by regulatory authorities on us or on third parties upon whom we depend on may also disrupt our business and operations. In addition, we may be required to incur costs to remedy the damage caused by such discharges, pay fines or other penalties or close down the production facilities for non-compliance.

14. We do not hold any patents or other forms of intellectual property protection relating to our products and production processes.

The composition of cotton fabric and yarn and the general manner in which they are produced are well-known and well-established. As a result, our research and development efforts are primarily directed toward developing new and more efficient production processes. While some of our large customers in our apparel business may obtain intellectual property protection for the designs we manufacture for them, our manufacturing processes may not be eligible for intellectual property protection and others may be able to use the same or similar processes, thereby undermining any competitive advantage we may have derived from such processes and adversely affecting our financial condition and results of operations.

We also rely in part on mutual trust for protection of our trade secrets and confidential information relating to our products and production processes. While it is our policy to take precautions to protect our trade secrets and confidential information against breach of trust by our employees, consultants, customers and suppliers, we do not have written confidentiality agreements with any of them. As such, it is possible that unauthorized disclosure of our trade secrets or confidential information may occur. We cannot assure you that we will be successful in the protection of our trade secrets and confidential information.

15. We do not own the intellectual property rights to the "K.P.R." trademark, logo and slogan and we share the use of the "K.P.R." name with other Promoter Group entities.

We do not own the intellectual property rights to the "K.P.R." trademark. K.P.R. Enterprises, a member of our Promoter Group, has applied for the registration of the words "K.P.R" as a trademark/logo/brand name/service mark/copyright under the Trade Marks Act, 1999, pursuant to Application nos. 1511943 to 1511948 dated December 11, 2006. We have entered into an irrevocable, perpetual and royalty free license agreement with K.P.R. Enterprises dated November 14, 2006 for the exclusive use of the words "K.P.R" in relation to our business (which has been specifically defined to include all activities carried out by the licensee in the textile and/or garment manufacturing industries), within and outside India and in our name, upon the successful registration with the appropriate authorities under the Trade Marks Act, 1999. Until such registrations are granted, neither we nor our Promoters may be able to prevent third parties and persons unrelated to our Promoter Group from using such trademarks or logos, which may adversely affect our reputation and business.

16. The reduction and elimination of quantitative restrictions has resulted in significant pricing pressures in the apparel export industry and significant competition in our principal markets.

Restrictions on the quantity of textile and apparel imports have been eliminated pursuant to the Agreement on Textiles and Clothing ("ATC") signed by certain member countries of the World Trade Organization ("WTO"), including countries to which we export apparel. While the removal of the quantitative restrictions has increased the market share of developing countries, including India, it has also resulted in significant price competition among suppliers from these countries. Furthermore, restrictions on imports from China imposed by the U.S. and the European Union in various apparel categories may be removed after December 31, 2008, which may result in a further decline in prices in the apparel industry.

While quantitative restrictions have been eliminated, certain countries that enjoy free trade agreements, regional trade agreements and preferential trade agreements with major importing countries may have an advantage by way of lower import tariffs over exporters from countries that do not have such agreements. India is not currently a party to any such agreement.

To remain competitive in our apparel export business, we may be required to lower our prices from time to time in response to these pricing pressures. Moreover, increased customer demands for allowances and incentives may reduce our gross margins and affect our profitability. Our financial performance may be negatively affected by these pricing pressures if we are forced to reduce our prices without a corresponding reduction in our production costs.

17. The success of our business is substantially dependent upon the services of key management personnel.

We have built a team of talented senior professionals, several of whom have been with the Company since its inception, to oversee the operations and growth of our business. Our success is substantially dependent upon the expertise and services of these members of the management team. The loss of the services of any of these persons or our inability to attract suitable replacements could have an adverse effect on our ability to implement our expansion plans and continue to grow our business. For more information on our key management personnel, see the section titled "Our Management – Key Managerial Personnel" beginning on page 84 of this Red Herring Prospectus.

18. Our Promoters together with certain members of the Promoter Group will continue to retain majority control in the Company after the Issue, therefore, our Promoters together with certain members of the Promoter Group will have the ability to exercise significant control over the Company in a way that may be adverse to, or conflict with, the interests of our other shareholders.

Upon completion of the Issue, our Promoters together with certain members of the Promoter Group will beneficially own approximately 75% of our post-Issue equity share capital. As a result, the Promoters together with certain members of the Promoter Group will have the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election or termination of appointment of our officers and directors. This control could delay, defer or prevent a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, even if this may be in our best interests. In addition, for so long as the Promoters together with certain members of the Promoter Group continue to exercise significant control over the Company they may influence the material policies of the Company in a manner that could conflict with the interests of our other shareholders. Our Promoters may have interests that are adverse to the interests of our other shareholders and may take positions with which we or our other shareholders do not agree.

19. We have entered into certain transactions with related parties, including our Promoter Group, Directors and our employees.

We have entered into certain transactions with related parties, including our Promoter Group, Directors and our employees and may continue to do so. These transactions or any future transactions with our related parties could potentially involve conflicts of interest. For details on our transactions with related parties, see the section titled "Related Party Transactions" beginning on page 107 of this Red Herring Prospectus.

20. There may be possible conflicts of interest between us and the entities that are part of our Promoter Group or entities in which our Directors are interested.

The principal activity of certain entities that are part of our Promoter Group include, among others, carrying on the business of manufacturing cotton yarn, dyeing fabrics and generation of power. As a result, there may be conflicts of interest between us and the members of our Promoter Group in addressing business opportunities and strategies. In addition, some of our Directors are also directors on the boards of our Promoter Group companies or other companies or entities engaged in, or whose memorandum of association enable them to engage in, the same business as us. These overlapping directorships could create conflicts of interest between us and our Promoter Group companies or other entities. For more information on the corporate entities that are part of our Promoter Group, see the sections titled “Our Promoters and Promoter Group” and “Related Party Transaction” beginning on page 94 and 107 of this Red Herring Prospectus.

21. Under the Investment Agreement, certain investors in the Company have the right to appoint a Director to our Board and a committee of our Board and a certain number of Equity Shares may be transferred to them.

Pursuant to an investment agreement dated November 14, 2006, entered into among the Company, our Promoters, Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj, their respective spouses, Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi, Ares Investments, Brandot Investments Limited and Argonaut Ventures (Ares Investments, Brandot Investments Limited and Argonaut Ventures are together referred to as the “Investors”), upon the completion of an initial public offering of our Equity Shares, Ares Investments has the right to nominate a Director on our Board and appoint its nominee Director on any one committee of our Board. In addition, Ares Investments also has the right to nominate a director on the board of a subsidiary of the Company or any company under the control of the Company. Ares Investments’ right to nominate directors, as discussed above, shall continue until the Investors, individually or jointly, hold at least 60% of the aggregate of the Equity Shares that were issued to, or acquired by, the Investors in November 2006 (together with any bonus shares that have been or may be issued on such shares), which represents 9.32 % of the Company’s issued Equity Shares immediately after the completion of the Issue. On July 17, 2007, each of Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi, members of the Promoter Group, transferred 443,560 Equity Shares, or a total of 1,330,680 Equity Shares, to Ares Investments for a consideration of Rs. one per Equity Share. This transfer is based on a price of Rs. 237.64 per Equity Shares. Following such transfers, the aggregate Equity Shares held by the Investors on the date of this Red Herring Prospectus is 4,839,260, which constitutes 15.23% of the pre-Issue share capital, and 12.84% of the post-Issue share capital, of the Company.

Pursuant to the 2nd Supplementary Agreement, if the Issue Price is less than Rs. 237.64 per Equity Share, each of Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi will transfer up to a maximum of 270,728 Equity Shares to Ares Investments for a consideration of Rs. one per Equity Share. Following such transfer the Investors will together hold a maximum of 5,109,988 Equity Shares of the Company which will constitute a maximum of 16.08% of the pre-Issue share capital and a maximum of 13.56% of the post-Issue share capital of the Company and the Promoter Group will together hold a minimum of 2,824,674 Equity Shares of the Company which will constitute a minimum of 8.89% of the pre-Issue share capital and a minimum of 7.50% of the post-Issue share capital of the Company. If the Issue Price is greater than Rs. 237.64 per Equity Share, Ares Investors will transfer up to a maximum of 500,019 Equity Shares in equal proportions to Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi for a consideration of Rs. one per Equity Share. Following such transfer the Investors will together hold a minimum of 4,339,241 Equity Shares, of the Company, which will constitute a minimum of 13.66% of the pre-Issue share capital and a minimum of 11.52% of the post-Issue share capital of the Company, and the Promoter Group will together hold a maximum of 3,595,421 Equity Shares of the Company which will constitute a maximum of 11.32% of the pre-Issue share capital and a maximum of 9.54% of the post-Issue share capital of the Company. These transfers will occur prior to filing the final Prospectus with the RoC and the aggregate Equity Shares held by the Investors and the Promoter Group, together with their post-Issue shareholding percentage will be included in the final Prospectus filed with the RoC.

22. We have certain contingent liabilities which could adversely affect our financial condition.

As of March 31, 2007, our contingent liabilities and commitments as disclosed in our statement of assets and liabilities, as restated under Indian GAAP, were as follows:

(i) Claims against the Company not acknowledged as debt as at March 31, 2007 is Rs.22.75 million.

(ii) Bank guarantees as at March 31, 2007 is Rs.31.84 million.

(iii) Duty implication on account of export obligation as at March 31, 2007 is Rs.625.85 million.

(iv) Letter of credit to be settled as at March 31, 2007 is Rs.1,798.23 million.

(v) Capital commitments as at March 31, 2007 is Rs.487.59 million.

(vi) Disputed cases with respect to sales tax, entry tax and income tax as at March 31, 2007 is Rs.12.72 million.

The aggregate amount of contingent liabilities as of March 31, 2007 was Rs.2,978.98 million and was 89.5% of the net worth of the Company.

For further details on our exports and export obligations, see the section titled "Business – Export Obligations and Benefits" beginning on page 67 of this Red Herring Prospectus.

We cannot assure you that any or all of these contingent liabilities and commitments will not become direct liabilities. In the event any or all of these contingent liabilities and commitments become direct liabilities, it may have an adverse effect on our business, financial conditions and results of operations.

23. Certain financing agreements with our lenders contain restrictive covenants.

Many of our financing agreements include conditions and covenants that require us to obtain the prior written consent of our lenders for carrying out certain activities and entering into certain transactions, including effecting changes in our capital structure, formulating any scheme of merger or arrangement, acquiring any fixed assets on lease basis, undertaking any expansion of business, changing the remuneration of our Directors, making a drastic change in the management set up, appointing or removing any person who exercises substantial powers of management, raising additional finance, disposing of a substantial portion of our assets, giving any loans to any group concern and altering our Memorandum of Association and Articles of Association. Failure to obtain these consents could have significant adverse consequences for our business and operations. Under certain of these agreements, the relevant lender also has the right to appoint a director on our Board and in case of a default in payment of any dues to a lender or, if in the opinion of the lender, our business is conducted in a manner prejudicial to our interest, the lender has the right to review our management set up or organization and to require us to restructure as may be considered necessary by such lender. For more information on the financing agreements, see the section titled "Financial Indebtedness" beginning on page 163 of this Red Herring Prospectus. Our financing arrangements are also secured by a pari passu charge on our fixed assets and current assets.

There can be no assurance that our lenders will grant us required consents on time or at all. Any failure to comply with the requirement to obtain a consent, or other condition or covenant under our financing agreements that is not waived by our lenders or otherwise cured by us, could lead to a termination of our credit facilities, acceleration of all amounts due under such facilities and trigger cross default provisions under certain of our other financing agreements, and could adversely affect our ability to conduct our business and operations or implement our business plans.

24. Our Promoters have given personal guarantees in relation to certain financing arrangements provided to us by our lenders.

Under certain financial arrangements with our lenders, our Promoters have given personal guarantees for repayment of the credit facilities availed by us. Our Promoters may not provide any financial or other support after the completion of the Issue. Additionally, if the financial condition of our Promoters deteriorates, our existing financing arrangements with our lenders may be adversely affected.

25. We have not entered into any definitive agreements to utilize the net proceeds of the Issue.

We intend to use the net proceeds of the Issue to, among other things, expand our existing apparel facility at Arasur, near Coimbatore; setting up a design studio at Arasur; construction of an additional hostel facility at Arasur; expand our processing facility at SIPCOT, Perundurai; invest in a new knitting facility at Arasur and add balancing equipment at our spinning facility at Sathyamangalam. For details on the use of proceeds, see the section titled "Objects of the Issue" beginning on page 29 of this Red Herring Prospectus. We have not entered into any definitive agreements to utilize the net proceeds of the Issue. Our expenditure plans are based on management estimates and have not been appraised by any bank or financial institution or any other independent organization. Our management will have significant flexibility in applying the proceeds received by us from the Issue. We intend to rely on our internal systems and controls to monitor the use of such proceeds and no monitoring agency will be appointed for this purpose.

26. Certain land on which we have established facilities is not owned by us and we enjoy only a leasehold right over such properties. One of our lease agreements contains restrictive covenants that may affect our ability to conduct our business.

The Company has entered into four lease agreements dated December 7, 2006 with our Promoters that are valid for ten years from the date of the agreements. These leases may be terminated by our Promoters upon a 30-day notice for failure to pay rent, winding-up of the Company, existing shareholders of the Company ceasing to hold at least 51% of the issued share capital of the Company or a breach by the Company of any covenant or representation. For details on these lease agreements, see the section titled "Our Promoters and Promoter Group" beginning on page 94 of this Red Herring Prospectus.

In addition, we have also entered into a lease agreement dated February 27, 2006 with the State Industries Promotion Corporation of Tamil Nadu Limited ("SIPCOT"), to lease an area of 19.83 acres for a period of 99 years for our fabric processing and dyeing unit. Pursuant to the terms of the lease agreement, if SIPCOT determines that the property is not being utilized by the Company for the purpose for which it was allotted or that the property is in excess of the requirements of the Company, then SIPCOT may cancel the allotment in respect of such excess land by the payment of a suitable refund to the Company. The Company is required to commence commercial production within 30 months of the date of allotment. In addition, the construction of the buildings is required to commence within six months of the date of allotment and to conclude within 24 months of the date of allotment. The Company is not permitted to assign, sub-let, transfer or part with its interest in the property in whole or in part without the prior written consent of SIPCOT. The Company is required to obtain the written approval of SIPCOT prior to making any change to its constitution, any change to its management or control, amalgamating the Company with any other company, transferring any interest of the Company to a third party and mortgaging the property as collateral for financial assistance from financial institutions and banks. There can be no assurance that SIPCOT will grant its consent in time or at all for various activities of the Company.

Any failure to obtain a consent, or comply with any condition or covenant under our lease agreements could lead to a termination of the lease and could adversely affect our ability to conduct our business.

27. There are certain legal proceedings involving us, our Promoters and certain members of our Promoter Group.

There are outstanding legal proceedings against us, our Promoters (who are also our Directors) and certain members of our Promoter Group. These proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers and appellate tribunals. Although we intend to defend or appeal these lawsuits, we may be required to devote management and financial resources to such actions. An adverse outcome in any of these proceedings could have a material adverse effect on our business, financial condition and results of operations. For further details on these proceedings, see the section titled "Outstanding Litigation and Material Developments" beginning on page 166 of this Red Herring Prospectus. Should any new developments arise in respect of any of these proceedings, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could adversely impact our business and results of operations.

Proceedings involving the Company

There are 13 cases involving the Company, including 7 tax cases for a total amount of Rs.72,398,006. Please see the section titled "Outstanding Litigation and Material Developments" beginning on page 166 of this Red Herring Prospectus.

Proceedings involving the Promoters

Please see the section tilted "Outstanding Litigation and Material Developments" beginning on page 166 of this Red Herring Prospectus.

Proceedings involving the members of the Promoter Group

Please see the section titled "Outstanding Litigation and Material Developments" beginning on page 166 of this Red Herring Prospectus.

28. Certain members of our Promoter Group have incurred losses.

Chenniappa Wind Mills and Ramakrishna Dyeing Industry, both of which are proprietorship concerns and members of our Promoter Group, have incurred losses as set forth below:

(Rs. thousands)

Name of the Promoter Group entity	Profit (loss) in the year ended March 31,		
	2004	2005	2006
Chenniappa Wind Mills	(41.95)	1,332.69	1,602.37
Ramakrishna Dyeing Industry	(2,786.74)	24,200.26	2,5225.25

29. Our Promoters, who are also our Directors, have interests in us other than reimbursement of expenses incurred or remuneration or benefits.

Our Promoters, who are also our Directors, are interested in us to the extent of their shareholding in the Company. Our Promoters, who are also our Directors, are also deemed to be interested in certain properties acquired by us. We have entered into four lease agreements dated December 7, 2006 with our Promoters, who are also our Directors, for a period of ten years. Pursuant to the terms of the lease agreements, our Promoters are entitled to receive annual rents at a fixed rate for the first five years and at the fair market value thereafter. In addition, our Promoters are also partners of K.P.R. Enterprises, a member of our Promoter Group, with whom our Company has entered into a license agreement for use of the "K.P.R." trademark. For details of the lease agreements and the license agreement, see the sections titled "Our Promoters and Promoter Group" and "Our Management" beginning on pages 94 and 84 of this Red Herring Prospectus, respectively.

External Risk Factors

30. We are subject to international market and regulatory risks.

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

31. Any changes in regulations or applicable government incentives would materially adversely affect our operations and growth prospects.

The Government of India has provided several incentives to the textile sector, from which we currently benefit including:

(a) Technology Upgradation Fund Scheme: In order to encourage the textile industry the Indian government implemented the Technology Upgradation Fund ("TUF") scheme under which eligible units investing in particular technology, plant and machinery along with other specified assets will be eligible for grant of interest subsidy of 5% subject to compliance with certain conditions. The TUF scheme was originally valid until March 31, 2007. The union budget announced on February 28, 2007 has extended the TUF scheme to March 31, 2012.

(b) Capital Subsidy: In order to encourage investment in processing industries, the Indian government implemented a scheme whereby units investing in specified processing equipment during the period from April 20, 2005 to March 31, 2007 will be eligible for a capital subsidy of 10%.

(c) Export Promotion Capital Goods Scheme: The Export Promotion Capital Goods Scheme (the "EPCG Scheme") in India facilitates import of capital goods at a 5% concessional rate of duty (compared to the 31.05% standard rate) with an obligation to export an amount equal to eight times the duty saved. The Company has imported and proposes to import machinery under the EPCG Scheme. Under this scheme, we are required to achieve certain level of export performance based on concessions availed to us on import duties. Any failure to fulfill export obligations will result in an obligation to pay the customs duty saved along with interest.

(d) Duty Drawback**:** Exporters are allowed a refund of the excise and customs duty payable on raw materials under the duty drawback scheme in order to make the products more competitive in the international market. The Department of Revenue, Government of India, announced a revision in the All Industry Drawback Rates on May 2, 2005 and the new rates became effective from May 5, 2005. Pursuant to this revision, the drawback rates on most export products have been expressed in ad valorem terms instead of the earlier system, which was based on the weight of the export product. The associated drawback caps have, however, been fixed on the basis of the weight or pieces of export products. The revised Drawback Schedule covers 2,620 product categories. With respect to apparel items, the drawback rates have also been given on the basis of the composition of textiles. Further, pursuant to a notification effective on July 15, 2006, revised drawback rates have been fixed for certain items.

(e) Advance Authorization Scheme (formerly known as the Advance Licensing Scheme): With a view to facilitating exports and to access duty free inputs under the scheme, standard input-output norms for about 300 textile and clothing export products have been prescribed. An advance license is granted for the import of inputs without payment of basic customs duty. Such licenses shall be issued in accordance with the policy and procedure in force on the date of issue of the license and shall be subject to the fulfillment of a time-bound export obligation, and value addition as may be specified. Advance licenses may be either value based or quantity based.

As a result of these incentives, our operations in India have been subject to relatively lower tax liabilities. These incentives could be modified or removed at any time, which could adversely affect our business and profitability. Furthermore, any failure on the part of the Company to adhere to the requirements of these incentives may result in the Company losing the benefit of some or all of these incentives. Relevant authorities in India may also introduce additional or new regulations applicable to our business which could adversely affect our business and profitability.

We are also subject to various regulations and textile policies, primarily in India. Our business and prospects could be materially adversely affected by changes in any of these regulations and policies, including the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that we will succeed in obtaining all requisite regulatory approvals in the future for our operations or that compliance issues will not be raised in respect of our operations, either of which would have a material adverse effect on our business, financial condition and results of operations.

32. Our ability to export our goods 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 affects our ability to export apparel to the U.S. and the European Union, including the imposition of, or increase in the rate of, anti-subsidy or anti-dumping duties, may have an adverse effect on our net revenues.

33. Regional conflict, civil unrest, natural disasters in India, terrorist attacks or war or conflicts involving India or countries in which we operate or where our customers are located could adversely affect the financial markets and adversely affect our business.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries, notably involving India and Pakistan. In recent years, military confrontations between India and Pakistan have occurred in Kashmir and disputed border regions. Military activity could influence the Indian economy by disrupting communications and making travel more difficult, and such political tensions, together with social and civil unrest, could create a perception that investments in Indian companies involve higher degrees of risk than in other companies. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares.

Terrorist attacks, such as the train bombings in Mumbai on July 11, 2006, and other acts of violence, war or conflicts, particularly those involving India, as well as the U.S. and the EU, or other countries in which we may conduct business, may adversely affect Indian and worldwide financial markets. Such acts may negatively impact business sentiment, which could adversely affect our business and profitability. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

South Asia and India have experienced natural disasters, including earthquakes and tsunamis. There can be no assurance that we will not be affected in the event of future natural disasters, which could interrupt or significantly delay our delivery capacity. In addition, disaster management facilities in India may be inadequate to protect against potential loss. Such a natural disaster, terrorist attack, unrest or conflict could have a material adverse effect on our business, financial condition and results of operations.

34. Our apparel sales are highly dependent on customers located in Europe and other countries outside of India. We also intend to target the U.S. market. Economic slowdowns or factors that affect the economic health of these countries may adversely affect our business.

In fiscal 2006, almost all of our sales of apparel were to customers in Europe and other countries outside of India. With our expansion, we intend to actively target customers in the U.S. market. The apparel industry is highly dependent upon the overall level of consumer spending. If the current economic conditions in Europe, the U.S. and the other countries in which we do business do not continue, or if there is any substantial reduction in the levels of discretionary spending or consumer income growth or increases in interest rates in any of these regions, our customers may significantly reduce or postpone their imports from us, which may in turn lower the demand for our apparel products and impair our operating results.

35. Indian apparel exporters face significant competition in our principal markets.

We, as do all Indian apparel exporters, face significant competition in our principal markets. Some of our competitors have significantly greater production and marketing resources than those available to us. Prior to January 1, 2005, export sales made to various countries (including the U.S. and the European Union) were subject to quantitative restrictions ("quotas") imposed on imports from a number of countries, including India. All textiles and clothing products now trade internationally without quota restrictions. Resultant competition from our competitors, including low cost manufacturers from countries such as Turkey, Romania, China, Pakistan and Bangladesh, is likely to drive prices for our products lower. Our market position will also depend on effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including new products and designs, competitors' pricing strategies and changes in consumer preferences and in general economic, political and social conditions in the countries in which we do business. Any failure by us to compete effectively, including in terms of the pricing of our apparel products, could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Investment in our Equity Shares

36. Any future issuance of Equity Shares by the Company or sales of the Equity Shares by any of its significant shareholders could adversely dilute your shareholding and affect the trading price of the Equity Shares.

Any future issuance of our Equity Shares by the Company could dilute your shareholding. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders could also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

37. In the last twelve months, the Company has issued Equity Shares at a price that may be lower than the Issue Price.

In the last twelve months, the Company has issued Equity Shares at a price that may be lower than the Issue Price, as set forth below:

Date of allotment and date on which fully paid up	Number of Equity Shares	Issue Price (Rs.)	Nature of Consideration	Reasons for allotment
October 6, 2006	12,951,000	NA	Consideration other than Cash	Allotment pursuant to order of the High Court of Judicature at Madras in relation to the merger of K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited with and into the Company[(1)]
November 14, 2006	877,145	599.67	Cash	Allotment to Ares Investments
March 1, 2007	15,885,396	NA	Consideration other than cash	Bonus[(2)]

(1) Allotment to our Promoters, Mr. K.P. Ramasamy (3,829,000 equity shares), Mr. K P D Sigamani (3,787,337 equity shares) and Mr. P. Nataraj (3,826,987 equity shares), and their respective spouses, Mrs. K.R. Parvathy (488,000 equity shares), Mrs. D. Radhamani (529,663 equity shares) and Mrs. N. Jayanthi (490,013 equity shares) pursuant to a scheme of arrangement approved by the High Court of Judicature at Madras in relation to the merger of K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited with and into the Company, as consideration for their shares in K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited. For details on the merger, see the section titled "History and Certain Corporate Matters" beginning on page 80 of this Red Herring Prospectus.

(2) 1:1 bonus issue arising from capitalization of reserves other than out of revaluation reserves or reserves without accrual of cash resources. For details on the bonus issue, see the section titled "Capital Structure – Notes to Capital Structure" beginning on page 19 of this Red Herring Prospectus.

38. The price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop.

Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and business performance, competitive conditions, general economic, political and social factors, volatility in the Indian and global securities markets, the performance of the Indian and global economies and changes or other developments in India's fiscal regime. As a result you could lose a significant part of your investment. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares is initially offered will correspond to the prices at which they will trade in the market subsequent to the Issue.

39. We will require 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. We have received in-principle approvals from the BSE and the NSE and require final listing and trading approvals from the Stock Exchanges before trading can commence. We will apply for such final approvals only 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. In addition, 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 the Issue Price.

40. The Issue Price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue.

The Issue Price of our Equity Shares will be determined by the Book Building Process. This price will be based on numerous factors and may not be indicative of the market price for our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to resell your shares at or above the Issue Price. Among the factors that could affect our share price are: quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net profit and income; changes in income or earnings estimates or publication of research reports by analysts; speculation in the press or investment community; general market conditions; and domestic and international economic, legal and regulatory factors unrelated to our performance.

41. You will not be able to sell immediately on an Indian Stock Exchange any of the Equity Shares you purchase in the Issue.

Under the SEBI Guidelines, we are permitted to allot equity shares within 15 days of the Bid/Issue Closing Date. Consequently, the Equity Shares you purchase in the Issue may not be credited to your demat account with Depository Participants until approximately 15 days after the Bid/Issue Closing Date. You can start trading in the Equity Shares only after they have been credited to your demat account and after final listing and trading approvals are received from the Stock Exchanges. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence within the specified time periods.

42. A slowdown in economic growth in India could cause our business to suffer.

Our performance and growth is dependent on the health of the Indian economy. India's economy could be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture, commodity and energy prices or various other factors. Any slowdown in the Indian economy may adversely affect our business and financial performance and the trading price of the Equity Shares.

43. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect the price at which our Equity Shares can be sold at a particular point in time.

We will become subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond a certain level of volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the circuit breaker of our Equity Shares will be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. This circuit breaker effectively limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the underlying Equity Shares or the price at which shareholders may be able to sell their Equity Shares at a particular time.

44. Although the Company declared dividends for the first time in fiscal 2006, we cannot assure you that the Company will make dividend payments in the future.

The Company declared dividends for the first time in fiscal 2006. However, payment of dividends will depend upon a number of factors, including the Company's results of operations, profits, capital requirements, overall financial condition, applicable Indian legal restrictions and other factors considered relevant by our Board. There can be no assurance that the Company will continue to pay dividends in the future.

Notes to Risk Factors:

1. Public Issue of 5,912,100 Equity Shares at a price of Rs.[●] for cash, aggregating Rs.[●] million. The Issue will constitute 15.69% of the fully diluted post-Issue equity share capital of the Company.

2. The net worth of the Company was Rs.3,326.69 million as of March 31, 2007, as per the restated financial statements of the Company prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI Guidelines. For more information, see the section titled "Financial Statements" beginning on page 110 of this Red Herring Prospectus.

3. The book value per Equity Share of Rs.10 each was Rs.104.71 as of March 31, 2007, as per the restated financial statements of the Company prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI Guidelines. For more information, see the section titled "Financial Statements" beginning on page 110 of this Red Herring Prospectus.

4. The average cost of acquisition of Equity Shares by each of our Promoter is as follows: (a) in respect of Mr. K.P. Ramasamy, it is Rs.60.50 per Equity Share; (b) in respect of Mr. K P D Sigamani, it is Rs.67.18 per Equity Share; and (c) in respect of Mr. P. Nataraj, it is Rs.60.50 per Equity Share. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the

average of the amount paid by them to acquire the Equity Shares issued by the Company, including bonus shares.

5. The cumulative value of related party transactions with associates in the Fiscal Year ended in March 31, 2007 was Rs.83.5 million. The cumulative value of related party transactions with key managerial personnel and their relatives in the Fiscal Year ended in March 31, 2007 was Rs.8.8 million. For further details on related party transactions, refer to the section titled "Related Party Transactions" beginning on page 107 of this Red Herring Prospectus.

6. Other than as stated in the section titled "Capital Structure - Notes to Capital Structure" beginning on page 19 of this Red Herring Prospectus, the Company has not issued any Equity Shares for consideration other than cash.

7. For details of transactions in the securities of the Company by the Promoters, the Promoter Group and Directors in the last six months, see the section titled "Risk Factors – In the last twelve months, the Company has issued Equity Shares at a price that may be lower than the Issue Price" and "Capital Structure - Notes to Capital Structure" beginning on pages xi and 19 of this Red Herring Prospectus.

8. For information on changes in the Company's name and changes in objects clause of the Memorandum of Association of the Company, refer to the section titled "History and Certain Corporate Matters" beginning on page 80 of this Red Herring Prospectus.

9. Except as disclosed in the sections titled "Our Promoters and Promoter Group" and "Our Management" beginning on pages 94 and 84 of this Red Herring Prospectus, respectively, none of the Promoters, Directors or key managerial personnel 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 or trustee and to the extent of the benefits arising out of such shareholding.

10. In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. For further details, see the section titled "Issue Structure" beginning on page 196 of this Red Herring Prospectus.

11. For any clarification or information relating to the Issue, investors may contact the BRLM, the CBRLM or the Company, who will be obliged to provide such clarification or information to the investors at large. No selective or additional information would be available for a section of investors in any manner whatsoever.

12. Investors may contact the BRLM, the CBRLM and the Syndicate Members for any complaints pertaining to the Issue.

13. Investors are advised to also refer to the section titled "Basis of Issue Price" beginning on page 39 of this Red Herring Prospectus.

14. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional bidders and Retail Individual Bidders shall be on a proportionate basis. For more information, see the section titled "Issue Procedure - Basis of Allotment" beginning on page 215 of this Red Herring Prospectus.

15. Trading in Equity Shares for all investors shall be in dematerialized form only.

SECTION III – INTRODUCTION

SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

Overview

We are a vertically integrated apparel company in India. For a further description, see "Our Key Strengths - We are a vertically integrated producer of readymade knitted apparel and cotton knitted fabric and yarn" beginning on page 56 of this Red Herring Prospectus. Our operations and facilities enable us to manufacture readymade knitted apparel by spanning various aspects of the apparel production chain, from producing carded and combed cotton yarn and knitted fabric to managing the design, delivery and quality assurance processes involved in producing readymade knitted apparel. During the year ended March 31, 2007, we exported 99.86% of our readymade knitted apparel directly to international clients, including, among others, Carrefour, Penneys (Primark), Pom-tex, C&A, Ethel Austin, Kiabi, Bandos AG, Mother Care, Innovations Club, and Grouppo Industry Moda SPA, and we have more than 1,000 regular domestic clients for yarn and fabric. Our high level of mechanization and focus on sourcing of high quality raw material enables us to command a premium on sales of yarn and fabric, as compared to other domestic suppliers.

Our operations are located in Coimbatore, Sathyamangalam and Tirupur in the southern state of Tamil Nadu in India. We produced 10.16 million and 11.55 million pieces of readymade knitted apparel during the years ended March 31, 2006 and 2007, respectively. We have a cumulative capacity of 128,064 spindles in four mills, and we manufactured approximately 26,232 and 28,346 metric tons of yarn during the years ended March 31, 2006 and 2007, respectively, which represented capacity utilization of approximately 98.0% and 98.2% during such periods. We produced 6,147 and 6,734 metric tons of fabric during the years ended March 31, 2006 and 2007, respectively, which represented capacity utilization of approximately 90.0% and 80.0% during such periods.

In August 2005, we commenced construction of a new manufacturing facility at Arasur, near Coimbatore, in order to expand our capacity and bring apparel manufacturing and upstream spinning and knitting operations in one campus of approximately 44 acres. In September 2006 and November 2006, respectively, we began the gradual implementation of apparel manufacturing and spinning at this new facility. We expect the Arasur facility to be fully operational by the end of fiscal 2008, which will enable us to significantly expand our apparel manufacturing business with an initial capacity of 25.90 million pieces per year. We also have installed printing and embroidery machines at the Arasur facility, which became fully operational in March 2007 and which will enable us to meet most of our printing and embroidery requirements in-house. The Arasur facility will also expand our upstream spinning and knitting operations by increasing our spinning capacity to 212,064 spindles and providing us with a cumulative manufacturing capacity of approximately 54,000 metric tons of yarn and 17,200 metric tons of fabric across all of our facilities.

In order to provide end-to-end apparel manufacturing services, as we believe is required by multi-national value retailers, we are constructing a new fabric processing facility at SIPCOT, Perundurai, which will give us the ability to handle all of our processing requirements, including dyeing, bleaching and compacting. We expect this processing facility to be fully operational by July 2007 with capacity to process 23 metric tons of fabric per day. In December 2005, we also implemented a project at our Sathyamangalam mill to modernize our spinning operations at that location.

In order to become more self-sufficient, support our expanding operations and reduce our reliance on the state electrical grid, which could subject us to increases in cost, we have installed windmill facilities in Tirunelveli, Thenkasi and Coimbatore. Through these facilities, we have the capacity to produce 39.07 mega watts of power, which as of April 30, 2007 met all of our energy needs, and which we expect will support approximately 75.0% of our energy needs once the Arasur mill is fully operational. Our wind generated power supply is supported by back-up diesel generators, as well as stand-by arrangements for electricity from the main electrical grid, as necessary. This power supply, together with related tax incentives, enables us to substantially improve our profitability. For the year ended March 31, 2007, our power cost per unit was Rs.0.53, which was approximately 84.9% lower than the per unit cost charged by the Tamil Nadu Electricity Board.

As of March 31, 2007, our workforce consisted of 5,438 full-time personnel. We believe our sophisticated equipment, mechanized processes and skilled workforce resources, together with our strong management, have enabled us to successfully implement and maintain modern manufacturing processes. We have received international accreditations in respect of production activities at our Sathyamangalam and Karumathampatti facilities, such as ISO 9001:2000, guaranteeing quality control norms; ISO 14001:2004, regarding environmental standards; and SA 8000:2001 certifying the social accountability of our management. Additionally, we have been certified as a One Star Export House by the Indian Ministry of Commerce and Industry in accordance with the provisions of the Foreign Trade Policy, 2004-09, and we have been certified by the Institute of the International Association for Research and Testing in the Field of Textile Ecology with respect to our apparel manufacturing operations.

In the years ended March 31, 2004, 2005, 2006 and 2007, our revenue was Rs.0.85 million, Rs.731.74 million, Rs.4,431.15 million and Rs.5,120.59 million, respectively. In the years ended March 31, 2004, 2005, 2006 and 2007, our restated net profit (loss) was Rs.(3.10) million, Rs.120.22 million, Rs.631.06 million and Rs.584.20 million, respectively. As a result of the acquisition and merger of our operating companies discussed below, our results of operations for the years ended March 31, 2004 and 2005 do not include the consolidated results of our separate operating companies. The performance of all of the operating companies are fully reflected in our financial statements starting in fiscal 2006. Accordingly, the Company's results of operations for the years ended March 31, 2004 and 2005 are not directly comparable to our results of operations for the years ended March 31, 2006 and 2007.

Corporate History and Structure

K.P.R. Cotton Mills Private Limited, now known as K.P.R. Mill Limited, was originally incorporated on March 19, 2003. In order to further rationalize operations and better leverage capacities, with effect from April 1, 2005, K.P.R. Cotton Mills Private Limited purchased K.P.R. Knits as a going concern, and K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited were consolidated into K.P.R. Cotton Mills Private Limited through a merger process approved by the High Court of Madras. On October 5, 2006, K.P.R. Cotton Mills Private Limited was renamed K.P.R. Mill Limited. For more information on our significant operational milestones, please refer to the section titled "History and Certain Corporate Matters" beginning on page 80 of this Red Herring Prospectus.

Our Key Strengths

We believe that our operating history in the apparel business has given us significant expertise and industry knowledge. In particular, we believe that the following strengths enable us to compete successfully in our market:

We are a vertically integrated producer of readymade knitted apparel and cotton knitted fabric and yarn.

We are a vertically integrated manufacturer with the capability to produce readymade knitted apparel, knitted fabric, and carded and combed cotton yarn. Our integrated manufacturing operations enable us to provide our customers with optimal levels of quality and service in an effective and cost-efficient manner. Through our vertical integration, we believe that we are well placed to realize efficiencies of scale and quality control at each stage of the manufacturing process. Further, we believe our vertical integration enables us to better customize our products to the specifications of our customers and provides assurance to our customers that they will receive consistently high quality products.

As of March 31, 2007, we owned 128,064 spindles, 113 circular knitting machines and 1,517 sewing machines. We produced approximately 10.16 million and 11.55 million pieces of readymade knitted apparel, 6,147 and 6,734 metric tons of fabric, and 26,232 and 28,346 metric tons of yarn during the years ended March 31, 2006 and 2007, respectively. In September 2006 and November 2006, respectively, we began the gradual implementation of apparel manufacturing and spinning operations at our new mill in Arasur, near Coimbatore. With our current and expected economies of scale, we believe we enjoy a competitive advantage compared to other mid-size apparel manufacturers.

We have a distinctive model of attracting, training and retaining our workforce.

As of March 31, 2007, our workforce consisted of 5,438 full-time personnel, including, among others, management and administration, research and development, technicians, marketing and manufacturing. Our manufacturing workforce is employed pursuant to three-year contracts and all workers live in on-site accommodation. The three-year contract system allows us to plan for manpower needs well in advance, stabilizes our labor costs year to year and helps us avoid the cost and inefficiencies of high labor turnover. Because our manufacturing workforce lives on-site, we have very little absenteeism. Further, our manufacturing workers become specially skilled in their positions. Our model of attracting, training and retaining our workforce is distinctive since we offer various programs and services that we believe motivate our workforce and cultivate loyalty. During the duration of the three-year contract, each member of our manufacturing workforce has the option to take courses toward a vocational, high school or college degree. We subsidize the fees for these courses, which is a distinctive benefit for workers in the Indian apparel industry. Since the inception of the educational program, approximately 500 workers have completed higher education programs or certifications while working for us, and as of April 30, 2007, approximately 1,230 of our workers are participating in this program. Other programs and services include subsidized nutritious meals, continuous job-oriented training, provision of protective equipment and skates, which we believe reduce fatigue, library facilities, sports facilities, computer training, medical facilities, and yoga and meditation facilities. We believe these workforce initiatives have helped us to avoid labor disputes with our manufacturing workers since inception and retain and easily replenish a qualified and motivated workforce.

We benefit from our low cost of production.

India is one of the key producers of cotton worldwide and Indian cotton is relatively inexpensive. As a result, we source all of our raw materials domestically. We are able to source our cotton supply in a way that provides us with the highest quality cotton available from domestic sources at the lowest price of the season. Our scale of operations, high-capacity storage facilities and financial position enable us to purchase substantially all of our cotton requirements at the peak of the cotton season (from November through March) when cotton prices are at their lowest and quality is at its highest. This allows us to produce consistent quality throughout the year and recognize a considerable reduction in the cost of our raw materials. Further, because of our scale of operations, we are able to purchase other manufacturing supplies, such as machinery parts, packing materials and cleaning supplies, at a lower price compared to our smaller competitors.

We operate 39 windmills with an aggregate capacity of 39.07 mega watts. As of April 30, 2007, our windmills met all of our energy needs, and we expect that they will support approximately 75.0% of our energy needs once the Arasur mill is fully operational. As a result of this captive energy source, as of March 31, 2007, our power cost per unit was Rs.0.53, which was approximately 84.9% lower than the per unit cost charged by the Tamil Nadu Electricity Board.

In addition, our manufacturing facilities are highly automated, which decreases our manpower requirements, thereby lowering our labor costs. We believe our labor costs are also lower than our competitors due to our three-year contract system, as the compensation package during the three-year contract is fixed at the beginning of the contract. We believe our low cost operations in India provide us with a competitive advantage compared to our regional and international competitors.

We operate at high productivity and efficiency levels.

We believe that we employ production processes that enable us to operate at high levels of productivity and efficiency. We provide on-going training to our manufacturing workforce and utilize innovative methods to increase efficiency. For example, our manufacturing workers in the spindle rooms work on skates to increase productivity and reduce the need for manpower. All of our spinning and knitting production processes are highly automated, which decreases our manpower needs and enables us to consistently produce higher quality and uniform yarn and fabric products. We typically use only one variety of cotton, which allows us to produce different counts of yarn (from 16s to 34s) at any time without an extended interruption. We believe this provides us with superior productivity and quality compared to competitors who buy different varieties and mix them to produce different counts of yarn. Further, our manufacturing facilities utilize a large base of sophisticated production equipment, including automated pattern-making, fabric laying and cutting machines. Most of our machinery is imported from abroad in order to take advantage of the latest manufacturing process technologies. For example, we have imported sophisticated machinery from Germany, Italy, Switzerland and other European countries as well as countries such as Japan, United States and Taiwan. We believe that our investment in these assets enables us to deploy modern spinning and knitting technology to cater to the rapid changes we experience in customer demand and to maintain high quality standards. Our equipment base is managed, maintained and operated internally, which reduces the costs of outsourcing maintenance. Because our manufacturing equipment is highly automated, modern and well maintained, we have historically operated at a 98.0% equipment utilization rate. Our new apparel factory at Arasur, near Coimbatore, employs a highly modern and computerized storage system with capacity to handle 500 metric tons of apparel and fabric, which will enable us to quantify and rapidly locate inventory. We expect that this will improve our distribution efficiency and productivity.

We have a strong and diversified customer base.

We believe we have built a strong customer base because of our commitment to quality and customer service practices. Since inception of our apparel manufacturing division, we have steadily developed a strong and diversified base of more than 35 international retail apparel customers, including well-known participants in the industry such as Carrefour, Penneys (Primark), Pom-tex, C&A, Ethel Austin, Kiabi, Bandos AG, Mother Care, Innovations Club, and Grouppo Industry Moda SPA. We have continuously received repeat orders from many of our customers, and we are not substantially dependent on any one or a few of our customers. Additionally, in our yarn and fabric businesses, we service approximately 1,000 out of the 7,000 manufacturing facilities based in Tirupur, which mitigates any risk of customer concentration in this segment of our business.

We produce high quality yarn and fabric products that command premium pricing in the domestic market.

Our ability to source substantially all of our cotton requirements during the peak season and our highly automated manufacturing facilities enable us to produce homogeneous, high-quality yarn and fabric products throughout the year. We have modern scanning and quality assurance equipment, which identify and remove impurities or contamination in cotton to very fine levels. This has benefited our manufacturing process significantly in terms of reducing wastage and enabling us to demand a premium for our yarn in the highly competitive domestic textile market. Our facilities also have air-handling equipment to protect and improve the quality of our yarn and fabric product offerings. We believe that our fair customer service policies and consistently high quality products have earned us significant good will from our customers, which has resulted in repeat orders from many of them.

We have strategically located operations.

All of our manufacturing facilities are located in the region of Coimbatore, India. We believe the location of our facilities gives us significant savings in production, labor and transportation costs, helps us to utilize our key technical personnel across all of our plant sites, and allows us to take advantage of Coimbatore's climate, which is known to be conducive for spinning operations. Our location provides us convenient access to an airport and inland container depots, as well as convenient access to our customers. All of our operations are within a 50 kilometer radius from Tirupur, which is regarded as one of Asia's largest apparel manufacturing clusters. Our close proximity to our customers helps to reduce our material handling costs and facilitates immediate feedback regarding the quality of our products, which enables us to quickly adjust our manufacturing processes, if necessary. We have a marketing office in Tirupur that interfaces directly with our customers, most of which have sourcing offices in Tirupur.

We have a proven management team.

Our management team is well-qualified and experienced in the apparel industry and has been responsible for the sustained growth in our operations, which is illustrated by our doubling of capacity every two years since fiscal 2001. Our management team also has successfully managed the consolidation of our operations from four separate operating companies into one company. The majority of our management has been with us since we commenced operations. In addition, our Board includes directors who bring significant experience to our business. Our founder and Chairman, Mr. K.P. Ramasamy, has over 35 years experience in the apparel industry, particularly in the production and marketing of woven fabric, knitted apparel, cotton yarn and hosiery fabric, along with experience in the yarn and fabric dyeing industry. Mr. K.P. Ramasamy oversees our strategic expansion initiatives, cost control, business development and modernization. Our Managing Director, Mr. K P D Sigamani, has over 25 years of experience in the apparel industry, including the hosiery, apparel, fabric and yarn export business, with specialized experience in the production and marketing of knitted apparel. Mr. P. Nataraj, also a Managing Director, is a chartered accountant with over two decades of experience in the apparel industry, including the production and marketing of woven fabric, knitted apparel, cotton yarn and hosiery fabric, and the dyeing of yarn and fabric. Mr. P. Nataraj manages our finance activities and oversees cotton procurement and marketing activities of our spinning division. Our management is supported by an experienced and technically qualified execution team.

Our management team is also advised by our strategic private equity investors, including Brandot Investments Limited and its founder, Mr. Martin Trust. Mr. Trust has over four decades of experience in the global apparel market with a focus on the U.S. apparel market. Mr. Trust founded Mast Industries, Inc. in 1970 and managed its growth into a large international producer of apparel. In 1978, Mast Industries Inc. merged with The Limited Stores, Inc., which is now known as Limited Brands, a major retailer of women's and men's apparel as well as personal care products. Mr. Trust was a member of the board of directors of Limited Brands from 1978 until 2003 and served as an advisor to the United States Department of Commerce with regard to textile trade issues. Our management team also benefits from the global management, marketing and transactional experience of our director, Mr. Shujaat Khan, Managing Director of Blue River Capital Advisors (India) Private Limited and Mr. Anil Khatod, Managing Director of Argonaut Investments, another of our private equity investors. Both of them have significant management and investment experience in the U.S. markets.

Our financial position will enable us to implement our growth strategy.

We believe that our financial position will enable us to finance our current expansion plans and continue to implement growth strategies in the future. As of March 31, 2007, we had a long-term debt to equity ratio of

0.99:1, and in fiscal 2007 we had net cash flow from operating activities of Rs.750.55 million. With the exception of dividends paid during fiscal 2006 and 2007, our management has consistently reinvested earnings back into the Company, which has supported our growth and provided high internal accruals. We are currently undertaking capital expenditure projects aggregating Rs.4,716.70 million, substantially funded through term loans eligible for the 5.0% TUFS subsidy. Additionally, term loans aggregating Rs.1,102.44 million availed in connection with our existing facilities that were outstanding as of March 31, 2007, are eligible for the TUFS subsidy. The TUFS subsidy provides us with relatively low interest costs, which we expect to benefit from through the term of each loan. Further, term loans sanctioned for our capital expenditure projects aggregating Rs.2,250 million carry interest at a fixed rate, which insulates us from rising interest rates. For further details regarding our capital expenditure projects, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Historical and Planned Capital Expenditure" beginning on page 154 of this Red Herring Prospectus. As a result of our strong financial position, we have been able to double our capacity every two years since fiscal 2001.

Our Business Strategy

We seek to expand our position as an integrated provider of readymade knitted apparel, cotton fabric and yarn, with processing capacity and the ability to fill high volume orders from U.S. and European value retailers. Our business strategy is to leverage our reputation in the marketplace for quality and manufacturing efficiencies to capture further revenue opportunities.

Pursue value retail customers in Europe and the United States for our apparel business.

To capitalize on the increased demand in the international apparel industry and associated demand for our products, we intend to utilize our expanded capacity to grow our apparel manufacturing business through value retail customers in Europe and the United States. While we expect to continue to fill smaller orders through our contract manufacturing facilities in close proximity, we intend to pursue value retail customers seeking high volume suppliers in order to exploit the economies of scale and integration that will be available to us through our new facilities at Arasur, near Coimbatore, and SIPCOT, Perundurai. We intend to develop these customer relationships through several channels. First, we intend to expand our direct marketing efforts to certain U.S. and European value retailers. Our sales showroom at our Tirupur facility is conveniently located to the Tirupur sourcing offices of these retailers. We also intend to develop new customer relationships by leveraging the relationships and contacts of our private equity investors, including Brandot Investments Limited and its founder, Mr. Martin Trust, who has over four decades of experience in the global apparel market and served on the board of directors of Limited Brands from 1978 until 2003, as well as Blue River Capital Advisors (India) Private Limited and Argonaut Investments, the principals of which have significant management and investment experience in the US apparel markets. Finally, we intend to leverage our relationships with our existing apparel customers to increase the size of these customers' orders.

We believe there is a significant opportunity for us to develop value retail customers in the U.S. market. We believe U.S. value retailers are increasingly looking to India for high volume production capacity that can be fulfilled at integrated facilities. These U.S. retailers are subject to strict environmental, manufacturing, employee and other legislation that govern their sourcing of products abroad. Due to these requirements, we believe U.S. value retailers have historically sourced their products from integrated manufacturing facilities so that quality and compliance with relevant legislation can be more efficiently monitored at each stage of production. We expect that once our Arasur mill and SIPCOT, Perundurai facilities are fully operational, we will be in a position to exploit this opportunity, as we will have integrated production facilities with the capacity to produce high volume orders.

Invest in apparel design and product development.

We also intend to explore design and product development initiatives. Currently, our customers provide us with their design specifications and we manufacture readymade knitted apparel based on their designs. We intend to develop a design studio equipped with the latest design software, including CAD/CAM, that would focus on product development and design with a view to expanding our product offerings and enhancing our market perception among our existing and potential apparel customers. To further this initiative, we expect to engage designers to work closely with our customers in order to prepare designs that match these customers' brand profiles and market requirements. We expect that the development of design capabilities will enable us to capture higher premiums for our products, thereby improving our margins. Additionally, considering the growing affluence and rise in disposable income of Indian consumers, we believe that sales of export quality products manufactured by us in India at competitive prices to organized Indian retailers presents us with a high-growth opportunity. According to CRISIL Research's analysis, cotton-based domestic apparel sales (in volume terms) are expected to increase at a compound annual growth rate of 6.9% during fiscal 2006 to fiscal 2011.

Accordingly, we believe that the domestic market could become an attractive consumer base for our apparel products. As on the date of this Red Herring Prospectus, we have not entered into any memorandum of understanding or letter of intent or any definitive agreement in connection with our design or domestic retailing plans.

Expand capacity.

The Ministry of Textile, Government of India has projected that, as a result of the lifting of quota restrictions, India's textile and apparel exports will increase from nearly USD $13 billion in 2005 to over USD $50 billion by 2010, which would represent a compound annual growth rate of 31.0%. During the year ended March 31, 2007, we operated at 67.3%, 71.7%, 80.0% and 98.2%, capacity utilization levels in our out-sourced apparel manufacturing, in-house apparel manufacturing, knitting and spinning operations, respectively. Accordingly, we believe significant growth can be realized by expanding our capacities and adequately leveraging this expanded capacity base to take advantage of the growth in the Indian apparel industry. Further, we supply yarn and fabric to only 1,000 out of approximately 7,000 small direct exporters in Tirupur. We believe these factors represent significant opportunities for us to expand our fabric and yarn customer base in the region.

In order to take advantage of these opportunities, we commenced construction of a new manufacturing facility at Arasur, near Coimbatore, in August 2005, which is expected to be fully operational by the end of fiscal 2008. We expect that we will increase our manufacturing capacity to approximately 37.9 million pieces of readymade knitted apparel, 17,200 metric tons of knitted fabric and 54,000 metric tons of yarn per year, with spinning capacity of 212,064 spindles. This represents an increase in apparel, fabric and yarn production capacity by approximately 100.0% in each category. By 2009, we expect to operate double shifts at our apparel operations at Arasur, which will increase our total apparel capacity to 63.8 million pieces per year (including production by our contract manufacturers and in-house production at Arasur).

Further integrate our operations.

We plan to further integrate our apparel manufacturing business so that we are able to provide additional value-added services and integrated manufacturing capabilities we believe are required by U.S. and European value retail customers. We currently outsource our apparel processing requirements, which include dyeing, bleaching and compacting of fabric. In order to bring this segment of the apparel business in-house, we are currently constructing a fabric processing facility at SIPCOT, Perundurai, which we expect to be fully operational by July 2007. This processing facility will have capacity to process 23 metric tons of fabric per day. In addition, in March 2007, we completed installation of printing and embroidery machines at our new Arasur mill, near Coimbatore, which will enable us to meet most of our printing and embroidery requirements in-house and further integrate our operations. We believe the SIPCOT, Perundurai processing facility and printing and embroidery capabilities at Arasur will provide operational and administrative synergy, allow us to stimulate incremental demand for our core manufacturing activities and enable us to capture all of the apparel manufacturing value chain.

Invest further in windmills as a low cost and sustainable source of energy.

In order to support our expanded operations, we plan to set up an additional windmills by the end of fiscal 2009. With the additional windmills, we expect that we will be able to meet a substantial portion of our electricity requirements with this low cost, sustainable and clean source of energy. We have not entered into any definitive agreements with respect to this project.

SUMMARY FINANCIAL INFORMATION

The following tables present a summary of financial information for K.P.R. Mill Limited and should be read in conjunction with the Auditors' Report and the financial statements and notes thereto contained in this Red Herring Prospectus and "Financial Statements", "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business" beginning on pages 110, 139 and 55, respectively of this Red Herring Prospectus. The summary financial information presented below as of and for the years ended March 31, 2004, 2005, 2006 and 2007 were derived from the restated and audited financial statements of K.P.R. Mill Limited, audited by Deloitte Haskins & Sells, Chartered Accountants, in accordance with Indian GAAP. The summary financial information presented below does not purport to project our results of operations or financial condition.

I. SUMMARY OF PROFIT AND LOSS ACCOUNT

(Rs. in Millions)

Particulars	**For the year ended**			
	March 31, 2004 March 19, 2003 to March 31, 2004	**March 31, 2005 12 months**	**March 31, 2006 12 months**	**March 31, 2007 12 months**
INCOME				
Gross Sales	-	591.99	4,214.50	4,816.23
Less: Excise Duty **	-	-	-	-
Net Sales	-	591.99	4,214.50	4,816.23
Other Income	0.85	101.77	236.98	172.14
Increase / Decrease in stock	-	37.98	(20.33)	132.22
Total	**0.85**	**731.74**	**4,431.15**	**5,120.59**
EXPENDITURE				
Consumption of Materials	-	421.11	2,704.29	3,175.02
Employees & Work force Cost	0.69	18.36	121.31	160.50
Other Manufacturing Cost	0.50	54.39	226.12	228.38
Administrative Expenses	0.26	4.06	22.58	50.59
Selling & Distribution Expenses	-	10.98	130.31	131.18
Total	**1.45**	**508.90**	**3,204.61**	**3,745.67**
EBIDTA	**(0.60)**	**222.84**	**1,226.54**	**1,374.92**
Interest	0.09	31.85	144.04	208.91
Depreciation	6.48	190.77	281.74	363.53
Net Profit before tax & extraordinary items	**(7.17)**	**0.22**	**800.76**	**802.48**
Extraordinary item *	-	-	124.08	-
Profit before taxation	**(7.17)**	**0.22**	**924.84**	**802.48**
Provision for Tax				
- Current Tax	-	0.02	75.00	90.00
- Fringe Benefit Tax	-	0.00	1.29	1.63
- Deferred Tax	-	0.00	93.40	126.65
Net Profit as per financial statements	**(7.17)**	**0.20**	**755.15**	**584.20**
Adjustments on account of restatement				
Prior period adjustment				
- Terminal Excise Duty	-	(11.99)	11.99	-
Excess provision for depreciation withdrawn	4.07	132.01	(136.08)	-
Total of Adjustments	4.07	120.01	(124.08)	-
Restated Net Profit / (Loss)	**(3.10)**	**120.22**	**631.06**	**584.20**
Balance brought forward from previous year	0.00	(3.10)	117.12	739.63
Profit available for appropriation	**(3.10)**	**117.12**	**748.18**	**1,323.83**
Proposed Dividend	-	-	7.50	25.04
Tax on Dividend	-	-	1.05	4.25
Transfer to General Reserve	-	-	-	29.20
Balance Carried to Balance Sheet	(3.10)	117.12	739.63	1,265.34
Total	**(3.10)**	**117.12**	**748.18**	**1,323.83**

Notes

* represents net of Rs.136.08 million on account of excess provision for depreciation written back and Rs.11.99 million written off on account of Terminal excise duty.

** refer Annexure 5(1)(H)

II. SUMMARY OF ASSETS AND LIABILITIES

(Rs. in Millions)

	PARTICULARS		March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
A.	**FIXED ASSETS**					
	Gross Block		133.40	1,508.88	5,032.02	6,053.50
	Less: Depreciation		2.41	61.17	341.11	698.18
	Net Block		130.99	1,447.71	4,690.91	5,355.32
	Capital work in Progress including advances		68.31	11.45	374.46	1,328.07
	Total	**(A)**	**199.30**	**1,459.16**	**5,065.37**	**6,683.39**
B.	**INVESTMENTS**	**(B)**	**-**	**-**	**2.50**	**2.50**
C.	**CURRENT ASSETS, LOANS & ADVANCES**					
	Inventories		0.03	193.46	832.90	1,219.13
	Sundry Debtors		-	234.06	414.50	598.57
	Cash and Bank Balances		22.70	84.38	152.22	272.48
	Loans and Advances		1.65	81.46	343.73	516.84
	Total	**(C)**	**24.38**	**593.36**	**1,743.35**	**2,607.02**
	Total Assets	**(A+B+C)**	**223.68**	**2,052.52**	**6,811.22**	**9,392.91**
D.	**LIABILITIES AND PROVISIONS**					
	Loan Funds					
	Secured Loans		80.79	1,147.87	2,895.24	3,939.05
	Unsecured Loans		104.11	249.45	216.50	225.40
	Sub total		**184.90**	**1,397.32**	**3,111.74**	**4,163.45**
	Current Liabilities					
	Liabilities		43.91	489.16	1,179.49	1365.01
	Provisions		-	-	84.41	120.92
	Total	**(D)**	**43.91**	**489.16**	**1,263.90**	**1,485.93**
E.	Deferred Tax Liability	**(E)**	-	-	190.20	316.84
	Total Liabilities	**(D+E)**	**228.81**	**1,886.48**	**4,565.84**	**5,966.22**
	Net Worth	**(A+B+C)-(D+E)**	**(5.13)**	**166.04**	**2,245.38**	**3,326.69**
G.	**Net Worth Representing**					
	Share Capital		0.37	20.00	150.08	317.71
	Reserves & Surplus		(3.10)	146.57	2,095.70	3,008.98
	Miscellaneous Expenditure to the extent not written off		(2.40)	(0.53)	(0.40)	-
			(5.13)	**166.04**	**2,245.38**	**3,326.69**

THE ISSUE

Equity Shares offered by the Company through the Issue	5,912,100 Equity Shares
Of which:	
QIB Portion (allocation on a proportionate basis)	At least 3,547,260 Equity Shares
Of which:	
Mutual Fund Portion	177,363 Equity Shares
Balance for all QIBs including Mutual Funds	3,369,897 Equity Shares
Non-Institutional Portion (allocation on a proportionate basis)	Not less than 591,210 Equity Shares available for allocation
Retail Portion (allocation on a proportionate basis)	Not less than 1,773,630 Equity Shares available for allocation
Equity Shares outstanding prior to the Issue	31,770,792 Equity Shares
Equity Shares outstanding after the Issue	37,682,892 Equity Shares
Use of Issue Proceeds	Please see the section titled "Objects of the Issue" beginning on page 29 of this Red Herring Prospectus.

GENERAL INFORMATION

The Company was incorporated as K.P.R. Cotton Mills Private Limited on March 19, 2003 under the Companies Act. The name of the Company was subsequently changed to K.P.R. Mill Private Limited and the status of the Company was also changed from a private limited company to a public limited company following a merger and pursuant to a scheme of arrangement approved by the High Court of Judicature at Madras on August 19, 2006 with effect from April 1, 2005. The fresh certificate of incorporation consequent upon the change of name and status of the Company was granted on October 5, 2006, by the RoC.

Registered Office of our Company

No. 9, Gokul Buildings
1st Floor, A.K.S. Nagar
Thadagam Road
Coimbatore - 641 001
Tamil Nadu
India
Tel: +91 422 247 9835
Fax: +91 422 247 0159
Email: kpr.ipo@kprmill.com
Website: www.kprmilllimited.com
Corporate Identity Number: U17111TZ2003PLC010518

Corporate Office of our Company

270 J, Periyar Colony, Anupparpalayam
Tirupur - 641 652
Tamil Nadu
India
Tel: +91 421 248 7051
Fax: +91 421 247 7254

Address of the RoC

The Registrar of Companies, Tamil Nadu at Coimbatore
Stock Exchange Building
2nd Floor, 683, Trichy Road
Singanallur
Coimbatore - 641 005
Tamil Nadu
India

Board of Directors of the Issuer

The following persons constitute the Board:

Name, Designation, Occupation	Age (years)	Address
Mr. K.P. Ramasamy Whole-time Chairman *Non-Independent and Executive Director* *Business*	58	73, Lokamanya Street (East) R.S. Puram, Coimbatore – 641 002 Tamil Nadu, India
Mr. K P D Sigamani Managing Director *Non-Independent and Executive Director* *Business*	53	Old No. 5, New No. 12, Park Avenue, Near Water Tank Kumar Nagar, Tirupur – 641 603 Tamil Nadu, India
Mr. P. Nataraj Managing Director *Non-Independent and Executive Director* *Business*	49	D Block 001, Raheja Enclave 236, Race Course Coimbatore – 641 018 Tamil Nadu, India

Name, Designation, Occupation	Age (years)	Address
Mr. Shujaat Khan *Non-Independent and Non-Executive Director* *Business*	37	80C, MLA Colony, Road No. 12, Banjara Hills Hyderabad – 500 034 Andhra Pradesh, India
Mr. S. Sathyanarayanan *Independent Director* *Business*	82	B-7, Fairlands Salem – 636 016 Tamil Nadu, India
Mr. M.J. Vijayaraagavan *Independent Director* *Practising Chartered Accountant*	74	34A, K.G. Layout Church Road Extension K.K. Pudur Coimbatore – 641 038 Tamil Nadu, India
Mr. M. Ramji *Independent Director* *Practising Chartered Accountant*	49	No. 112, Sri Abirami, 1st Floor Dr. Radhakrishna Road, Tatabad Coimbatore – 641 012 Tamil Nadu, India
Dr. K. Sabapathy *Independent Director* *Business Stock Broking*	51	3, North Main Road, Krishna Colony Singanallur Coimbatore – 641 005 Tamil Nadu, India

For further details of the Directors of the Company, see the section titled "Our Management" beginning on page 84 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Mr. Govind M. Joshi
270 J, Periyar Colony, Anupparpalayam
Tirupur - 641 652
Tamil Nadu
India
Tel: +91 421 248 7051
Fax: +91 421 247 7254
Email: govindjoshi@kprmill.com

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

Book Running Lead Manager

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021
India
Tel: +91 22 6634 1100
Fax: +91 22 2284 0492
Email: kpr.ipo@kotak.com
Contact Person: Mr. Chandrakant Bhole
Website: www.kotak.com
SEBI Registration Number: INM 000008704

Co-Book Running Lead Manager

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg
Churchgate
Mumbai 400 020
India
Tel: +91 22 2288 2460
Fax: +91 22 2282 6580
Email: kprmill_ipo@isecltd.com
Contact Person: Mr. Mahesh Natarajan
Website: www.icicisecurities.com
SEBI Registration Number: INM 000001113

Syndicate Members

Kotak Securities Limited
Bakhtawar, 1st Floor
229, Nariman Point
Mumbai 400 021
India
Tel: +91 22 6634 1100
Fax: +91 22 6630 3927
Email: umesh.gupta@kotak.com
Contact Person: Mr. Umesh Gupta
Website: www.kotak.com
SEBI Registration Number (as a member of BSE): INB 010808153

Domestic Legal Advisor to the Company

S&R Associates
K 40, Connaught Circus
New Delhi 110 001
India
Tel: +91 11 4289 8000
Fax: +91 11 4289 8001

International Legal Advisor to the BRLM and the CBRLM
(Advising on matters pertaining to the laws of the State of New York and the federal laws of the United States of America)
Jones Day
31/F Edinburgh Tower
The Landmark
15 Queen’s Road Central
Hong Kong
Tel: + 852 2526 6895
Fax: + 852 2868 5871

Registrar to the Issue

Karvy Computershare Private Limited
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500 034
Andhra Pradesh
India
Tel: +91 40 2342 0818
Toll Free India No.: 1800 3454 001
Fax: +91 40 2342 0814
Email: einward.ris@karvy.com
Contact Person: Mr. M. Murali Krishna
Website: www.kcpl.karvy.com
SEBI Registration Number: INR 000000221

Bankers to the Issue, Escrow Collection Banks and Refund Banker

Kotak Mahindra Bank Limited
158 C.S.T. Road, Dani Corporate Park
4th Floor, Kalina, Santacruz (E)
Mumbai 400 098
India
Tel: +91 22 6759 4850
Fax: +91 22 6648 2710
Email: Ibrahim.sharief@kotak.com; Mahesh.shekdar@kotak.com
Contact Person: Mr. Ibrahim Sharief and Mr. Mahesh Shekdar
Website: www.kotak.com
SEBI Registration Number: INBI00000927

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001
India
Tel: +91 22 2262 7600
Fax: +91 22 2261 1138
Email: venkatraghavan@icicibank.com
Contact Person: Mr. Venkataraghavan T.A.
Website: www.icicibank.com
SEBI Registration Number: INBI00000004

Kotak Mahindra Bank Limited is also acting as the Refund Banker for the Issue.

Bankers to the Company

Bank of Baroda
Tirupur Main Branch,
75/1, Kamaraj Road
Tirupur – 641 604
Tamil Nadu, India
Tel: +91 421 221 0741
Fax: +91 421 221 2802
Email: cotton@bankofbaroda.com
Contact Person: Mr. K. Kunhiraman, Chief Manager
Website: www.bankofbaroda.com

Bank of India
Tirupur (SME) Branch,
Binny Compound
Kumaran Road
Tirupur – 641 601
Tamil Nadu, India
Tel: +91 421 220 2145
Fax: +91 421 224 1926
Email: boitpr@dataone.in
Contact Person: Mr. S. Chandrasekaran, Assistant General Manager
Website: www.bankofindia.com

Corporation Bank
Main Branch,
Mangalam Road
Near Municipal Office
Tirupur – 641 604
Tamil Nadu, India
Tel: +91 421 224 1656
Fax: +91 421 224 0297
Email: cb087@corpbank.co.in
Contact Person: Mr. N.B. Kulasekaran
Assistant General Manager
Website: www.corpbank.com

Corporation Bank
Industrial Finance Branch
1604, Trichy Road
Coimbatore – 641 018
Tamil Nadu, India
Tel: +91 422 230 2499
Fax: +91 422 230 6035
Email: cb562@corpbank.co.in
Contact Person: Mr. V.S. Karthikeyan
Assistant General Manager
Website: www.corpbank.com

Industrial Development Bank of India Ltd.
266, Balamurugan Complex
Avinashi Road, Bungalow Stop
Tirupur – 641 602
Tamil Nadu, India
Tel: +91 421 432 6444
Fax: +91 421 432 6789
Email: kv.saravanan@idbi.co.in
Contact Person: Mr. K.V Saravanan, Branch Head
Website: www.idbibank.com

Karnataka Bank Ltd.
D-184, Eswaran Koil Street
Tirupur – 641 604
Tamil Nadu, India
Tel: +91 421 223 2730
Fax: +91 421 223 2733
Email: tirupur@ktkbank.com
Contact Person: Mr. R. Ravishankar
Website: www.karnatakabank.com

Oriental Bank of Commerce
35/36, Binny Compound
Kumaran Road
Tirupur – 641 601
Tamil Nadu, India
Tel: +91 421 220 2658
Fax: +91 421 220 1658

State Bank of Hyderabad
United India Building
1028 Avinashi Road
Coimbatore – 641 018
Tamil Nadu, India
Tel: +91 422 221 0514
Fax: +91 422 221 1154

Email: bm0558@obc.co.in
Contact Person: Mr. S. Sankar, Senior Manager
Website: www.obcindia.com

Email: sbhcbe@rediffmail.com
Contact Person: Mr. M. Tulasi Das, Chief Manager

State Bank of India
1443, Trichy Road
Coimbatore – 641 018
Tamil Nadu, India
Tel: +91 422 230 2983
Fax: +91 422 230 1823
Email: sbiifbcbe@vsnl.com
Contact Person: Mr. Kamalanathan
Assistant General Manager
Website: www.statebankofindia.com

State Bank of Mysore
Coimbatore Main Branch,
75-76, Oppanakkara Street
Coimbatore – 641 001
Tamil Nadu, India
Tel: +91 422 239 5401
Fax: +91 422 239 2718
Email: coimbatore@sbm.co.in
Contact Person: Mr. Charles Ravikumar, Chief Manager
Website: www.mysorebank.com

State Bank of Travancore
282, Oppanakkara Street
Coimbatore – 641 001
Tamil Nadu, India
Tel: +91 422 230 3915, 239 6721
Fax: +91 422 239 2375
Email: coimbatore@sbt.co.in
Contact Person: Mr. G. Albert Ruban
Chief Manager
Website: www.sbtr.com

United Bank of India
61 & 62, T.S. Puram
Valipalayam
Tirupur – 641 601
Tamil Nadu, India
Tel: +91 421 223 2435
Fax: +91 421 223 4832
Email: bmtrp@unitedbank.co.in
Contact Person: Mr. D. Sai Ram Prasad, Manager

Auditors

Deloitte Haskins & Sells, Chartered Accountants
Shanmugha Manram
41, Race Course
Coimbatore – 641 018
India
Tel: +91 422 4392 801
Fax: +91 422 221 8615
Email: crajagopal@deloitte.com
Contact Person: Mr. C.R. Rajagopal
Website: www.deloitte.com

Advisors to the Company

Ind Global Corporate Finance Pvt Limited
(A Subsidiary of Ernst & Young Pvt Ltd.)
15th Floor, Jolly Maker Chambers II
225, Nariman Point
Mumbai – 400 021
India
Tel: +91 22 6749 8000
Fax: +91 22 6749 8200
Email: gigy.mathew@in.ey.com
Contact Person: Gigy Mathew
Website: www.ey.com/india

Monitoring Agency

There is no requirement for a monitoring agency for the Issue in terms of Clause 8.17 of the SEBI Guidelines.

Statement of Responsibility of the Book Running Lead Manager and the Co-Book Running Lead Manager

The following table sets forth the *inter* se allocation of responsibilities for various activities between KMCC and ISEC as the BRLM and CBRLM, respectively:

Activity	Responsibility	Coordinator
Capital Structuring with relative components and formalities such as type of instruments, etc.	KMCC	KMCC
Due-diligence of the Company including its operations/management/business plans/legal, etc. Drafting and design of the Draft RHP and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI, including finalisation of Prospectus and the RoC filing	KMCC	KMCC
Drafting and approving all statutory advertisements	KMCC	KMCC
• Approval of all non-statutory advertisements including corporate advertisements • Preparation and finalization of the road-show presentation • Preparation of FAQs for the road-show team	KMCC	KMCC
Appointment of intermediaries viz. Registrar(s), Banker(s), Printer(s), and advertising agency to the Issue	KMCC	KMCC
Non-Institutional and Retail Marketing of the Issue, which will cover, *inter alia*, • Formulating marketing strategies, preparation of publicity budget • Finalize Media & PR strategy • Finalizing centers for holding conferences for brokers, etc. • Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material • Finalize collection centers	KMCC & ISEC	ISEC
International Institutional marketing of the Issue, which will cover, inter alia, • Institutional marketing strategy • Finalizing the list and division of investors for one to one meetings, and • Finalizing road show schedule and investor meeting schedules	KMCC	KMCC
Co-ordination with Stock Exchanges for Book Building software, bidding terminals and mock trading	KMCC & ISEC	ISEC
Managing the Book and finalization of pricing in consultation with the Company	KMCC	KMCC
Post bidding activities including management of escrow accounts, co-ordination of allocation, intimation of allocation and dispatch of refunds to bidders, etc. The post issue activities for the Issue will involve essential follow-up steps including finalization of trading and dealing of instruments and dispatch of certificates and demat and delivery of shares with the various agencies connected with the work such as the Registrar(s) to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with our company	KMCC	KMCC

Even if many of these activities will be handled by other intermediaries, the BRLM and/or the CBRLM, as the case may be, shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the Company.

Credit Rating

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

IPO Grading

The Company has not opted for the grading of this Issue from a credit rating agency.

Trustees

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

Project Appraisal

There is no project proposed to be, or being undertaken by the Company that is being appraised.

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus and Bid-cum-Application Forms. The Issue Price is determined by the Company, in consultation with the BRLM, after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

1. the Company;
2. the BRLM and the CRBLM, in this Issue being KMCC and ISEC, respectively;
3. Syndicate Member, in this Issue being Kotak Securities Limited; and
4. Registrar to the Issue, in this Issue being Karvy Computershare Private Limited.

The Equity Shares are being offered to the public through the 100% Book Building Process in accordance with Rule 19(2)(b) of the SCRR and the SEBI Guidelines, wherein at least 60% of the Issue shall be allotted on a proportionate basis to QIBs, out of which 5% shall be reserved for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For details on the terms of the Issue, see the section titled "Issue Structure" beginning on page 196 of this Red Herring Prospectus.

The Company will comply with the SEBI Guidelines and any other directions issued by SEBI in connection with the issue of securities by an Indian company to the public in India. In this regard, the Company has appointed KMCC and ISEC, as the BRLM and CRBLM, respectively, to manage the Issue and procure subscriptions to the Issue.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid. For details, see the section titled "Issue Procedure" beginning on page 196 of the Red Herring Prospectus;
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form;
3. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form; and
4. 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, see the section titled "Issue Procedure" beginning on page 196 of this Red Herring Prospectus.

Illustration of Book Building and Price Discovery Process

(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

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

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

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

Withdrawal of the Issue

The Company in consultation with the BRLM reserves the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date, without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Bid/Issue Programme

BID/ISSUE OPENING DATE	**AUGUST 2, 2007**
BID/ISSUE CLOSING DATE	**AUGUST 7, 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 centres mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded until (i) 5 p.m, in case of Bids by QIB Bidders and Non-Institutional Bidders; and (ii) such time as permitted by the BSE and the NSE on the Bid/ Issue Closing Date, in case of Bids by Retail Individual Bidders. Due to the limited time available for uploading Bids on the Bid/Issue Closing Date, Bidders may consider submitting their Bids one day prior to the Bid/Issue Closing Date. Bidders are advised that if a large number of Bids are received on the Bid/Issue Closing Date, it may not be possible to upload all the Bids received on that day during the time available for uploading. Bids that are not uploaded on the Bid/Issue Closing Date will not be considered for allocation under the Issue. Bids will be accepted only on Business Days.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with the 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 Price disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding Period will be extended for three additional working days after revision of Price Band subject to the Bidding Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding 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 website of the BRLM, the CBRLM and at the terminals of the other members of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price but prior to the filing of the Prospectus with the RoC, the Company intends to enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued and sold in the Issue. Pursuant to the terms of the Underwriting Agreement, the BRLM and CBRLM shall be responsible for bringing in the amount devolved in the event that the members of the Syndicate 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 number 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 Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In Million)
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar 229, Nariman Point Mumbai - 400 021, India Tel: +91 22 6634 1100 Fax: +91 22 2284 0492 Email: kpr.ipo@kotak.com	[●]	[●]
Kotak Securities Limited Bakhtawar, 1st Floor 229, Nariman Point Mumbai - 400 021, India Tel: +91 22 6634 1100 Fax: +91 22 6630 3927 Email: umesh.gupta@kotak.com	[●]	[●]
ICICI Securities Limited ICICI Centre, H.T. Parekh Marg Churchgate Mumbai - 400 020, India Tel: +91 22 2288 2460 Fax: +91 22 2268 6580 Email: kprmill_ipo@isecltd.com	[●]	[●]
TOTAL	[●]	[●]

The above-mentioned amount is an indicative underwriting and would be finalized after determination of the Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [●], 2007 and has been approved by our Board of Directors.

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

In the opinion of the Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s).

CAPITAL STRUCTURE

The share capital of the Company as at the date of filing this Red Herring Prospectus with SEBI, before and after the proposed Issue, is set forth below:

In Rs. (except share data)

		Aggregate Nominal Value	Aggregate Value at Issue Price
A)	**AUTHORISED SHARE CAPITAL[(1)]**		
	40,000,000 Equity Shares of Rs.10 each	400,000,000	
B)	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL BEFORE THE ISSUE**		
	31,770,792 fully paid up Equity Shares of Rs.10 each	317,707,920	
C)	**PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS[(2)]**		
	5,912,100 Equity Shares of Rs.10 each	59,121,000	[●]
D)	**PAID UP EQUITY CAPITAL AFTER THE ISSUE**		
	37,682,892 Equity Shares of Rs.10 each	376,828,920	[●]
E)	**SHARE PREMIUM ACCOUNT**		
	Before the Issue	395,779,640	
	After the Issue	[●]	

(1)

a) Pursuant to a resolution of the shareholders of the Company at the EGM held on December 23, 2005, the equity shares of face value Rs.100 each were sub-divided into equity shares of Rs.10 each. As a result of the sub-division, the authorized share capital of the Company was changed from Rs.50,000,000 divided into 500,000 equity shares of Rs.100 each to Rs.50,000,000 divided into 5,000,000 equity shares of Rs.10 each .

b) Pursuant to a resolution of the shareholders of the Company at the EGM held on September 15, 2006, the authorized share capital of the Company was increased from Rs.50,000,000 comprising 5,000,000 equity shares of Rs.10 each to Rs.240,000,000 divided into 24,000,000 equity shares of Rs.10 each.

c) Pursuant to a resolution of the shareholders of the Company at the EGM held on March 1, 2007, the authorized share capital of the Company was increased from Rs.240,000,000 divided into 24,000,000 equity shares of Rs.10 each to Rs.400,000,000 divided into 40,000,000 equity shares of Rs.10 each.

(2) The Issue has been authorized by a resolution of the Board dated February 21, 2007 and by a special resolution passed by the shareholders of the Company pursuant to Section 81(1A) of the Companies Act at the EGM held on March 1, 2007.

Notes to the Capital Structure

1. Share Capital History of the Company

The following is the history of the equity share capital of the Company as at the date of this Red Herring Prospectus:

Date of allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative Number of Equity Shares	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
March 19, 2003	1,080	100	100	Cash	Subscription to the Memorandum and Articles of Association[(1)]	1080	Nil	108,000
July 21, 2003	1,080	100	100	Cash	Allotment to certain members of the Promoter Group[(2)]	2160	Nil	216,000

Date of allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative Number of Equity Shares	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
August 29, 2003	1,540	100	100	Cash	Allotment to K.P.R. Mill Private Limited	3700	Nil	370,000
March 31, 2005	196,300	100	250	Cash	Further allotment to the Promoters and certain members of the Promoter Group(3)	200,000	29,445,000	20,000,000
December 23, 2005	2,000,000	10	-	-	Sub-division of equity shares of face value of Rs.100 each into face value of Rs.10 each	2,000,000	29,445,000	20,000,000
February 15, 2006	72,651	10	119.60	Consideration other than cash	Allotment as consideration for the purchase of the business of K.P.R. Knits(4)	2,072,651	37,407,550	20,726,510
October 6, 2006	12,951,000	10	NA	Consideration other than cash	Allotment pursuant to order of the High Court of Judicature at Madras in relation to the merger of K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited with and into the Company(5)	15,023,651	37,407,550	150,236,510
October 6, 2006	-15,400	10	-	-	Cancellation of the shares held by K.P.R. Mill Private Limited pursuant to the merger of K.P.R. Mill Private Limited with and into the Company	15,008,251	37,407,550	150,082,510
November 14, 2006	877,145	10	599.67	Cash	Allotment to Ares Investments	15,885,396	554,633,600	158,853,960
March 1, 2007	15,885,396	10	NA	Bonus	Capitalization of reserves other than out of revaluation reserves or reserves without accrual of cash resources(6)	31,770,792	395,779,640	317,707,920

(1) Allotment of 360 equity shares each to Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj.

(2) Allotment of 360 equity shares each to Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi.

(3) Allotment to our Promoters, Mr. K.P. Ramasamy (37,934 equity shares), Mr. K P D Sigamani (37,933 equity shares), Mr. P. Nataraj (37,933 equity shares), and their respective spouses, Mrs. K.R. Parvathy (27,500 equity shares), Mrs. D. Radhamani (27,500 equity shares) and Mrs. N. Jayanthi (27,500 equity shares).

(4) Allotment to Mr. K P D Sigamani as the proprietor of K.P.R. Knits.

(5) Allotment to our Promoters, Mr. K.P. Ramasamy (3,829,000 equity shares), Mr. K P D Sigamani (3,787,337 equity shares), Mr. P. Nataraj (3,826,987 equity shares) and their respective spouses, Mrs. K.R. Parvathy (488,000 equity shares), Mrs. D. Radhamani (529,663 equity shares) and Mrs. N. Jayanthi (490,013 equity shares) pursuant to a scheme of arrangement approved by the High Court of Judicature at Madras in relation to the merger of K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited with and into the Company as consideration for their shares in K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited. For details of the merger, see the section titled "History and Certain Corporate Matters" beginning on page 80 of this Red Herring Prospectus.

(6) Pursuant to a shareholder's resolution passed at the EGM held on March 1, 2007, a bonus issue of Equity Shares in the ratio of 1:1 was approved.

Other than as specified above, the Company has not issued any shares during the preceding one year from the date of this Red Herring Prospectus.

2. Promoters' Contribution and Lock-in

The Equity Shares that are being locked-in are eligible for computation of Promoters' contribution under Clause 4.6 of the SEBI Guidelines and are being locked-in in accordance with Clause 4.11 of the SEBI Guidelines.

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

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-Issue capital of the Company held by the Promoters shall be locked-in for a period of three years from the date of Allotment in the Issue. The details of such lock-in are given below:

Name of the Promoter	Date on which the Equity Shares were allotted/ acquired	Date when made fully paid-up	Nature of Consideration (Cash, bonus or other than cash)	No. of Equity Shares locked in	Face Value (Rs.)	Issue Price (Rs.)	Percentage of Post-Issue paid-up capital (%)
Mr. K.P. Ramasamy	March 1, 2007	Fully paid up when allotted	Bonus	2,512,200*	10	NA	6.67
Mr. K P D Sigamani	March 1, 2007	Fully paid up when allotted	Bonus	2,512,200*	10	NA	6.67
Mr. P. Nataraj	March 1, 2007	Fully paid up when allotted	Bonus	2,512,200*	10	NA	6.66
TOTAL				**7,536,600**			**20.00**

* None of the Promoters acquired any Equity Shares in the one year immediately preceding the date of this Red Herring Prospectus other than pursuant to a scheme of arrangement approved by the High Court of Judicature at Madras. Accordingly, all the Equity Shares held the Promoters immediately prior to the bonus issue on March 1, 2007 were eligible for lock-in pursuant to Chapter 4 of the SEBI Guidelines. Therefore, the Equity Shares issued to the Promoters pursuant to such bonus issue are also eligible for lock-in pursuant to Chapter 4 of the SEBI Guidelines.

The Equity Shares being locked-in for a period of three years from the date of Allotment in the Issue and which have been issued for consideration other than cash have been issued pursuant to a bonus issue of Equity Shares and are not from a bonus issue out of a revaluation reserves or reserves created without the accrual of cash resources. The Equity Shares held by the Promoters are not subject to any pledge.

Indicated below is the capital build-up of the Promoters' shareholding in the Company:

Name of the Promoter	Date of Allotment / Transfer	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Date when made Fully Paid Up	Nature of Consideration (Cash, bonus or other than cash)	Nature of Transaction	Lock-in Period (Years)
Mr. K.P. Ramasamy	March 19, 2003	360(1)	100	100	March 19, 2003	Cash	Allotment pursuant to subscription to Memorandum and Articles of Association	1
	March 31, 2005	37,934(1)	100	250	March 31, 2005	Cash	Allotment	1
	February 15, 2006	24,217	10	119.60	February 15, 2006	Cash	Transfer from Mr. K P D Sigamani	1

Name of the Promoter	Date of Allotment / Transfer	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Date when made Fully Paid Up	Nature of Consideration (Cash, bonus or other than cash)	Nature of Transaction	Lock-in Period (Years)
	October 6, 2006	3,829,000	10	NA	October 6, 2006	Consideration other than cash	Allotment pursuant to merger(2)	1
	November 14, 2006	-263,635	10	599.67	November 14, 2006	Cash	Transfer to private equity investors	-
	March 1, 2007	3,972,522	10	NA	March 1, 2007	Bonus	Allotment	3*
	Total*	**7,795,044**						
Mr. K P D Sigamani	March 19, 2003	360(1)	100	100	March 19, 2003	Cash	Allotment pursuant to subscription to Memorandum and Articles of Association	1
	March 31, 2005	37,933(1)	100	250	March 31, 2005	Cash	Allotment	1
	February 15, 2006	72,651	10	119.60	February 15, 2006	Consideration other than cash	Allotment as consideration for the purchase of business of K.P.R. Knits	1
	February 15, 2006	-48,434	10	119.60	February 15, 2006	Cash	Transfer to Mr. K.P. Ramasamy and Mr. P. Nataraj	-
	October 6, 2006	3,787,337	10	NA	October 6, 2006	Consideration other than cash	Allotment pursuant to merger(2)	1
	November 14, 2006	-221,486	10	599.67	November 14, 2006	Cash	Transfer to private equity investors	-
	March 1, 2007	3,972,998	10	NA	March 1, 2007	Bonus	Allotment	3*
	Total*	**7,945,996**						
Mr. P. Nataraj	March 19, 2003	360(1)	100	100	March 19, 2003	Cash	Allotment pursuant to subscription to Memorandum and Articles of Association	1
	March 31, 2005	37,933(1)	100	250	March 31, 2005	Cash	Allotment	1
	February 15, 2006	24,217	10	119.60	February 15, 2006	Cash	Transfer from Mr. K P D Sigamani	1
	October 6, 2006	3,826,987	10	NA	October 6, 2006	Consideration other than cash	Allotment pursuant to merger(2)	1

Name of the Promoter	Date of Allotment / Transfer	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Date when made Fully Paid Up	Nature of Consideration (Cash, bonus or other than cash)	Nature of Transaction	Lock-in Period (Years)
	November 14, 2006	-261,589	10	599.67	November 14, 2006	Cash	Transfer to private equity investors	-
	March 1, 2007	3,972,545	10	NA	March 1, 2007	Bonus	Allotment	3*
	Total*	**7,945,090**						

* Of this only 2,512,200 Equity Shares would be locked-in for 3 years and the balance would be locked in for 1 year.

1 On December 23, 2005, one equity share of the Company of Rs.100 each was sub divided into ten equity shares of Rs.10 each.
2 Allotment pursuant to a scheme of arrangement approved by the High Court of Judicature at Madras in relation to the merger of K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited with and into the Company. For details of the merger, see the section titled "History and Certain Corporate Matters" beginning on page 80 of this Red Herring Prospectus.

b) Details of share capital locked-in for one year:

In terms of Clause 4.14.1 of the SEBI Guidelines, in addition to 20% of the post-Issue shareholding of the Company held by the Promoters and proposed to be locked-in as part of the Promoters' contribution as specified above for three years, the entire pre-Issue equity share capital of the Company constituting 24,234,192 Equity Shares will be locked-in for a period of one year from the date of Allotment in the Issue.

c) Other requirements in respect of lock-in:

Pursuant to Clause 4.15 of the SEBI Guidelines, locked-in Equity Shares held by the Promoters, as specified above, can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions provided that (i) the pledge of the Equity Shares is one of the terms of the sanction of such loans and (ii) if the Equity Shares are locked-in as Promoter's contribution for three years, then in addition to the requirement in (i) above, such Equity Shares may be pledged only if the loan has been granted by the banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

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

Further, in terms of clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and among the Promoters or the Promoter Group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code, as applicable.

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

3. Shareholding Pattern of the Company

The table below presents the Company's shareholding pattern as at the date of this Red Herring Prospectus before the proposed Issue and as adjusted for the Issue:

Name of Shareholder	Pre-Issue		Post-Issue	
	Number of Equity Shares	Percentage of equity share capital (%)	Number of Equity Shares	Percentage of equity share capital (%)
Promoters				
Mr. K.P. Ramasamy	7,945,044	25.01	7,945,044	21.08
Mr. K P D Sigamani	7,945,996	25.01	7,945,996	21.09

Name of Shareholder	Pre-Issue		Post-Issue	
	Number of Equity Shares	Percentage of equity share capital (%)	Number of Equity Shares	Percentage of equity share capital (%)
Mr. P. Nataraj	7,945,090	25.01	7,945,090	21.08
***Total Holding of the Promoters** (A)*	***23,836,130***	***75.03***	***23,836,130***	***63.25***
Promoter Group (other than Promoters)				
Mrs. K.R. Parvathy*	1,031,414	3.25	1,031,414	2.74
Mrs. D. Radhamani*	1,031,184	3.25	1,031,184	2.74
Mrs. N. Jayanthi*	1,032,084	3.25	1,032,084	2.74
Mr. C.R. Anandakrishnan	720	-	720	-
***Total Holding of Promoter Group (other than Promoters)** (B)*	***3,095,402***	***9.75***	***3,095,402***	***8.22***
Others				
Brandot Investments Limited %	1,106,784	3.48	1,106,784	2.94
Argonaut Ventures@	647,506	2.04	647,506	1.72
Ares Investments*#	3,084,970	9.71	3,084,970	8.19
***Total Holding of Others** (C)*	***4,839,260***	***15.23***	***4,839,260***	***12.85***
Issue to Public (D)	-	-	***5,912,100***	***15.69***
Total (A+B+C+D)	***31,770,792***	***100.00***	***37,682,892***	***100.00***

* Pursuant to the 2nd Supplementary Agreement, if the Issue Price is less than Rs. 237.64 per Equity Share, each of Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi will transfer up to a maximum of 270,728 Equity Shares to Ares Investments for a consideration of Rs. one per Equity Share. Following such transfer the Investors will together hold a maximum of 5,109,988 Equity Shares of the Company which will constitute a maximum of 16.08% of the pre-Issue share capital and a maximum of 13.56% of the post-Issue share capital of the Company and the Promoter Group will together hold a minimum of 2,824,674 Equity Shares of the Company which will constitute a minimum of 8.89% of the pre-Issue share capital and a minimum of 7.50% of the post-Issue share capital of the Company. If the Issue Price is greater than Rs. 237.64 per Equity Share, Ares Investors will transfer up to a maximum of 500,019 Equity Shares in equal proportions to Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi for a consideration of Rs. one per Equity Share. Following such transfer the Investors will together hold a minimum of 4,339,241 Equity Shares, of the Company, which will constitute a minimum of 13.66% of the pre-Issue share capital and a minimum of 11.52% of the post-Issue share capital of the Company, and the Promoter Group will together hold a maximum of 3,595,421 Equity Shares of the Company which will constitute a maximum of 11.32% of the pre-Issue share capital and a maximum of 9.54% of the post-Issue share capital of the Company. These transfers will occur prior to filing the final Prospectus with the RoC and the aggregate Equity Shares held by the Investors and the Promoter Group, together with their post-Issue shareholding percentage will be included in the final Prospectus filed with the RoC.

% ‘Brandot Investments Limited’ is not registered with SEBI

@ ‘Argonaut Ventures’ is registered with SEBI under the SEBI (Foreign Institutional Investors) Regulations, 1995 as a proprietary sub account of George Kaiser Family Foundation vide SEBI Code No. 20070049. George Kaiser Family Foundation is a SEBI registered FII vide SEBI Registration No. 1457-07.

‘Ares Investments’ is a Foreign Venture Capital Investor and is registered with SEBI as such vide SEBI Registration No. IN/FVCI/06-07/57.

4. Each of the Company, its Promoters, the Promoter Group, their respective directors and the BRLM have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares from any person.

5. Top ten shareholders

The list of top ten shareholders of the Company and the number of Equity Shares held by them is set forth below:

(a) The top ten shareholders of the Company and the number of Equity Shares held by them as at the date of filing this Red Herring Prospectus with SEBI are as follows:

S. No.	Shareholder	No. of Equity Shares Held*	Percentage Shareholding (%)
1	Mr. K P D Sigamani	7,945,996	25.01
2	Mr. P. Nataraj	7,945,090	25.01
3	Mr. K.P. Ramasamy	7,945,044	25.01
4	Ares Investments	3,084,970	9.71
5	Mrs. K.R. Parvathy	1,031,414	3.25
6	Mrs. D. Radhamani	1,031,184	3.25
7	Mrs. N. Jayanthi	1,032,084	3.25
8	Brandot Investments Limited	1,106,784	3.48
9	Argonaut Ventures	647,506	2.04
10	Mr. C.R. Anandakrishnan	720	---

* The face value of each equity share is Rs.10.

(b) The top ten shareholders of the Company and the number of Equity Shares held by them ten days prior to filing of this Red Herring Prospectus with SEBI were as follows:

S. No.	Shareholder	No. of Equity Shares Held*	Percentage Shareholding (%)
1	Mr. K P D Sigamani	7,945,996	25.01
2	Mr. P. Nataraj	7,945,090	25.01
3	Mr. K.P. Ramasamy	7,945,044	25.01
4	Ares Investments	1,754,290	5.52
5	Mrs. K.R. Parvathy	1,474,974	4.64
6	Mrs. D. Radhamani	1,474,744	4.64
7	Mrs. N. Jayanthi	1,475,644	4.64
8	Brandot Investments Limited	1,106,784	3.48
9	Argonaut Ventures	647,506	2.04
10	Mr. C.R. Anandakrishnan	720	---

* The face value of each equity share was Rs.10.

(c) The top ten shareholders of the Company and the number of Equity Shares held by them as of two years prior to filing this Red Herring Prospectus with SEBI were as follows:

S. No.	Shareholder	No. of Equity Shares Held*	Percentage Shareholding (%)
1	K.P.R. Mill Private Limited	1,540	0.77
2	Mr. K.P. Ramasamy	38,294	19.15
3	Mr. K P D Sigamani	38,293	19.15
4	Mr. P. Nataraj	38,293	19.15
5	Mrs. K.R. Parvathy	27,860	13.93
6	Mrs. D. Radhamani	27,860	13.93
7	Mrs. N. Jayanthi	27,860	13.92

* The face value of each equity share was Rs.100.

6. **Directors as Shareholders**

Except as set forth below, none of our Directors or key managerial personnel hold Equity Shares in the Company:

S. No.	Name	Number of Equity Shares Held	Pre-Issue Percentage Shareholding (%)	Post-Issue Percentage Shareholding (%)
1.	Mr. K P D Sigamani	7,945,996	25.01	21.09
2.	Mr. P. Nataraj	7,945,090	25.01	21.08
3.	Mr. K.P. Ramasamy	7,945,044	25.01	21.08
	TOTAL	**23,836,130**	**75.03**	**63.25**

7. **No outstanding warrants, options etc.**

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

8. **Employee stock option plans**

The Company does not have any employee stock option scheme as of the date of filing of this Red Herring Prospectus.

9. At least 60% of the Issue, that is, 3,547,260 Equity Shares shall be allotted on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Not less than 10% of the Issue, i.e. 591,210 Equity Shares shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue that is 1,773,630 Equity Shares 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.

10. Under-subscription, if any, in the Retail Portion or Non-Institutional Portion would be met with spill over from other categories or combination of categories at the discretion of the Company in consultation with the BRLM.

11. Except as set forth below, each of the Directors, the Promoters and the Promoter Group has not transferred any securities of the Company during the period of six months preceding the date of filing the Draft Red Herring Prospectus with SEBI and has not transferred any such securities during the period between filing the Draft Red Herring Prospectus and the date of this Red Herring Prospectus:

Date of Transaction	Transferor	Transferee	Number of Equity Shares	Price at which shares purchased (Rs. per share)
November 14, 2006	Mr. K.P. Ramasamy	Brandot Investments Limited	263,635	599.67
November 14, 2006	Mr. K P D Sigamani	Brandot Investments Limited	221,486	599.67
November 14, 2006	Mr. P. Nataraj	Argonaut Ventures	261,589	599.67
November 14, 2006	Mrs. K.R. Parvathy	Argonaut Ventures	28,753	599.67
November 14, 2006	Mrs. D. Radhamani	Brandot Investments Limited	68,271	599.67
November 14, 2006	Mrs. D. Radhamani	Argonaut Ventures	2,620	599.67
November 14, 2006	Mrs. N. Jayanthi	Argonaut Ventures	30,791	599.67
July 17, 2007	Mrs. K.R. Parvathy	Ares Investments	443,560	1.00
July 17	Mrs. D. Radhamani	Ares Investments	443,560	1.00
July 17	Mrs. N. Jayanthi	Ares Investments	443,560	1.00

12. The Company has issued Equity Shares to the persons set forth below in the year preceding the date of this Red Herring Prospectus, which may be at a price lower than the Issue Price:

Name of the Shareholder	Whether Belongs to Promoter Group	Number of Equity Shares	Issue Price (Rs.)	Reasons for Issue
March 1, 2007				
Mr. K.P. Ramasamy	Yes	3,972,522	NA	Bonus(1)
Mr. K P D Sigamani	Yes	3,972,998	NA	Bonus(1)
Mr. P. Nataraj	Yes	3,972,545	NA	Bonus(1)
Mrs. K.R. Parvathy	Yes	737,487	NA	Bonus(1)
Mrs. D. Radhamani	Yes	737,372	NA	Bonus(1)
Mrs. N. Jayanthi	Yes	737,822	NA	Bonus(1)
Mr. C.R. Anandakrishnan	Yes	360	NA	Bonus(1)
Ares Investments	No	877,145	NA	Bonus(1)
Argonaut Ventures	No	323,753	NA	Bonus(1)
Brandot Investments Limited	No	553,392	NA	Bonus(1)
November 14, 2006:				
Ares Investments	No	877,145	599.67	Preferential Allotment
October 6, 2006:				
Mr. K.P. Ramasamy	Yes	3,829,000	10	Allotment(2)
Mr. K P D Sigamani	Yes	3,787,337	10	Allotment(2)
Mr. P. Nataraj	Yes	3,826,987	10	Allotment(2)
Mrs. K.R. Parvathy	Yes	488,000	10	Allotment(2)
Mrs. D. Radhamani	Yes	529,663	10	Allotment(2)
Mrs. N. Jayanthi	Yes	490,013	10	Allotment(2)

(1) 1:1 Bonus issue arising from capitalization of reserves other than out of revaluation reserves or reserves without accrual of cash resources.

(2) Allotment to the shareholders of K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited as consideration pursuant to a scheme of arrangement approved by the High Court of Judicature at Madras in relation to the merger of K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited with and into the Company. For details on the merger, see the section titled "History and Certain Corporate Matters" beginning on page 80 of this Red Herring Prospectus.

13. A Bidder cannot make a Bid for more than the number of Equity Shares offered in the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

14. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares offered through the Red Herring Prospectus have been listed.

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

16. The Equity Shares issued pursuant to this Issue shall be and are fully paid-up.

17. The Company has not made any public issue since its incorporation.

18. As of the date of this Red Herring Prospectus, the total number of holders of Equity Shares is 10.

19. The Company has not raised any bridge loans against the proceeds of the Issue.

20. Except as disclosed in this Red Herring Prospectus, the Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash, and bonus shares have been issued out of the share premium account.

21. The Equity Shares held by the Promoters are not subject to any pledge.

22. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of Allotment.

23. The Promoters and members of the Promoter Group will not participate in this Issue.

24. The Company presently does not intend or propose to alter its capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. Additionally, if the Company enters into acquisitions or joint ventures, it may, subject to necessary approvals, consider using the Equity Shares as currency for acquisitions or participation in such joint ventures the Company may enter into and/or we may raise additional capital to fund accelerated growth.

OBJECTS OF THE ISSUE

The objects of the Issue are primarily for the following purposes:

- Expansion of the existing garment facility at Arasur, near Coimbatore;
- Setting up a design studio at Arasur;
- Construction of an additional hostel facility at Arasur;
- Expansion of the processing facility at State Industries Promotion Corporation of Tamil Nadu Limited ("SIPCOT"), Perundurai;
- Investing in a new knitting facility at Arasur;
- Addition of balancing equipments for our existing spinning facility at Sathyamangalam; and
- General corporate purposes.

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

We intend to utilize the proceeds of the Issue, after deducting the Issue related expenses, which is estimated at Rs. 29 ("Net Proceeds") for financing the above mentioned objects.

The details of the utilization of Net Proceeds will be as per the table set forth below:

(In Rs. Million)

S. No.	Expenditure Items	Total cost to be entirely financed from the Net Proceeds	Other means of finance	Estimated Net Proceeds utilization as on March 31,	
				2008	2009
1.	Expansion of the existing garment facility at Arasur, near Coimbatore	105.91	Nil	105.91	Nil
2.	Setting up a design studio at Arasur	5.60	Nil	5.60	Nil
3.	Construction of an additional hostel facility at Arasur	71.28	Nil	-	71.28
4.	Expansion of the processing facility at SIPCOT, Perundurai	397.02	Nil	Nil	397.02
5.	Investment in knitting facility at Arasur, near Coimbatore	259.58	Nil	259.58	Nil
6.	Addition of Balancing Equipments for our existing spinning facility at Sathyamangalam	138.12	Nil	138.12	Nil
7.	General corporate purposes	[●]	NA	[●]	[●]
	Total	[●]		[●]	[●]

As of the date of filing this Red Herring Prospectus, we have not incurred any expenditure in relation to the above stated objects.

The fund requirement and deployment are based on internal management estimates, vendor quotations and have not been appraised by any bank or financial institution. These are based on current conditions and are subject to change in light of changes in external circumstances, or costs or changes in our financial condition, business or strategy. In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through our internal accruals and debt.

We operate in a highly competitive, dynamic market environment, and may have to revise our estimates from time to time on account of new initiatives that we may pursue including any potential acquisition opportunities. Consequently, our fund requirements may also change accordingly. Any such change in our plans may require rescheduling of our expenditure programs, at the discretion of our management. In case of any shortfall or cost overruns, we intend to meet our estimated expenditure from our internal accruals and debt.

Details of the Objects

1. Expansion of the existing garment facility at Arasur, near Coimbatore

In furtherance of our strategy to expand our apparel business, we propose to strengthen our garment manufacturing capabilities by expansion of our existing garment facility at Arasur, near Coimbatore. Under the proposed expansion plan, we propose to acquire garment manufacturing machinery.

We estimate to incur a total expenditure of Rs.105.91 million, the break-up of which is as set forth below:

(In Rs. Million)

S. No.	Expenditure Items	Total cost to be financed from the Net Proceeds	Estimated Net Proceeds utilization as on March 31,	
			2008	2009
1.	Acquisition of garment manufacturing machinery	105.91	105.91	Nil
	Total	105.91	105.91	Nil

Acquisition of Garment Manufacturing Machinery:

We propose to acquire the following types of garment manufacturing machinery:

(a) pattern making, fabric laying and cutting machines;
(b) embroidery machines; and
(c) textile printing cum flocking machines.

The details of the above mentioned machinery are as follows:

(a) Pattern making, fabric laying and cutting machines:

We propose to acquire automated pattern making, fabric laying, fabric cutting machines, platforms for laying fabric, a licensed control software and spares and consumables. These machines are capable of undertaking activities such as fabric laying, fabric cutting and pattern making in large quantities using computer software in an accurate manner. The details of the abovementioned machines are as set forth below:

S. No.	Details of machinery	No. of units to be acquired	Approximate cost (In Rs. Million)
1.	Lectra Pattern Making, Grading and Marker Making Solution		
2.	Lectra Automatic Fabric Laying Solution		
	a) Spreader for fabric rolls	2	
	b) Additional platform	2	
	c) Blowing table	60	
	d) Roll Loader	2	
3.	Lectra Automatic Fabric Cutting Machine		17.84
	a) Automatic Cutting Machine – VectorPilot Fashion MP V2R2, license for use of control software,	1	
	b) Mass production fabric cutter – VectorFashion MP 9	1	
	c) Transfer system	1	
	d) Variable Control	1	
	e) Rails for cutters	5	
	Sub-Total (A)		17.84

S. No.	Details of machinery	No. of units to be acquired	Approximate cost (In Rs. Million)
2.	Spares and Consumables		
	Spares and Consumables for Kit for Cutting & Spreading Machine	1	2.14
	Sub-Total (B)		2.14
	Sub-Total (C)		19.99
	Import Duty		1.00
	Grand Total (A + B + C)		20.99
	Cost of 2 sets of above Machinery (Rs. 20.99 Million x 2)		41.98

We have estimated the cost of the garment manufacturing machinery based on the quotation received from Lectra S.A., dated March 10, 2007. The currency used in the above quotation is US$ and we have assumed 1 US$=Rs. 44.50 for conversion of the amounts in INR.

(b) Embroidery Machines:

We propose to acquire multihead computerized embroidery machines to be used for making embroidery in the garments manufactured by us. These machines are fully automated and computerized and are capable of undertaking intricate embroidery work in a very fast and an accurate manner. They can undertake embroidery work exactly as per the designs fed into the computerized system with least amount of manual intervention.

The details of the embroidery machines proposed to be acquired are as set forth below:

Details of machinery	No. of units to be acquired	Approximate cost (In Rs. Million)
Barudan Multihead Computerised Embroidery Machines with Standard Accessories		
(a) Model : BEVS – Y920 (600 x 300 / 600 MM)	10	31.48
(b) Model : BEVS – Y920 (600 x 350 / 350 MM)	1	2.43
Sub Total		33.91
Import Duty		1.70
Total		35.61

We have estimated the cost of the embroidery machinery based on the quotation received from Barudan Asia Pte Ltd. dated March 3, 2007. The currency used in the above quotation is Japanese Yen (J.¥) and we have assumed 1 J.¥=Rs. 0.38 for conversion of the amounts in INR.

(c) Textile Printing cum Flocking Machines:

We propose to acquire textile printing cum flocking machines to be used in garment manufacturing. Each such machine has a maximum print area of 500 mm x 500 mm and has a maximum flock area of 400 mm x 400 mm at one time.

The details of the printing cum flocking machines proposed to be acquired are as set forth below:

Details of machinery	No. of units to be acquired	Approximate cost (In Rs. Million)
Hebbecker, Germany, - Multicolour Textile Printing cum Flocking Machine – Type SPEEDLINE –2	6	26.97
Import Duty @ 5%		1.35
Total		28.32

We have estimated the cost of the printing cum flocking machinery based on the quotation received from M/s. Hebbecker International, Germany dated March 13, 2007. The currency used in above quotation is EUROs and we have assumed 1 EURO=Rs. 58.00 for conversion of the amounts in INR.

2. Setting up a Design Studio at Arasur

In furtherance of our strategy to expand our apparel business, we propose to set up a fully computerized design studio which enables users to view clothing designs on a virtual 3D figure.

For this purpose we expect to incur a total expenditure of Rs.5.60 million, the breakup of which is as set forth below:

(In Rs. Million)

S. No.	Expenditure Items	Total cost to be financed from the Net Proceeds	Estimated Net Proceeds utilization as on March 31,	
			2008	2009
1.	Setting up a design studio at Arasur	5.60	5.60	Nil
	Total	5.60	5.60	Nil

Brief details of the design studio suite proposed to be acquired by us are as set forth below:

S. No.	Details of machinery	No. of units to be acquired	Cost per unit	Approximate cost (In Rs. Million)
1.	V Stitcher – Configuration	2	0.80	1.60
2.	V Stitcher – Tables	10	0.23	2.34
3.	Vision Fashion Studio	2	0.69	1.39
	Import Duty @ 5%			0.27
	Total			**5.60**

We have estimated the cost of the said machinery based on the proforma invoice received from Gerber Technology, dated February 22, 2007. The currency used in the above quotation is US$ and we have assumed 1 US$=Rs. 44.50 for conversion of the amounts in INR.

3. Construction of an additional Hostel Facility at Arasur

We propose to construct an additional hostel facility within our existing Arasur facility for our workforce, of approximately 2800 proposed to be employed in the new garment manufacturing facility. We estimate a total cost of Rs. 71.28 million towards construction of the hostel facility, the breakup of which is set forth as below:

(In Rs. Million)

S. No.	Expenditure Items	Total cost to be financed from the Net Proceeds	Estimated Net Proceeds utilization as on March 31,	
			2008	2009
1.	Construction of an additional Hostel Facility at Arasur	71.28	Nil	71.28
	Total	71.28	Nil	71.28

The details of the proposed hostel facility are as set forth below:

Details of construction	Area (Sq. ft.)	Approximate rate per Sq. Ft. (In Rs.)	Approximate Value (In Rs. Million)
Construction of a Hostel Facility with three floored framed structure with RCC Columns.	88,000	810.00	71.28
Total			**71.28**

The above cost includes earthwork, size stone masonary, plastering with cement mortar ceiling, wall plastering, flooring with ceramic tiles with putty finish, one coat of white cement wash, wooden doors, steel windows, with staircase facilities, bathrooms with fittings like wash trough.

We have estimated the cost of construction of Hostel Facility based on the quotation received from M/s. Palaniswamy & Associates, dated February 23, 2007.

4. Expansion of the processing facility at SIPCOT, Perundurai

We propose to undertake expansion of our existing processing facility at SIPCOT, Perundurai by installing additional stentering machines, dyeing machines and finishing machines. To install these machines, we would also have to undertake electrical work and install electrical fittings to ensure uninterrupted power supply for the said machines.

For this purpose, we estimate to incur a total expenditure of Rs. 397.02 million, the break-up of which is as set forth below:

(In Rs. Million)

S. No.	Expenditure	Total cost to be financed from the Net Proceeds	Estimated Net Proceeds utilization as on March 31,	
			2008	**2009**
1.	Stentering Machines	77.60	Nil	77.60
2.	Dyeing Machines	219.51	Nil	219.51
3.	Finishing Machines	80.46	Nil	80.46
4.	Electrical Works	19.45	Nil	19.45
	Total	397.02	Nil	397.02

(a) Stentering Machines:

Stentering machines are used for heating the fabric before dyeing them. These machines fix the width and the grams per square meter (gsm) of the fabric before the commencement of the dyeing process. The details of the stentering machine proposed to be acquired are as set forth below :

Details of Stentering Machines	No. of units to be acquired	Approximate cost (In Rs. Million)
BRUCKNER High Capacity Single Layer Stenter. Type – Power-Line “split-flow"	1	71.06
Import Duty @ 5%		3.55
Installation Costs		2.99
Total		77.60

We have estimated the cost of the stentering machines based on the quotation received from M/s. Bruckner Textile Technologies GmbH & Co. KG dated March 19, 2007. The currency used in the above quotation is EUROs and we have assumed 1 EURO=Rs. 58.00 for conversion of the amounts in INR.

(b) Dyeing Machines:

We propose to acquire fabric dyeing machines, sample dyeing machines, dye-stuff dissolving system and chemical supply system for our dyeing facility. EcoMaster fabric dyeing machines will be used for dyeing knitted fabrics of different widths. Minisoft fabric sample dyeing machines are used for testing the shading and correcting the same on it before going in for regular production or for dyeing of sample garments. The Dyestuff dissolving system is mainly used for dissolving of the dyestuff and transporting the dissolved dyestuff to the dyeing machine in a dust free and a sealed system with the temperatures, time and water quantity controlled as per the type and quantity of dyestuff. The chemical supply system transfers all liquid chemicals used in dyeing process to defined destinations in controlled quantities whenever required. The details of the dyeing machines proposed to be acquired are as set forth below:

S. No.	Details of Dyeing Machines	No. of units to be acquired	Approximate cost (In Rs. Million)
1	"ecoMaster" Short Liquor Fabric Dyeing Machine		
	Type 140/1 Tube – PL (180 kg)	1	17.33
	Type 140/1 Tube – DSPL (360 kg)	1	20.92
	Type 140/2 Tube – DSPL (720 kg)	1	28.31
	Type 140/3 Tube – DSPL (1080 kg)	1	36.44
	Type 140/6 Tube – DSPL (2160 kg)	1	57.21
2.	"minisoft" Fabric sample Dyeing Machine Type 140/1 (40 Kg)	2	21.61
3.	Dyestuff Dissolving System "MP-D" (dissolving) – 600 ltr.	1	17.64
4.	Chemical Supply System "MPS-L"	1	20.05
	Total		**219.51**

We have estimated the cost of the Dyeing Machinery based on the quotation received from M/s. THIES GmbH & Co. KG dated March 15, 2007. The currency used in the above quotation is EUROs and we have assumed 1 EURO=Rs. 58.00 for conversion of the amounts in INR.

(c) Finishing Machines:

Finishing Machines are used for squeezing the excess dye liquid from the fabric. The Pin frame transports the fabric to the dryer. After the drying process, the fabric is fed into the compacting system which controls the residual shrinkage and levels the fabric. The details of the finishing machines proposed to be acquired are as set forth below:

S. No.	Details of finishing machines	No. of units to be acquired	Approximate cost (In Rs. Million)
1.	Model : FINISHINGLINE consisting of (a) DOUBLE PAD for squeezing, hydroextraction, and impregnation of knitted fabrics – working width 240 cm (b) PIN FRAME for widthwise wet overstretching and lengthwise overfeeding working width 300 cm (c) SANTASHRINK for drying and shrinking of knitted fabric in tubular and open width form – working width 240 cm, 4 chambers.	36	48.19
2.	Model : SANTACOMPACT – leveling, steaming and compacting machine for knitted fabrics in open width, working width 240 cm, including the options of double belt, selvedge gluing, drying, trimming and suction device. Mahio Automatic weft straightner. Weko rotor damping system. Semi-automatic roll packing machine and emergency spares.	36	28.44
	Sub Total		**76.63**
	Import Duty @5%		3.83
	Total		**80.46**

We have estimated the cost of the finishing machines based on the quotation received from Knit-Fab Technics Pvt. Ltd. dated March 15, 2007.

(d) Electrical Works:

We would be required to undertake the following electrical work to ensure uninterrupted power to the machines proposed to be installed at our processing facility at SIPCOT, Perundurai. The proposed electrical works proposed to be carried out and the electrical instruments proposed to be installed are as under:

S. No.	Details of Electrical Works	Approximate cost (In Rs. Million)
1.	3 phase HT 500 MVA 800A vacuum circuit breaker	1.04
2.	High Tension cables	0.35
3.	3 phase 2000 KVA Outdoor Transformers – 2 Nos.	5.06
4.	Indoor / Outdoor type Bus Bar System	0.33
5.	Electrical Panels	2.80
6.	Cables	4.95
7.	Cable termination materials	0.35
8.	Light Fitting Internals	0.75
9.	Lighting Electrification Accessories	0.35
10.	Light Fittings and Accessories External	0.52
11.	Earthing Copper	0.52
12.	Power factor correcting capacitors	0.46
13.	Miscellaneous	0.65
14.	Lightning conductor and lightning spike using copper flat / aluminium flat	0.20
15.	Labour Charges	1.15
	Total	**19.45**

We have estimated the cost of the electrical works based on the quotation received from Silicon Corporation dated March 10, 2007.

5. Investing in a new knitting facility at Arasur

We propose to expand our fabric making capabilities by setting up a new knitting facility within the precincts of our existing knitting facility at Arasur. The details of the proposed investments in the knitting facility are as detailed below:

(In Rs. Million)

S. No.	Expenditure	Total cost to be financed from the Net Proceeds	Estimated Net Proceeds utilization as on March 31,	
			2008	2009
1.	Acquisition of knitting machinery	219.05	219.05	-
2.	Installation of a Humidification plant	10.45	10.45	-
3.	Construction of a Knitting factory and storage facility	30.08	30.08	-
	Total	**259.58**	**259.58**	

Acquisition of Knitting Machinery

We propose to acquire automated power operated knitting machines and spares for our knitting facility at Arasur. The details of knitting machinery proposed to be acquired are as per table below:

S. No.	Details of garment machinery	No. of units to be acquired	Approximate cost (In Rs. Million)
1.	Power operated circular 4 track single jersey knitting machines with feeders and additional cylinders	100	203.94
2.	Spare needles	50,000	1.56
3.	Elastane Rollers	350	3.12
	Sub-Total		**208.62**
	Import Duty @ 5%		10.43
	Total		**219.05**

We have estimated the cost of the knitting machinery based on the quotation received from Pailung Machinery Mill Co. Ltd., dated February 23, 2007. The currency used in the above quotation is US$ and we have assumed 1 US$=Rs. 44.50 for conversion of the amounts in INR.

Installation of a Humidification plant for the Knitting facility

In order to maintain a consistent level of humidity during the knitting operations, we propose to set up a humidification plant at our new knitting facility. This is required to obtain a consistently better quality of knitting output.

We estimate a total cost of Rs. 10.45 million towards installation of the humidification plant. The details of the humidification plant proposed to be installed at our new knitting facility are as per table below:

S. No.	Details of Humidification Plant	Approximate cost (In Rs. Million)
1	2 Humidification Plants with automation	3.76
2	Ducting Charges:	
	(i) Ducting – Supply & Erection (@30000 sq. ft. x Rs.65/- per sq. ft.)	1.95
	(ii) Duct Insulation - Supply & Erection (@31500 sq. ft. x Rs.30/- per sq. ft.)	0.95
3	Optional Equipments, i.e. Outlet Cone, Inlet Cone, Rotary Air Filter, Cyclone separator, Cyclone Compactor, Inverter, Electrical Panel	1.67
4	Packing and Crating Charges	0.21
5	Other Taxes and levies (Excise, Sales Tax, Education Cess, and Charity cess levied by the supplier)	1.91
	Total	**10.45**

We have estimated the cost of installation of the humidification plant based on the quotation received from DRAFT-AIR India Pvt. Ltd., dated February 23, 2007.

Construction of Knitting factory and storage facility

We propose to construct a knitting factory, a plant & service facility, a fabric storage facility and a yarn storage and office building at our existing Arasur facility. The knitting factory, the fabric storage facility and the yarn storage facility would be structures made up of masonary construction with galvalume sheet roofing whereas the plant and service facility and the office building would be made up of masonary construction with RCC roofing.

The details of the abovementioned construction are as set forth below:

S. No.	Details of construction	Area (Sq. ft.)	Approximate rate per Sq. Ft. (In Rs.)	Approximate Value (In Rs. Million)
1.	Knitting factory	42,000	500.00	21.00
2.	Plant and Service facility	5,000	615.00	3.08
3.	Fabric storage facility	5,000	600.00	3.00
4.	Yarn storage and office building	5,000	600.00	3.00
	Total			**30.08**

The above quotation for construction includes the following:

A) Civil Works: Earth work, filling, transportation, concrete, surki, RCC (machine mixed / RMC), masonary, flooring (machine mixed / RMC), joineries, steel, plastering, painting, and other miscellaneous works.

B) Structural Works: Providing, fabricating, and erecting in position of trusses, tie runners, lattices and wind bracing as per structural design, purlins, cleat & sleeves, ridge ventilators, sag road and bare galvalume sheet for roofing.

We have estimated the cost of construction of the abovementioned facilities based on the quotation received from Viswanathan Constructions (P) Ltd. dated March 12, 2007.

6. Addition of Balancing Equipments for our existing spinning facility at Sathyamangalam

In order to achieve greater productivity and increased efficiency coupled with increase in the quality of the production, we propose to acquire additional balancing equipments for our existing spinning facility at Sathyamangalam.

We estimate a total expenditure of Rs. 138.12 million the break-up of which is as set forth below:

Details of the Machinery	No. of Units	Total cost to be financed from the Net Proceeds (In Rs. Million)	Estimated Net Proceeds utilization (in Rs. Million) as on March 31, 2008	2009
Acquisition of Compact Spinning System – EliTe® Compact Spinning System for LMW G 5/1 Ring Spinning Frames	30	138.12	138.12	Nil
Total		**138.12**	**138.12**	**Nil**

The compact spinning system increases the yarn strength, reduces its hairiness, gives it a better luster and feel, enables clearer loop structure in the fabric and results in clearer print in the fabric.

We have estimated the cost of the said machinery based on the proforma invoice received from Spindelfabrik Suessen GmbH, dated February 23, 2007. The currency used in the above quotation is EUROs and we have assumed 1 EUR=Rs. 58.00 for conversion of the amounts in INR.

7. General Corporate Purposes

We, in accordance with the policies set up by our Board, will have flexibility in applying the remaining Net Proceeds of this Issue, for general corporate purposes towards expansion of existing or new manufacturing facilities, strategic initiatives, brand building exercises and the strengthening of our marketing capabilities.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds. In case of a shortfall in the Net Proceeds of the Issue, our management may explore a range of options including utilizing our internal accruals or seeking debt from future lenders. Our management expects that such alternate arrangements would be available to fund any such shortfall. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

Issue Related Expenses

The Issue related expenses include, among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar and depository expenses and listing fees.

The estimated Issue related expenses are as follows:

Activity	Expenses* (Rs. in million)	% of Issue size	% of Issue expenses
Lead management fee and underwriting commissions	[●]	[●]	[●]
Advertising and Marketing expenses	[●]	[●]	[●]
Printing and stationery	[●]	[●]	[●]
Others (Registrar's fee, legal fee, etc.)	[●]	[●]	[●]
TOTAL	[●]	[●]	[●]

* *Will be incorporated after finalisation of the Issue Price*

Working Capital Requirement

The Net Proceeds of this Issue will not be used to meet our working capital requirements as we expect sufficient internal accruals to meet our existing working capital requirements.

Interim use of funds

Pending utilization for the purposes described above, we intend to invest the funds in high quality liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or for reducing overdrafts. Our management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds of the Issue.

Monitoring Utilization of Funds

Our Board will monitor the utilization of the Net Proceeds of the Issue. We will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statements for fiscal 2008, and fiscal 2009, 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 individuals and key managerial employees, except in the normal course of our business.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company, in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs.10 and the Issue Price is 22.5 times the face value at the lower end of the Price Band and 26.5 times the face value at the higher end of the Price Band.

Qualitative Factors

For some of the qualitative factors, which form the basis for computing the price refer to "Business" beginning on page 55 and "Risk Factors" beginning on page xi of this Red Herring Prospectus.

Quantitative Factors

1. Basic and Diluted Earnings Per Share ("EPS")

Financial Period	EPS (Rs.)	Weight
Year ended March 31, 2004	(0.02)	1
Year ended March 31, 2005	0.76	2
Year ended March 31, 2006	20.43	3
Year ended March 31, 2007	19.04	4
Weighted Average	*13.90*	

Note:

- The earnings per share has been computed by dividing net profit as restated, attributable to equity shareholders by restated weighted average number of Equity Shares outstanding during the year including bonus issue made in the ratio of 1:1 by the Company on March 1, 2007.
- The face value of each Equity Share is Rs.10 per share for the years ended March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007, respectively.

2. Price/Earnings Ratio ("P/E Ratio")

a. P/E based on EPS for the year ended March 31, 2007 : [●] times
b. P/E based on Weighted average EPS : [●] times
c. Industry P/E*

			Cotton / Blended	Textile Products	Processing
i.	Highest	:	36.2	87.6	85.0
ii.	Lowest	:	-	-	-
iii.	Industry Composite^	:	10.7	26.1	16.8

Source: Capital Market, Volume XXII/05, May 07-20, 2007 (Industry: Textiles – Cotton / Blended, Textiles – Processing and Textiles-Textile Products)

Note:
* P/E computed assuming trailing twelve month earnings and closing price as on March 05, 2007.
^ Computed as median of the P/E of benchmark companies enlisted under "Comparison with Industry Peers".

3. Average Return on net worth ("RoNW")

Financial Period	Return on Net Worth (%)	Weight
Year ended March 31, 2004	60.43	1
Year ended March 31, 2005	72.40	2
Year ended March 31, 2006	28.10	3
Year ended March 31, 2007	17.56	4
Weighted Average	35.98	

Note: The RoNW has been computed by dividing net profit after tax as restated, by Net Worth as at the end of the year.

4. *Minimum Return on Increased Net Worth Required to Maintain Pre-Issue EPS*

The minimum return on increased net worth required to maintain pre-Issue EPS is [●]%.

5. *Net Asset Value ("NAV")*

a. NAV per Equity Share as of March 31, 2007 is Rs.104.71.
b. NAV per Equity Share after the Issue is Rs.[●].
c. Issue Price per Equity Share is Rs.[●].

NAV per equity share has been calculated as shareholders' equity less miscellaneous expenses as divided by restated weighted average number of equity shares.

6. *Comparison with Industry Peers*

We have chosen the companies which we believe are our peers for the Company's operations:

	EPS (Rs.)	P/E (times)	Return on Net Worth (%)	Net Asset Value per Equity Share (Rs.)	Sales (Rs. Million)
K.P.R. Mill Limited	19.04	[●]	17.56	104.71	4,816
Arvind Mills Limited	5.3	33.2	9.2	70.5	15,869
Alok Industries Limited	5.7	7.9	14.5	52.1	14,002
Bombay Rayon Fashions Limited	2.8	31.5	18.3	68.9	1,990
Raymond Limited	15.4	19.1	8.6	193.9	13,201
Nahar Spinning Mills Limited	5.2	7.9	3.4	165.4	4,735

Note 1 :All figures of the Industry Peers are for the year ended March 31, 2006.
Note 2 : All figures of the Company are for the year ended March 31, 2007.

Source: Our EPS, NAV and RONW have been calculated from our audited financial statements for the year ended March 31, 2006. All figures for industry peers are from Capital Market, Volume XXII/05, May 07-20, 2007 (Industry: Textiles – Cotton / Blended, Textiles – Processing and Textiles-Textile Products)

The Issue Price of Rs.[●] per Equity Share has been determined by us, in consultation with the BRLM, on the basis of assessment of market demand for the offered securities by way of Book Building Process and is justified based on the above accounting ratios. For further details, see the section titled "Risk Factors" beginning on page xi of this Red Herring Prospectus and the financials of our Company including profitability and return ratios, as set out in the auditors report in the section titled "Financial Statements" beginning on page 110 of this Red Herring Prospectus, for a more informed view.

STATEMENT OF TAX BENEFITS

May 14, 2007

The Board of Directors
K.P.R. Mill Limited
No. 9, Gokul Buildings,
1st Floor, A.K.S. Nagar,
Thadagam Road,
Coimbatore – 641 001,
Tamil Nadu, India

Dear Sirs,

Re: Opinion on Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits available to K.P.R. Mill Limited, ("Company") and its shareholders under the current tax laws 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 such conditions which, based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

The benefits discussed in the annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance whether:

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

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

Thanking you,

Yours faithfully,

For Deloitte Haskins & Sells
Chartered Accountants

C R Rajagopal
Partner
M.No. : 23418

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO KPR MILL LIMITED AND TO ITS SHAREHOLDERS.

Under the Income-Tax Act, 1961 (“the Act”)

I. Benefits available to the Company

As per section 10 (34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of any company is exempt from tax.

As per section 10 (35) of the Act, the following income shall be exempt in the hands of the Company:

Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or

Income received in respect of units from the Administrator of the specified undertaking; or

Income received in respect of units from the specified company

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

For this purpose (i) “Administrator” means the Administrator as referred to in section 2 (a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) “Specified Company” means a company as referred to in section 2(h) of the said Act.

As per section 10(38) of the Act, long term capital gains arising to the Company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the Company.

For this purpose, “Equity Oriented Fund” means a fund –

(i) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and

(ii) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

Additionally, in terms of section 88E of the Income-Tax Act, 1961, the securities transaction tax paid in respect of taxable securities transaction entered into in the course of business would be eligible for a rebate from the amount of income-tax on the income chargeable under the head “Profits and gains of business or profession” arising from taxable securities transaction. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, for the amounts paid on account of securities transaction tax.

As per the section 115JB, the Company will not be able to reduce the income to which the provisions of section 10(38) of the Act apply while calculating “book profits” under the provisions of section 115JB of the Act and will be required to pay Minimum Alternate Tax @ 11.33% (including a surcharge of 10% and education cess of 3% on the overall tax) of the book profits determined.

As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge and education cess) without indexation benefits, at the option of the Company. 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.

In accordance with and subject to the conditions specified in Section 80IA of the Income-tax Act, 1961, the company is entitled to deduction of the entire profits derived from its undertaking generating power (Wind Turbines) for a period of 10 consecutive years, falling within the first 15 years, beginning with the initial assessment year it started generating power.

The Company is eligible to claim depreciation under section 32 of the Income Tax Act, 1961, on tangible and intangible assets as explained in the said section and the relevant Income Tax Rules thereunder.

In accordance with and subject to the conditions specified in Section 32(1)(iia) of the Income-tax Act, 1961, the company is entitled to an additional depreciation allowance of 20% of the cost of new machineries acquired and put to use during an year.

Section 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.

As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10 (38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long-term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006;

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognised stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

II. Benefits to the Resident Shareholders of the Company under the Income-Tax Act, 1961:

1. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax in the hands of the shareholders.

2. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

3. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the Company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.

4. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits and Gains of Business or Profession" arising from taxable securities transactions, subject to certain limits specified in the section. No deduction will be allowed in computing the income chargeable to tax as "Capital Gains" or under the head "Profits and Gains of Business or Profession" for such amount paid on account of securities transaction tax.

5. As per section 112 of the Act, if the shares of the Company are listed on a recognized stock exchange, taxable long term capital gains, if any, on sale of the shares of the Company (in cases not covered under section 10(38) of the Act) would be charged to tax at the 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, whichever is less.

6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer.

   If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

   A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

   (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

   (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

7. According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

8. As per section 111A of the Act, short term capital gains arising to the shareholder from the sale of equity shares of the Company or a unit of equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

9. Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax. However, the amount of deduction shall not exceed securities transaction tax paid by investor.

III. Non-Resident Indians/Non Resident Shareholders (Other than FIIs and Foreign venture capital investors).

1. As per section10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax.

2. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the Company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.

3. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits & Gains of Business or Profession" arising from taxable securities transactions, subject to certain limits specified in the section. No deduction will be allowed in computing the income chargeable to tax as "capital gains' or under the head "Profit and gains of Business or Profession" for such amount paid on account of securities transaction tax.

4. As per section 54EC of the Act and subject to the conditions and to extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital from capital gains tax if the capital gains are invested in a "long-term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

   A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

   (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

   (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

5. As per section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of long term capital assets, not being a residential house, will be exempt from capital gains tax subject to certain conditions, if the net consideration from such shares is used for purchase of a residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

6. Under section 115-C(e) of the Act, the Non-Resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Act viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:

   (i) According to the provisions of section 115D read with section 115E of the Act, where shares in the Company are acquired or subscribed to in convertible foreign exchange by a Non-Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months, shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge and education cess) (without indexation benefit but with protection against foreign exchange fluctuation).

   (ii) As per section 115F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to a Non-Resident Indian from the transfer of shares of the company subscribed to in convertible foreign exchange shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

   (iii) As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

   (iv) As per section 115H of the Act, where the Non Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income, for the assessment year in which he is first assessable as a Resident, under section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

   (v) 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.

7. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

IV. Foreign Institutional Investors (FIIs)

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax.

2. As per section 10(38) of the Act, long term capital gains arising to the FIIs from the transfer of a long term capital asset being an equity share in the Company or a unit of equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the FIIs.

3. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the section 10(38) of the Act at the following rates:

Nature of Income	Rate of tax (%)
Long term capital gains	10
Short term capital gains (other than referred to section 111A)	30

The above tax rates have to be increased by the applicable surcharge and education cess.

In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

4. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

5. Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains not covered under Section 10(38) of the Act arising on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.

6. Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

7. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

V. Venture Capital Companies/Funds

As per section 10(23FB) of the Act, all venture capital companies/funds registered with the Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the Company. However, income received by a person out of investment made in a venture capital company or in a venture capital fund shall be chargeable to tax in the hands of such person.

VI. Mutual Funds

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

VII. Benefits to shareholders of the Company under the Wealth Tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence the shares are not liable to Wealth Tax.

The above Statement of Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

NOTES:

1) All the above benefits are as per the current tax laws.
2) In view of the individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her investments in the shares of the company.

SECTION IV: ABOUT THE COMPANY

INDUSTRY

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

Global Textile and Apparel Industry

The global textile and clothing trade in 2005 was USD 479 billion and contributed 4.7% of total international trade (*Source: WTO, available at http://www.wto.org/english/res_e/statis_e/its2006_e/its06_toc_e.htm*). The industry is highly fragmented in terms of geography and size. There has also been a traditional divide between the various segments of the textile industry. The textile and apparel industry consists of establishments engaged in spinning natural and manmade fibers into yarns and threads. These are then converted (by weaving and knitting) into fabrics. The fabrics and in some cases the yarns and threads used to make them, are dyed and finished. The finished fabrics are then cut and sewn to produce apparel.

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

Indian Textile & Apparel Industry

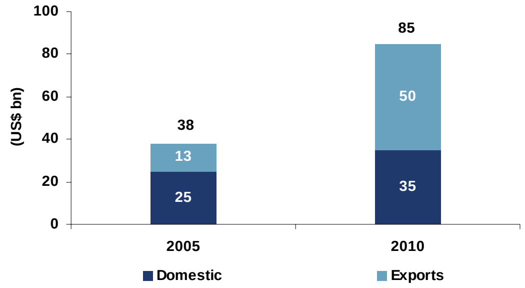
The Indian domestic textile industry is characterized by highly fragmented producers who sell unbranded products to consumers directly. With rising disposable incomes and the emergence of the organized retail sector, the branded textiles business is expected to become an increasingly important part of 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.

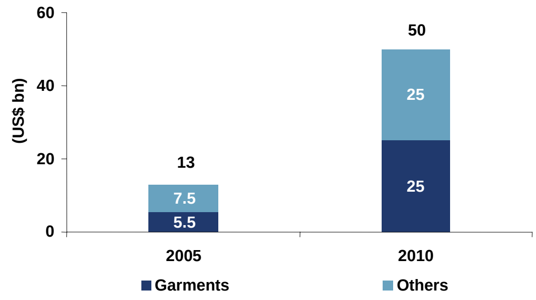
The size of the domestic textile market is estimated at US$25 billion, with imports forming about 5% of the market size . Textile exports contribute substantially to India's export earnings. In fiscal 2005, textile exports contributed 16.24% of the total export earnings of the country, aggregating US$13 billion. The WTO agreements, low costs of production, availability of abundant domestic cotton supply and availability of skilled labor have combined to enhance the prospects for India's textile companies. The export basket includes a wide range of items, including cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups, and a variety of garments. (*Source: Ministry of Textiles, Government of India, Annual Report, 2005-2006, available at http://texmin.nic.in/annualrep/arep.htm*).

Textiles account for 16.24% of India's overall exports. The textile industry accounts for nearly 4.0% of India's gross domestic product and provides 35 million jobs, making it the second largest employment provider in India, after agriculture *(Source: Ministry of Textiles, Government of India Annual Report 2005-2006, available at http://texmin.nic.in/annualrep/arep.htm)*.

The following graphs illustrate the Ministry of Textile's vision for growth of the Indian textile industry through 2010:

Breakup of Indian Textile Industry	Breakup of Indian Textile Exports





Source: Ministry of Textile, available at , http://texmin.nic.in/annualrep/arep.htm; http://texmin.nic.in/mst_20050722.pdf.

India's competitive advantage lies in its ability to offer a strong presence and production capabilities across the entire textile value chain, from fiber production to garment manufacturing. India is well positioned to benefit from the textile outsourcing trend given the outlook for demand and fresh investments in textile technology and production capacity. Large organized 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 have also started to work directly with international retailers, which has led to industry consolidation and limited economies of scale becoming apparent in India.

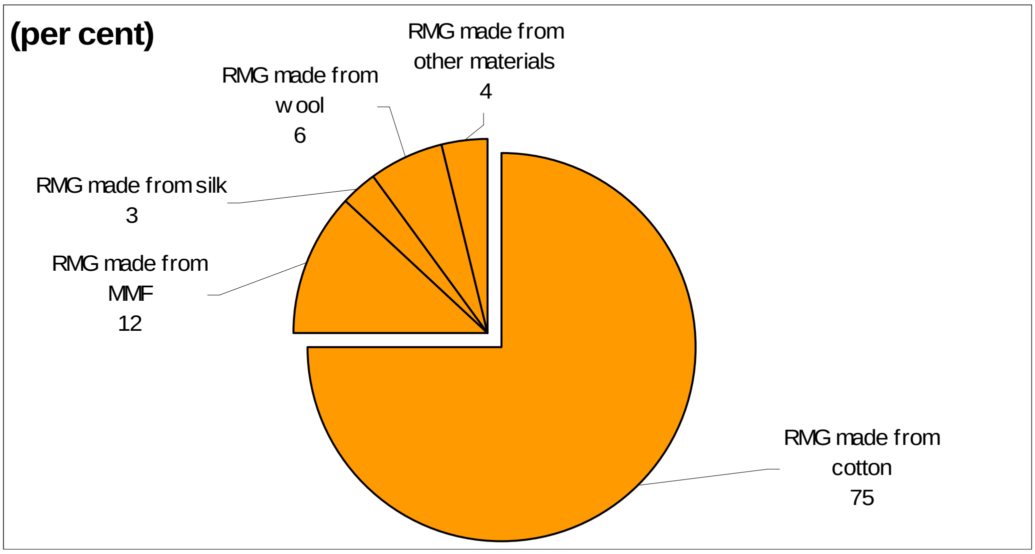
Indian Readymade Garment Industry

The term "readymade garments" ("RMG") refers to ready-to-wear apparel, including shirts, trousers, T-shirts, jeans, ladies' dressers (Indian apparel such as *churidars, kurtas,* and *salwar-kameez*), and hosiery items such as socks and inner wear. Items such as dhotis, lungis and saris have been excluded, despite their being ready-to-wear apparel, because they do not require any significant value-addition post fabric-processing *(Source: CRIS INFAC Readymade Garments Annual Review, December 2005).*

The total domestic sales of RMG in India in 2004-05 has been estimated to be Rs.620 billion (US$14.1 billion) excluding the sales of saris and dhotis. Domestic apparel sales are expected to grow at a CAGR of 10-11% from the current level of Rs.620 billion (US$14.1 billion) in 2004-05 to nearly 1,000-1,050 billion (US$22.7- 23.9 billion) in 2009-10. *(Source: CRIS INFAC Readymade Garments Annual Review, December 2005).*

The export market can be subdivided on the basis of raw material from which the apparel is manufactured into RMG made from cotton, man-made fibers, silk, wool and other materials. The largest segment in the exports market is the RMG made from cotton; the exports from this segment amounted to Rs.212 billion (US$4.8 billion) out of total garment exports of Rs.280 billion (US$6.4 billion), thus accounting for nearly 75% of the apparel exports from India. (Source: *CRIS INFAC Readymade Garment Annual Review, December 2005*).

The following chart shows the segment-wise size of the export market in 2004-05:



(Source: CRIS INFAC Readymade Garments, Annual Review, December 2005)

The export market can also be subdivided on the basis of geographical area into the US, the EU and other countries. RMG exports were largely sent to the US and the EU, which together accounted for nearly 80% of the total RMG exports from India. *(Source: CRIS INFAC Readymade Garments Annual Review, December 2005).*

The following table illustrates the projected growth for garment exports from India:

Rs. Billion	2005	2010E	CAGR
USA	98	305-330	25-27%
EU	65	200-220	26-28%
Others	117	145-150	5-6%
Total	280	650-700	18-20%

(*Source: CRIS INFAC Readymade Garments Annual Review, December 2005)*

Cotton Yarn and Fabric

India is the third largest cotton yarn producer with a 12% share (based on 2004-05 production), behind China and the US. The markets for cotton yarn can be classified into the domestic market and the export market. The domestic demand can be classified into demand from end-products (apparels, made-ups and fabrics) that are consumed domestically and demand from end-products that are exported. The former can be termed as net domestic demand and the latter can be termed as derived demand from exports. The derived export demand accounts for around 50% of the domestic cotton yarn consumption. The domestic demand is affected by prices and availability of cotton yarn as well as competition from synthetic and blended yarns. *(Source: CRIS INFAC Cotton Yarn Annual Review, May 2006).*

Market segment demand for cotton yarn can be classified as follows:

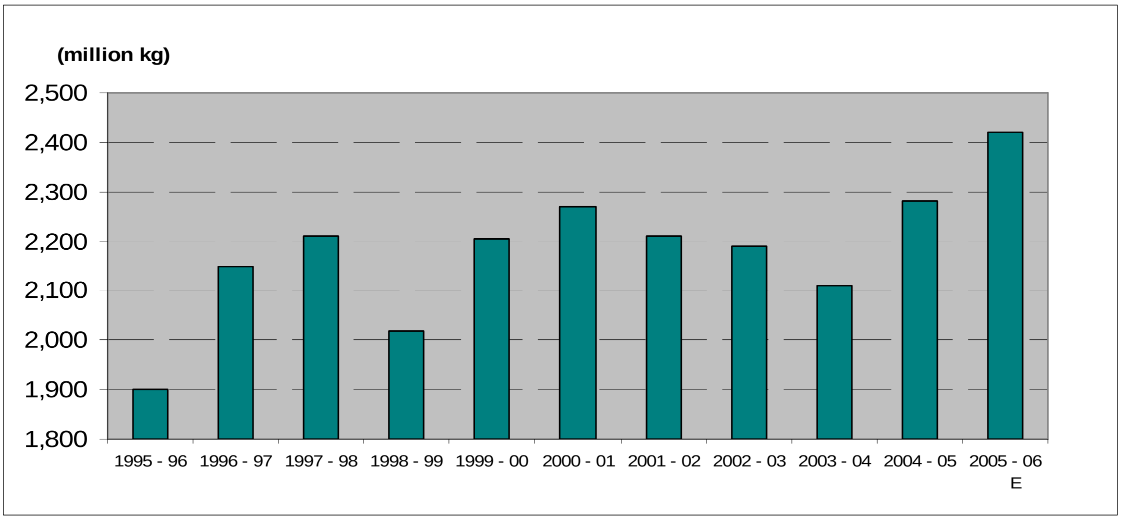
Domestic market		Export market
Net domestic demand	**Derived export demand**	
Cotton yarn demand for fabrics sold domestically	Cotton yarn demand for fabrics exported	Direct yarn exports
Cotton yarn demand for made-ups sold domestically	Cotton yarn demand for made-ups exported	
Cotton yarn demand for apparels sold domestically	Cotton yarn demand for apparels exported	

(Source: CRIS INFAC Cotton Yarn Annual Review, May 2006)

Cotton Yarn and Fabric Production in India

Domestic cotton yarn production has increased from 1,894 million kg in 1995-96 to 2,434 million kg in 2005-06. During the same period the domestic fabric production increased at a CAGR of 4% from 31.46 billion sq meters to 47.04 billion sq meters. However, cotton fabric production increased at a modest CAGR of 1% from 18.9 billion sq meters to 20.65 billion sq meters, and thus its overall share in the total fabric production fell from 60% in 1995-96 to 46% in 2004-05. The reason for such modest growth was intense competition from polyester yarns which became more price-competitive after the gradual reduction for excise duty (*Source: CRIS INFAC Cotton Yarn Annual Review, May 2006).*

The following graph shows the changes in the amount of cotton yarn produced in India from 1995 to 2006:



E: Estimate
(Source: CRIS INFAC Cotton Yarn Annual Review, May 2006)

The demand for cotton yarn is expected to increase at a CAGR of 7.3% from around 2,420 million kg in 2005-06 to 3,446 million kg in 2010-11. The demand derived from domestic clothing and non-clothing sales (derived domestic demand) is expected to have a CAGR of 7.8% during 2005-06 to 2010-11; whereas the demand derived from apparel, made-ups and fabric exports (derived export demand) is expected to grow at a CAGR of 14.2% during the same period. Direct yarn exports will have a negative growth of around 2% per annum until 2010-11. From 1995-96 to 2004-05, cotton yarn exports witnessed a CAGR of 6.9%, augmenting from 263 million kg in 1995-96 to 417 million kg in 2004-05 *(Source: CRIS INFAC Cotton Yarn Annual Review, May 2006)*.

Million Kgs.	2005-06E	2010-11P	CAGR
Demand derived from			
Domestic clothing	1,123	1,569	6.9
Domestic non-clothing	576	902	9.4
Clothing exports	161	391	19.4
Non-clothing exports	92	141	8.8
Direct fabric exports	59	74	4.5
Direct yarn exports	408	369	-2.0
Total yarn demand	**2,420**	**3,446**	**7.3**
E: Estimate, P: Provisional			

(*Source: CRIS INFAC Cotton Yarn Annual Review, May 2006*)

On the basis of the current spinning capacities, operating units, capacity utilization rates and the estimated demand growth for spun yarn, investments worth around Rs.300 billion are expected to be made in the Indian spinning industry between 2005-06 and 2010-11, and around 15.5 million new spindles are expected to be added during this period. Of this, Rs.225 billion is estimated to be invested in plant and machinery itself. Out of the Rs.300 billion, Rs.170 - 180 billion is expected to be borrowed, if the current debt-equity ratio of 1.4 times is maintained *(Source: CRIS INFAC Cotton Yarn Annual Review, May 2006)*.

The spinning industry is the most modern and internationally competitive segment of India's textile industry. There are 37.5 million spindles and 520,000 rotors installed in the Indian textile industry. Of these 9.8 million spindles and 54,600 rotors are closed (non-operational). The effective operating capacity of the Indian spinning industry is 27.6 million spindles and 465,400 rotors that produce 3,411 million kg of spun yarn. The average productivity per spindle is nearly 130-140 kg of yarn per annum The capacity utilization of the spinning industry has been improving over recent periods. Operating rates (based on the operational capacities) have improved from 74.2% in 2001-02 to 84.8% in 2005-06 *(Source: CRIS INFAC Cotton Yarn Annual Review, May 2006)*.

The following table shows the capacity utilization rates relating to the spinning industry from 2001 to 2006:

	Installed capacity	Operational capacity	Production of spun yarn	Operating rates	
	(in million kg)		(in million kg)	(based on installed capacities)	(based on operating capacities)
2001-02	5,497.2	4,179.9	3,101.1	56.4%	74.2%
2002-03	5,585.0	4,095.4	3,081.4	55.2%	75.2%
2003-04	5,324.4	4,000.7	3,051.8	57.3%	76.3%
2004-05	5,394.6	4,032.9	3,223.5	59.8%	79.9%
2005-06	5,407.8	4,021.6	3,411.0	63.1%	84.8%

The productivity of one spindle is 135 kg per annum.
(Source: CRIS INFAC Cotton Yarn Annual Review, May 2006)

Key Growth Drivers of the Indian Textile Industry

The key demand drivers of the Indian textile industry are as given below:

1. *Abolition of quotas*

Under the World Trade Organization (the "WTO") agreements, quota restrictions and tariff barriers, including those 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 the global market. Following the removal of quotas, India's textile and apparel exports are projected to increase from nearly US$13 billion in 2005 to over US$50 billion by 2010, representing a compound annual growth rate ("CAGR") of 31% and a market share of 8% of global textile trade by 2010. (*Source: Ministry of Textile available at http://texmin.nic.in/mst_20050722.pdf*) The key driver of the growth in India's textile and apparel exports is expected to be the apparel segment.

2. *Imposition of restrictions on imports from China by the US and the EU*

The Agreement on Textiles and Clothing (the "ATC") provided for complete abolition of textile quotas from 2005. However, China voluntarily agreed to allow such restrictions until 2008 under the terms of its entry into the WTO. Under such circumstances, the EU imposed restrictions on the imports of certain garment categories from China. The restrictions imposed by the EU restricted the growth of imports from China to 10% per annum until 2007. The US also imposed similar restrictions on Chinese imports to restrict the growth in certain garment categories. The restrictions imposed by the US restrict the growth of imports from China to 12.5-16.0% until 2008 *(Source: CRIS INFAC Readymade Garments Annual Review, December 2005).*

The imposition of restrictions on China is arguably the most significant growth driver for India's garment exports in the medium term. China being a much larger player, has significantly increased its apparel exports to the EU and the US after the abolition of the quotas in January 2005. Also, the EU and the US have imposed restrictions on China in those categories in which the Chinese market share is small but which has the potential to increase significantly in the event of unrestricted access to the US and EU markets. This gives countries like India an immense opportunity to augment their market share in these categories *(Source: CRIS INFAC Readymade Garments Annual Review, December 2005).*

3. *Global Concentration*

The apparel manufacturing industry has, on a global scale, shifted its base several times over the last 50 years and has been concentrated in those countries which offer the most competitive labor costs. Beginning in the 1950s, manufactures of apparel began shifting away from the western countries to eastern countries with lower labor costs, such as Korea and Taiwan. In the 1980s and 1990s, production began to shift to other countries in South-East Asia. In 2005, 58.4% of the U.S. textile imports and 18.6% of the EU textile imports came from Asia (*Source: WTO International Trade Statistics, 2005, available at http://www.wto.org/english/res_e/statis_e/its2005_e/its2005_e.pdf*). According to WTO projections, China is expected to be the biggest beneficiary of global consolidation in production because of its low cost of production and efficiencies of scale. India is expected to be the second most favored sourcing destination of global retailers, as (i) retailers would like to diversify their sourcing portfolio as cheap exports from China may face a backlash; and (ii) India is the lowest-cost producer after China with strengths in cotton-based textile products and short-run manufacturing. A WTO secretariat study on the impact on the global textile industry post-quota elimination also corroborates that India and China will be the biggest beneficiaries of quota abolition. According to the study, India's share in the U.S. clothing imports market will increase from 4% to 15% and its share in EU clothing imports will increase from 6% to 9%. (*Source: WTO, available at http://www.wto.org/english/res_e/booksp_e/discussion_papers5_e.pdf*)

4. *Strong domestic demand*

The major factor for determining expenditure on clothing is the income level of households. The higher the income level, the higher the expenditure on clothing. According to CRIS INFAC the consumption pattern of Indian households demonstrated that out of the total household expenditure, around 4 - 4.5% was spent on clothing. The average level of income of the Indian household is expected to rise over the next 5 years and the average income per household is expected to increase at a CAGR of nearly 10% from 2005-06 to 2010-11, which would be a major demand driver for the clothing industry in India *(Source: CRIS INFAC Cotton Yarn Annual Review, May 2006).*

The proportion of the working population is expected to increase from 0.51 in 2005-06 to 0.53 in 2010-11. The proportion of working women in the total female population is also expected to increase. This provides independent disposable income in the hands of women and could potentially lead to an increased expenditure on clothing *(Source: CRIS INFAC Cotton Yarn Annual Review, May 2006).*

The increasing penetration of organized retail and credit cards has led to more impulsive buying among Indian youth. This in turn has pushed up consumer expenditure levels. Further, the demand for quality non-clothing products like bed-linens, table covers, towels, curtains, carpets and bathrobes has also increased in line with higher standards of living *(Source: CRIS INFAC Cotton Yarn Annual Review, May 2006).*

5. *Outsourcing from major international players*

The abolition of quotas has also boosted outsourcing opportunities for India. Large international players like Walmart, JC Penny, Banana Republic, Marks and Spencer, Nike, Lee, DKNY, etc. have identified India as an outsourcing destination so as to take advantage of the low costs associated with the industry in India. Further, these players have significant volumes, something which would increase the RMG exports from India *(Source: CRIS INFAC Readymade Garments Annual Review, December 2005).*

Government Initiatives

The Government of India has taken various steps to boost the prospects of the textile industry, of which the garment manufacturing industry is an integral part. One of the most important initiatives of the Indian Government is the National Textile Policy, which is announced every decade. The Government announced the National Textile Policy in 2000 ("NTP-2000") with the intention of making the Indian textile industry globally competitive and giving a boost to the export of textile products, including garments. The policy aims to achieve a target of textile and apparel exports of US$50 billion by 2010, with the share of garments at US$25 billion.

Some of the other important recent initiatives taken by the Government of India are as follows:

- In order to achieve the objectives of NTP-2000, the reservation in the garment industry which led to fragmentation and, thereby poor economies of scale, was done away with. Initially, in 2000, only the woven segment was de-reserved from the small-scale industry ("SSI") sector. Later, in 2005, the knitwear segment was also de-reserved from the SSI sector.
- The Government has liberalized the textile sector by allowing foreign direct investment ("FDI") up to 100%.
- The Ministry of Textiles launched a Technology Upgradation Fund Scheme ("TUFS") in 1999 with the objective of upgrading the technology of textile units. Accordingly, the Union government set up a fund of Rs.250 billion under the TUFS to assist textile projects, commencing from April 1, 1999, through a 5% interest reimbursement in respect of loans availed from specified institutions. The union budget announced on February 28, 2007 has extended the TUF scheme to March 31, 2012.
- The Export Promotion Capital Goods ("EPCG") scheme facilitates the import of capital goods at a concessional duty of 5%, with appropriate export obligations.
- Advance Authorization Scheme (formerly the Advance Licensing Scheme) allows duty free import of raw materials to be used in the goods that are exported with a view to encourage exports.

The Central government released a grant of Rs.150 million in the year 2001-2002 in favor of the Apparel Export Promotion Council ("AEPC") for constructing an Apparel International Mart ("AIM") Complex at Gurgaon. A further grant of Rs. 300 million has been released in 2003-2004.
(Source: CRIS INFAC Readymade Garments Annual Review, December 2005)

BUSINESS

Overview

We are a vertically integrated apparel company in India. For a further description, see "Our Key Strengths - We are a vertically integrated producer of readymade knitted apparel and cotton knitted fabric and yarn" beginning on page 56 of this Red Herring Prospectus. Our operations and facilities enable us to manufacture readymade knitted apparel by spanning various aspects of the apparel production chain, from producing carded and combed cotton yarn and knitted fabric to managing the design, delivery and quality assurance processes involved in producing readymade knitted apparel. During the year ended March 31, 2007, we exported 99.86%of our readymade knitted apparel directly to international clients, including, among others, Carrefour, Penneys (Primark), Pom-tex, C&A, Ethel Austin, Kiabi, Bandos AG, Mother Care, Innovations Club, and Grouppo Industry Moda SPA, and we have more than 1,000 regular domestic clients for yarn and fabric. Our high level of mechanization and focus on sourcing of high quality raw material enables us to command a premium on sales of yarn and fabric, as compared to other domestic suppliers.

Our operations are located in Coimbatore, Sathyamangalam and Tirupur in the southern state of Tamil Nadu in India. We produced 10.16 million and 11.55 million pieces of readymade knitted apparel during the years ended March 31, 2006 and 2007, respectively. We have a cumulative capacity of 128,064 spindles in four mills, and we manufactured approximately 26,232 and 28,346 metric tons of yarn during the years ended March 31, 2006 and 2007, respectively, which represented capacity utilization of approximately 98.0% and 98.2% during such periods. We produced 6,147 and 6,734 metric tons of fabric during the years ended March 31, 2006 and 2007, respectively, which represented capacity utilization of approximately 90.0% and 80.0% during such periods.

In August 2005, we commenced construction of a new manufacturing facility at Arasur, near Coimbatore, in order to expand our capacity and bring apparel manufacturing and upstream spinning and knitting operations in one campus of approximately 44 acres. In September 2006 and November 2006, respectively, we began the gradual implementation of apparel manufacturing and spinning at this new facility. We expect the Arasur facility to be fully operational by the end of fiscal 2008, which will enable us to significantly expand our apparel manufacturing business with an initial capacity of 25.90 million pieces per year. We also have installed printing and embroidery machines at the Arasur facility, which became fully operational in March 2007 and which will enable us to meet most of our printing and embroidery requirements in-house. The Arasur facility will also expand our upstream spinning and knitting operations by increasing our spinning capacity to 212,064 spindles and providing us with a cumulative manufacturing capacity of approximately 54,000 metric tons of yarn and 17,200 metric tons of fabric across all of our facilities.

In order to provide end-to-end apparel manufacturing services, as we believe is required by multi-national value retailers, we are constructing a new fabric processing facility at SIPCOT, Perundurai, which will give us the ability to handle all of our processing requirements, including dyeing, bleaching and compacting. We expect this processing facility to be fully operational by July 2007 with capacity to process 23 metric tons of fabric per day. In December 2005, we also implemented a project at our Sathyamangalam mill to modernize our spinning operations at that location.

In order to become more self-sufficient, support our expanding operations and reduce our reliance on the state electrical grid, which could subject us to increases in cost, we have installed windmill facilities in Tirunelveli, Thenkasi and Coimbatore. Through these facilities, we have the capacity to produce 39.07 mega watts of power, which as of April 30, 2007 met all of our energy needs, and which we expect will support approximately 75.0% of our energy needs once the Arasur mill is fully operational. Our wind generated power supply is supported by back-up diesel generators, as well as stand-by arrangements for electricity from the main electrical grid, as necessary. This power supply, together with related tax incentives, enables us to substantially improve our profitability. For the year ended March 31, 2007, our power cost per unit was Rs.0.53, which was approximately 84.9% lower than the per unit cost charged by the Tamil Nadu Electricity Board.

As of March 31, 2007, our workforce consisted of 5,438 full-time personnel. We believe our sophisticated equipment, mechanized processes and skilled workforce resources, together with our strong management, have enabled us to successfully implement and maintain modern manufacturing processes. We have received international accreditations in respect of production activities at our Sathyamangalam and Karumathampatti facilities, such as ISO 9001:2000, guaranteeing quality control norms; ISO 14001:2004, regarding environmental standards; and SA 8000:2001 certifying the social accountability of our management. Additionally, we have been certified as a One Star Export House by the Indian Ministry of Commerce and Industry in accordance with the provisions of the Foreign Trade Policy, 2004-09, and we have been certified by the Institute of the International Association for Research and Testing in the Field of Textile Ecology with respect to our apparel manufacturing operations.

In the years ended March 31, 2004, 2005, 2006 and 2007, our revenue was Rs.0.85 million, Rs.731.74 million, Rs.4,431.15 million and Rs.5,120.59 million, respectively. In the years ended March 31, 2004, 2005, 2006 and 2007, our restated net profit (loss) was Rs.(3.10) million, Rs.120.22 million, Rs.631.06 million, and Rs.584.20 million, respectively. As a result of the acquisition and merger of our operating companies discussed below, our results of operations for the years ended March 31, 2004 and 2005 do not include the consolidated results of our separate operating companies. The performance of all of the operating companies are fully reflected in our financial statements starting in fiscal 2006. Accordingly, the Company's results of operations for the years ended March 31, 2004 and 2005 are not directly comparable to our results of operations for the years ended March 31, 2006 and 2007.

Corporate History and Structure

K.P.R. Cotton Mills Private Limited, now known as K.P.R. Mill Limited, was originally incorporated on March 19, 2003. In order to further rationalize operations and better leverage capacities, with effect from April 1, 2005, K.P.R. Cotton Mills Private Limited purchased K.P.R. Knits as a going concern, and K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited were consolidated into K.P.R. Cotton Mills Private Limited through a merger process approved by the High Court of Madras. On October 5, 2006, K.P.R. Cotton Mills Private Limited was renamed K.P.R. Mill Limited. For more information on our significant operational milestones, please refer to the section titled "History and Certain Corporate Matters" beginning on page 80 of this Red Herring Prospectus.

Our Key Strengths

We believe that our operating history in the apparel business has given us significant expertise and industry knowledge. In particular, we believe that the following strengths enable us to compete successfully in our market:

We are a vertically integrated producer of readymade knitted apparel and cotton knitted fabric and yarn.

We are a vertically integrated manufacturer with the capability to produce readymade knitted apparel, knitted fabric, and carded and combed cotton yarn. Our integrated manufacturing operations enable us to provide our customers with optimal levels of quality and service in an effective and cost-efficient manner. Through our vertical integration, we believe that we are well placed to realize efficiencies of scale and quality control at each stage of the manufacturing process. Further, we believe our vertical integration enables us to better customize our products to the specifications of our customers and provides assurance to our customers that they will receive consistently high quality products.

As of March 31, 2007, we owned 128,064 spindles, 113 circular knitting machines and 1,517 sewing machines. We produced approximately 10.16 million and 11.55 million pieces of readymade knitted apparel, 6,147 and 6,734 metric tons of fabric, and 26,232 and 28,346 metric tons of yarn during the years ended March 31, 2006 and 2007, respectively. In September 2006 and November 2006, respectively, we began the gradual implementation of apparel manufacturing and spinning operations at our new mill in Arasur, near Coimbatore. With our current and expected economies of scale, we believe we enjoy a competitive advantage compared to other mid-size apparel manufacturers.

We have a distinctive model of attracting, training and retaining our workforce.

As of March 31, 2007, our workforce consisted of 5,438 full-time personnel, including, among others, management and administration, research and development, technicians, marketing and manufacturing. Our manufacturing workforce is employed pursuant to three-year contracts and all workers live in on-site accommodation. The three-year contract system allows us to plan for manpower needs well in advance, stabilizes our labor costs year to year and helps us avoid the cost and inefficiencies of high labor turnover. Because our manufacturing workforce lives on-site, we have very little absenteeism. Further, our manufacturing workers become specially skilled in their positions. Our model of attracting, training and retaining our workforce is distinctive since we offer various programs and services that we believe motivate our workforce and cultivate loyalty. During the duration of the three-year contract, each member of our manufacturing workforce has the option to take courses toward a vocational, high school or college degree. We subsidize the fees for these courses, which is a distinctive benefit for workers in the Indian apparel industry. Since the inception of the educational program, approximately 500 workers have completed higher education programs or certifications while working for us, and as of April 30, 2007, approximately 1,230 of our workers are participating in this program. Other programs and services include subsidized nutritious meals, continuous job-oriented training, provision of protective equipment and skates, which we believe reduce fatigue, library facilities, sports facilities, computer training, medical facilities, and yoga and meditation facilities. We believe these workforce initiatives have helped us to avoid labor disputes with our manufacturing workers since inception and retain and easily replenish a qualified and motivated workforce.

We benefit from our low cost of production.

India is one of the key producers of cotton worldwide and Indian cotton is relatively inexpensive. As a result, we source all of our raw materials domestically. We are able to source our cotton supply in a way that provides us with the highest quality cotton available from domestic sources at the lowest price of the season. Our scale of operations, high-capacity storage facilities and financial position enable us to purchase substantially all of our cotton requirements at the peak of the cotton season (from November through March) when cotton prices are at their lowest and quality is at its highest. This allows us to produce consistent quality throughout the year and recognize a considerable reduction in the cost of our raw materials. Further, because of our scale of operations, we are able to purchase other manufacturing supplies, such as machinery parts, packing materials and cleaning supplies, at a lower price compared to our smaller competitors.

We operate 39 windmills with an aggregate capacity of 39.07 mega watts. As of April 30, 2007, our windmills met all of our energy needs, and we expect that they will support approximately 75.0% of our energy needs once the Arasur mill is fully operational. As a result of this captive energy source, as of March 31, 2007, our power cost per unit was Rs.0.53, which was approximately 84.9% lower than the per unit cost charged by the Tamil Nadu Electricity Board.

In addition, our manufacturing facilities are highly automated, which decreases our manpower requirements, thereby lowering our labor costs. We believe our labor costs are also lower than our competitors due to our three-year contract system, as the compensation package during the three-year contract is fixed at the beginning of the contract. We believe our low cost operations in India provide us with a competitive advantage compared to our regional and international competitors.

We operate at high productivity and efficiency levels.

We believe that we employ production processes that enable us to operate at high levels of productivity and efficiency. We provide on-going training to our manufacturing workforce and utilize innovative methods to increase efficiency. For example, our manufacturing workers in the spindle rooms work on skates to increase productivity and reduce the need for manpower. All of our spinning and knitting production processes are highly automated, which decreases our manpower needs and enables us to consistently produce higher quality and uniform yarn and fabric products. We typically use only one variety of cotton, which allows us to produce different counts of yarn (from 16s to 34s) at any time without an extended interruption. We believe this provides us with superior productivity and quality compared to competitors who buy different varieties and mix them to produce different counts of yarn. Further, our manufacturing facilities utilize a large base of sophisticated production equipment, including automated pattern-making, fabric laying and cutting machines. Most of our machinery is imported from abroad in order to take advantage of the latest manufacturing process technologies. For example, we have imported sophisticated machinery from Germany, Italy Switzerland and other European countries as well as countries such as Japan, United States and Taiwan. We believe that our investment in these assets enables us to deploy modern spinning and knitting technology to cater to the rapid changes we experience in customer demand and to maintain high quality standards. Our equipment base is managed, maintained and operated internally, which reduces the costs of outsourcing maintenance. Because our manufacturing equipment is highly automated, modern and well maintained, we have historically operated at a 98.0% equipment utilization rate. Our new apparel factory at Arasur, near Coimbatore, employs a highly modern and computerized storage system with capacity to handle 500 metric tons of apparel and fabric, which will enable us to quantify and rapidly locate inventory. We expect that this will improve our distribution efficiency and productivity.

***We have a strong and diversified customer base*.**

We believe we have built a strong customer base because of our commitment to quality and customer service practices. Since inception of our apparel manufacturing division, we have steadily developed a strong and diversified base of more than 35 international retail apparel customers, including well-known participants in the industry such as Carrefour, Penneys (Primark), Pom-tex, C&A, Ethel Austin, Kiabi, Bandos AG, Mother Care, Innovations Club, and Grouppo Industry Moda SPA. We have continuously received repeat orders from many of our customers, and we are not substantially dependent on any one or a few of our customers. Additionally, in our yarn and fabric businesses, we service approximately 1,000 out of the 7,000 manufacturing facilities based in Tirupur, which mitigates any risk of customer concentration in this segment of our business.

We produce high quality yarn and fabric products that command premium pricing in the domestic market.

Our ability to source substantially all of our cotton requirements during the peak season and our highly automated manufacturing facilities enable us to produce homogeneous, high-quality yarn and fabric products throughout the year. We have modern scanning and quality assurance equipment, which identify and remove impurities or contamination in cotton to very fine levels. This has benefited our manufacturing process significantly in terms of reducing wastage and enabling us to demand a premium for our yarn in the highly competitive domestic textile market. Our facilities also have air-handling equipment to protect and improve the quality of our yarn and fabric product offerings. We believe that our fair customer service policies and consistently high quality products have earned us significant good will from our customers, which has resulted in repeat orders from many of them.

We have strategically located operations.

All of our manufacturing facilities are located in the region of Coimbatore, India. We believe the location of our facilities gives us significant savings in production, labor and transportation costs, helps us to utilize our key technical personnel across all of our plant sites, and allows us to take advantage of Coimbatore's climate, which is known to be conducive for spinning operations. Our location provides us convenient access to an airport and inland container depots, as well as convenient access to our customers. All of our operations are within a 50 kilometer radius from Tirupur, which is regarded as one of Asia's largest apparel manufacturing clusters. Our close proximity to our customers helps to reduce our material handling costs and facilitates immediate feedback regarding the quality of our products, which enables us to quickly adjust our manufacturing processes, if necessary. We have a marketing office in Tirupur that interfaces directly with our customers, most of which have sourcing offices in Tirupur.

We have a proven management team.

Our management team is well-qualified and experienced in the apparel industry and has been responsible for the sustained growth in our operations, which is illustrated by our doubling of capacity every two years since fiscal 2001. Our management team also has successfully managed the consolidation of our operations from four separate operating companies into one company. The majority of our management has been with us since we commenced operations. In addition, our Board includes directors who bring significant experience to our business. Our founder and Chairman, Mr. K.P. Ramasamy, has over 35 years experience in the apparel industry, particularly in the production and marketing of woven fabric, knitted apparel, cotton yarn and hosiery fabric, along with experience in the yarn and fabric dyeing industry. Mr. K.P. Ramasamy oversees our strategic expansion initiatives, cost control, business development and modernization. Our Managing Director, Mr. K P D Sigamani, has over 25 years of experience in the apparel industry, including the hosiery, apparel, fabric and yarn export business, with specialized experience in the production and marketing of knitted apparel. Mr. P. Nataraj, also a Managing Director, is a chartered accountant with over two decades of experience in the apparel industry, including the production and marketing of woven fabric, knitted apparel, cotton yarn and hosiery fabric, and the dyeing of yarn and fabric. Mr. P. Nataraj manages our finance activities and oversees cotton procurement and marketing activities of our spinning division. Our management is supported by an experienced and technically qualified execution team.

Our management team is also advised by our strategic private equity investors, including Brandot Investments Limited and its founder, Mr. Martin Trust. Mr. Trust has over four decades of experience in the global apparel market with a focus on the U.S. apparel market. Mr. Trust founded Mast Industries, Inc. in 1970 and managed its growth into a large international producer of apparel. In 1978, Mast Industries Inc. merged with The Limited Stores, Inc., which is now known as Limited Brands, a major retailer of women's and men's apparel as well as personal care products. Mr. Trust was a member of the board of directors of Limited Brands from 1978 until 2003 and served as an advisor to the United States Department of Commerce with regard to textile trade issues. Our management team also benefits from the global management, marketing and transactional experience of our director, Mr. Shujaat Khan, Managing Director of Blue River Capital Advisors (India) Private Limited and Mr. Anil Khatod, Managing Director of Argonaut Investments, another of our private equity investors. Both of them have significant management and investment experience in the U.S. markets.

Our financial position will enable us to implement our growth strategy.

We believe that our financial position will enable us to finance our current expansion plans and continue to implement growth strategies in the future. As of March 31, 2007, we had a long-term debt to equity ratio of

0.99:1, and in fiscal 2007 we had net cash flow from operating activities of Rs.750.55 million. With the exception of dividends paid during fiscal 2006 and 2007, our management has consistently reinvested earnings back into the Company, which has supported our growth and provided high internal accruals. We are currently undertaking capital expenditure projects aggregating Rs.4,716.70 million, substantially funded through term loans eligible for the 5.0% TUFS subsidy. Additionally, term loans aggregating Rs.1,102.44 million availed in connection with our existing facilities that were outstanding as of March 31, 2007, are eligible for the TUFS subsidy. The TUFS subsidy provides us with relatively low interest costs, which we expect to benefit from through the term of each loan. Further, term loans sanctioned for our capital expenditure projects aggregating Rs.2,250 million carry interest at a fixed rate, which insulates us from rising interest rates. For further details regarding our capital expenditure projects, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Historical and Planned Capital Expenditure" beginning on page 154 of this Red Herring Prospectus. As a result of our strong financial position, we have been able to double our capacity every two years since fiscal 2001.

Our Business Strategy

We seek to expand our position as an integrated provider of readymade knitted apparel, cotton fabric and yarn, with processing capacity and the ability to fill high volume orders from U.S. and European value retailers. Our business strategy is to leverage our reputation in the marketplace for quality and manufacturing efficiencies to capture further revenue opportunities.

Pursue value retail customers in Europe and the United States for our apparel business.

To capitalize on the increased demand in the international apparel industry and associated demand for our products, we intend to utilize our expanded capacity to grow our apparel manufacturing business through value retail customers in Europe and the United States. While we expect to continue to fill smaller orders through our contract manufacturing facilities in close proximity, we intend to pursue value retail customers seeking high volume suppliers in order to exploit the economies of scale and integration that will be available to us through our new facilities at Arasur, near Coimbatore, and SIPCOT, Perundurai. We intend to develop these customer relationships through several channels. First, we intend to expand our direct marketing efforts to certain U.S. and European value retailers. Our sales showroom at our Tirupur facility is conveniently located to the Tirupur sourcing offices of these retailers. We also intend to develop new customer relationships by leveraging the relationships and contacts of our private equity investors, including Brandot Investments Limited and its founder, Mr. Martin Trust, who has over four decades of experience in the global apparel market and served on the board of directors of Limited Brands from 1978 until 2003, as well as Blue River Capital Advisors (India) Private Limited and Argonaut Investments, the principals of which have significant management and investment experience in the US apparel markets. Finally, we intend to leverage our relationships with our existing apparel customers to increase the size of these customers' orders.

We believe there is a significant opportunity for us to develop value retail customers in the U.S. market. We believe U.S. value retailers are increasingly looking to India for high volume production capacity that can be fulfilled at integrated facilities. These U.S. retailers are subject to strict environmental, manufacturing, employee and other legislation that govern their sourcing of products abroad. Due to these requirements, we believe U.S. value retailers have historically sourced their products from integrated manufacturing facilities so that quality and compliance with relevant legislation can be more efficiently monitored at each stage of production. We expect that once our Arasur mill and SIPCOT, Perundurai facilities are fully operational, we will be in a position to exploit this opportunity, as we will have integrated production facilities with the capacity to produce high volume orders.

Invest in apparel design and product development.

We also intend to explore design and product development initiatives. Currently, our customers provide us with their design specifications and we manufacture readymade knitted apparel based on their designs. We intend to develop a design studio equipped with the latest design software, including CAD/CAM, that would focus on product development and design with a view to expanding our product offerings and enhancing our market perception among our existing and potential apparel customers. To further this initiative, we expect to engage designers to work closely with our customers in order to prepare designs that match these customers' brand profiles and market requirements. We expect that the development of design capabilities will enable us to capture higher premiums for our products, thereby improving our margins. Additionally, considering the growing affluence and rise in disposable income of Indian consumers, we believe that sales of export quality products manufactured by us in India at competitive prices to organized Indian retailers presents us with a high-growth opportunity. According to CRISIL Research's analysis, cotton-based domestic apparel sales (in volume terms) are expected to increase at a compound annual growth rate of 6.9% during fiscal 2006 to fiscal 2011.

Accordingly, we believe that the domestic market could become an attractive consumer base for our apparel products. As on the date of this Red Herring Prospectus, we have not entered into any memorandum of understanding or letter of intent or any definitive agreement in connection with our design or domestic retailing plans.

Expand capacity.

The Ministry of Textile, Government of India has projected that, as a result of the lifting of quota restrictions, India's textile and apparel exports will increase from nearly USD $13 billion in 2005 to over USD $50 billion by 2010, which would represent a compound annual growth rate of 31.0%. During the year ended March 31, 2007, we operated at 67.3%, 71.7%, 80.0% and 98.2%, capacity utilization levels in our out-sourced apparel manufacturing, in-house apparel manufacturing, knitting and spinning operations, respectively. Accordingly, we believe significant growth can be realized by expanding our capacities and adequately leveraging this expanded capacity base to take advantage of the growth in the Indian apparel industry. Further, we supply yarn and fabric to only 1,000 out of approximately 7,000 small direct exporters in Tirupur. We believe these factors represent significant opportunities for us to expand our fabric and yarn customer base in the region.

In order to take advantage of these opportunities, we commenced construction of a new manufacturing facility at Arasur, near Coimbatore, in August 2005, which is expected to be fully operational by the end of fiscal 2008. We expect that we will increase our manufacturing capacity to approximately 37.9 million pieces of readymade knitted apparel, 17,200 metric tons of knitted fabric and 54,000 metric tons of yarn per year, with spinning capacity of 212,064 spindles. This represents an increase in apparel, fabric and yarn production capacity by approximately 100.0% in each category. By 2009, we expect to operate double shifts at our apparel operations at Arasur, which will increase our total apparel capacity to 63.8 million pieces per year (including production by our contract manufacturers and in-house production at Arasur).

Further integrate our operations.

We plan to further integrate our apparel manufacturing business so that we are able to provide additional value-added services and integrated manufacturing capabilities we believe are required by U.S. and European value retail customers. We currently outsource our apparel processing requirements, which include dyeing, bleaching and compacting of fabric. In order to bring this segment of the apparel business in-house, we are currently constructing a fabric processing facility at SIPCOT, Perundurai, which we expect to be fully operational by July 2007. This processing facility will have capacity to process 23 metric tons of fabric per day. In addition, in March 2007, we completed installation of printing and embroidery machines at our new Arasur mill, near Coimbatore, which will enable us to meet most of our printing and embroidery requirements in-house and further integrate our operations. We believe the SIPCOT, Perundurai processing facility and printing and embroidery capabilities at Arasur will provide operational and administrative synergy, allow us to stimulate incremental demand for our core manufacturing activities and enable us to capture all of the apparel manufacturing value chain.

Invest further in windmills as a low cost and sustainable source of energy.

In order to support our expanded operations, we plan to set up an additional windmills by the end of fiscal 2009. With the additional windmills, we expect that we will be able to meet a substantial portion of our electricity requirements with this low cost, sustainable and clean source of energy. We have not entered into any definitive agreements with respect to this project.

Products

Readymade Knitted Apparel

We produce readymade knitted apparel for men, women and children. We export our apparel products to international clients, including Carrefour, Penneys (Primark), Pom-tex, C&A, Ethel Austin, Kiabi, Bandos AG, Mother Care, Innovations Club, and Grouppo Industry Moda SPA.

We currently carry out all steps of the apparel manufacturing process, other than fabric processing (which includes bleaching, dyeing and compacting of fabric) and a portion of our sewing requirements. We currently outsource a portion of our sewing requirements to over 75 contract manufacturing facilities in Tirupur on an as-needed basis according to orders placed by our apparel customers. We have pre-selected these contract manufacturers according to production quality, delivery time and facilities. We lease facilities in Tirupur at which 300 sewing machines owned by us are operated by five contract manufacturers. We are therefore able to guarantee the capacity from these facilities, which represented approximately one-third of our apparel manufacturing capacity as of March 31, 2007. We do not have contracts that guarantee our remaining capacity from other contract manufacturers; however, we have never experienced a shortage in available capacity, and we believe that our short payment cycle of 10-15 days has caused our contract manufacturers to regard us as a favored customer. To ensure that our contract manufacturing facilities meet our and our customers' quality standards, our audit and quality teams continually monitor the contract manufacturing facilities and production results.

We are gradually phasing in apparel production at the Arasur facility, near Coimbatore. As of March 31, 2007 we had 640 sewing machines operational, and by the end of fiscal 2008, we expect that number to increase to 1,440 sewing machines, which will give us the capacity to produce 25.9 million pieces of readymade knitted apparel per year. We expect to continue to utilize our contract manufacturers for small orders and maintain their current utilization levels. By 2009, we expect capacity at Arasur to reach 51.8 million pieces per year by operating double shifts.

We have installed printing and embroidery machines at the Arasur facility, which became fully operational as of March 2007 and which will handle most of our printing and embroidery requirements. We also have commenced construction of a new processing facility at SIPCOT, Perundurai, which will allow us to process 23 metric tons of fabric per day. Upon completion of this facility, which we expect to be fully operational by July 2007, we will have the ability to complete all fabric processing and parallel activities, including dyeing, bleaching, compacting, printing and embroidery, in-house. We plan to double capacity of this processing unit by 2009 to 46 metric tons of fabric per day in order to meet the increased fabric processing requirements as a result of our expanding apparel operations. We currently outsource all of our dyeing requirements.

Apparel accounted for approximately 28.3% and 25.4% of our revenue for the years ended March 31, 2006 and 2007, respectively.

Fabric and Yarn

We produce knitted cotton fabric ranging in counts from 16s to 34s. Our fabric is used to manufacture jersey fabric apparel (such as t-shirts), pique apparel (such as polo shirts), fleece apparel (such as sweatshirts), and other ribbed fabric apparel, including tank tops. We also produce interlock structures for children's and ladies' apparel and waffle structures for light weight spring clothing. Approximately 25.0% of our knitted fabric is used for internal consumption in our apparel manufacturing business. Fabric accounted for approximately 16.6% and 15.8% of our revenue for the years ended March 31, 2006 and 2007, respectively.

We also produce carded and combed cotton yarn, which we believe conforms to the Uster 5% standard for quality. Carded yarn is produced from cotton that has undergone a process of opening and cleaning in order to prepare it for knitting and has a coarser feel than combed cotton. Combed cotton yarn is produced by removing the short fibers and any debris that may be in the fiber when it was in the field. A cleaner, more uniform and lustrous yarn results. We produce yarns with counts in the range of 16s, 20s, 25s, 30s and 34s. In order to cater to customers that sell or manufacture organic cotton products, we have obtained certifications from the Control Union Certifications, Netherlands under the Textile Organic Exchange 100 Guidelines and the EKO Sustainable Textile Standards for the manufacture of combed and semi-combed yarn and knitted fabric from certified organic cotton. These certifications are valid through July 2008. Approximately 25.0% of our yarn production is used for internal consumption in our knitting operations. Yarn accounted for approximately 46.7% and 47.8% of our revenue for the years ended March 31, 2006 and 2007, respectively.

We sell our fabric and yarn mainly in the domestic market, as there is significant demand from the local hosiery and knitted export apparel manufacturers in Tirupur and its neighboring areas. We have more than 1000 regular clients for our fabric and yarn products in and around Tirupur.

Others

We sell fabric, yarn and cotton waste in the domestic market in India, which accounted for 3.2% and 2.8% of our revenue for the years ended March 31, 2006 and 2007, respectively. We also sell excess electricity generated by certain of our windmills to the Tamil Nadu State Electricity Board, which accounted for approximately 2.2% of our revenue for the year ended March 31, 2007. All of this excess energy will be utilized by our Arasur mill once it is fully operational.

Our total sales for the years ended 2005, 2006 and 2007 are as follows:

(Rs. Millions)

Sales	For the year ended March 31		
	2005	**2006**	**2007**
Apparel	116.25	1,255.10	1,300.29
Fabric	95.78	735.69	810.03
Yarn	304.25	2,067.11	2,449.94
Waste sales	20.18	141.31	143.26
Cotton sales	51.58	12.48	-
Windmill receipts	12.44	139.35	297.46
	600.48	**4,351.04**	**5,000.98**
Less: Interdivision sales – wind power consumption	8.49	136.54	184.75
Total Sales	**591.99**	**4,214.50**	**4,816.23**

Facilities and Capacity Utilization

We operate four factories, of which three are located in or near Coimbatore (including the Arasur facility which is partially operational), and one is located in Sathyamangalam. We also lease a facility in Tirupur for our apparel manufacturing operations, which is operated by contract manufacturers. Our administrative and sales office is located in Tirupur.

We believe that the location of our facilities in India gives us significant savings in production, labor and transportation costs and helps us to utilize our key technical personnel across all of our plant sites. We also are able to take advantage of Coimbatore's low-humidity climate, which is favorable for spinning operations. In addition, all of our operations are within 50 kilometers of Tirupur, which is regarded as one of Asia's largest apparel manufacturing clusters. This provides us with convenient access to equipment supplies and replacement parts, as well as our customers, most of which have offices in Tirupur or Coimbatore.

The following table provides details regarding our capacity and utilization rates for the periods indicated. Capacity utilization is defined as a percentage of the spindle hours worked in relation to Total Spindle Hours in a year excluding holidays. Total Spindle Hours is defined as the number of hours available for working in a year considering three shifts in a day excluding holidays.

As of	Apparel		Fabric		Yarn	
	Installed Capacity (mt/yr)	**Capacity Utilization (%)**	**Installed Capacity (mt/yr)**	**Capacity Utilization (%)**	**Installed Capacity (spindles)**	**Capacity Utilization (%)**
Fiscal 2005	12.00	58	2,280	58	50,784	91
Fiscal 2006	12.00	85	6,840	90	111,264	98
Fiscal 2007	12.00	67	8,393	80	128,064	98

We are in the process of significantly increasing our production capacity in connection with capital expenditure projects aggregating Rs.4,716.70 million, which is substantially funded through term loans aggregating Rs.3,489 million, of which approximately 76.5% had been expended as of March 31, 2007. The capital expenditure projects include construction of the Arasur mill, near Coimbatore, and implementation of apparel manufacturing and spinning operations at this location. Construction is complete, and apparel manufacturing and spinning operations are gradually being phased in, with full operational capacity expected by the end of fiscal 2008. The capital expenditure projects also include construction of our processing unit at SIPCOT, Perundurai, which is expected to be fully operational by July 2007. Finally, we have already completed modernization of our Sathyamangalam spinning facility and the set up of 12 new windmills with aggregate capacity of 19.8 mega watts at Thenkasi.

The following table illustrates our expected capacity increases as a result of these capital expenditure projects:

Division	Pre-Capital Expenditure Capacity	Post-Capital Expenditure Capacity
Apparel (no. of sewing machines)	300	1,740
Fabric processing (metric tons)	-	23

Division	Pre-Capital Expenditure Capacity	Post-Capital Expenditure Capacity
Spinning (no. of spindles)	111,264	212,064
Windmills (capacity in MW)	19.27	39.07

Raw Materials

Cotton is the primary raw material that we use in producing yarn. We also purchase additional yarn and fabric for our knitting and apparel businesses. Raw material costs typically account for approximately 80.0% of our total costs. Cotton accounted for approximately 62.1% and 66.7% of our total consumption of raw materials, and yarn and fabric accounted for approximately 37.9% and 33.3% of our total consumption of raw materials in fiscal 2006 and 2007, respectively.

We source our cotton from the state of Gujarat between November and March of each year from approximately 50 suppliers. Therefore, we are not dependent on any one or a few suppliers for cotton. While cotton prices are largely driven by market forces, we have significant expertise in sourcing due to our historical presence in the cotton yarn business. We have a dedicated team for raw material sourcing who work closely with farmers and market intermediaries and who continuously validate price trends and refine material procurement strategies.

For the years ended March 31, 2006 and 2007, we consumed 32,359 and 34,409 metric tons of raw cotton, respectively, at a cost of Rs.1,678.34 million and Rs.1,960.43 million, respectively. The availability and consequently the cost of cotton are dependent on fluctuations that result from a variety of natural and economic factors. See "Raw materials constitute a significant percentage of our total expenses" in the section titled "Risk Factors" beginning on page xi of this Red Herring Prospectus. The use of genetically modified cotton (known as "BT cotton"), however, has drastically improved cotton yields in India. According to CRISIL Research, cotton yields have improved from 302 kilograms per hectare in fiscal 2003 to 468 kilograms per hectare in fiscal 2006, which is an increase of 55.0%. The area under BT cotton cultivation in India increased from 0.05 million hectares in fiscal 2003 to 1.4 million hectares in fiscal 2006; however, BT cotton covered only 16.0% of India's total area of 8.8 million hectares under cotton cultivation in fiscal 2006.

We typically purchase only one variety of cotton, which is known as "Shankar 6" and is recognized as one of the best quality cotton varieties available in India. Our large storage facilities allow us to employ a prudent policy of buying substantially all of our cotton requirements when the prices are at their lowest and the quality of available cotton is at its peak. This enables us to keep high quality, uniform stock ready for use year round. We purchase cotton on a spot transaction basis, which means that we are able to buy cotton from any of our suppliers based on the best available price and quality. Because we use only one variety of cotton, we can produce different counts of yarn (from 16s to 34s) at any time without an extended interruption. For this reason, we believe our productivity and quality is superior to competitors who buy different varieties and mix them to produce different counts. We transport our cotton from Gujarat to our facilities in southern India mainly by road, although we have in the past used rail and shipping, when necessary.

Our total raw material costs for the years ended March 31, 2006 and 2007, were 61.0% and62.0%, respectively, of total revenue for such periods. We have not experienced any material interruptions in the availability of raw materials for our operations and we are not dependent on any one supplier of the raw materials we purchase.

Production Processes

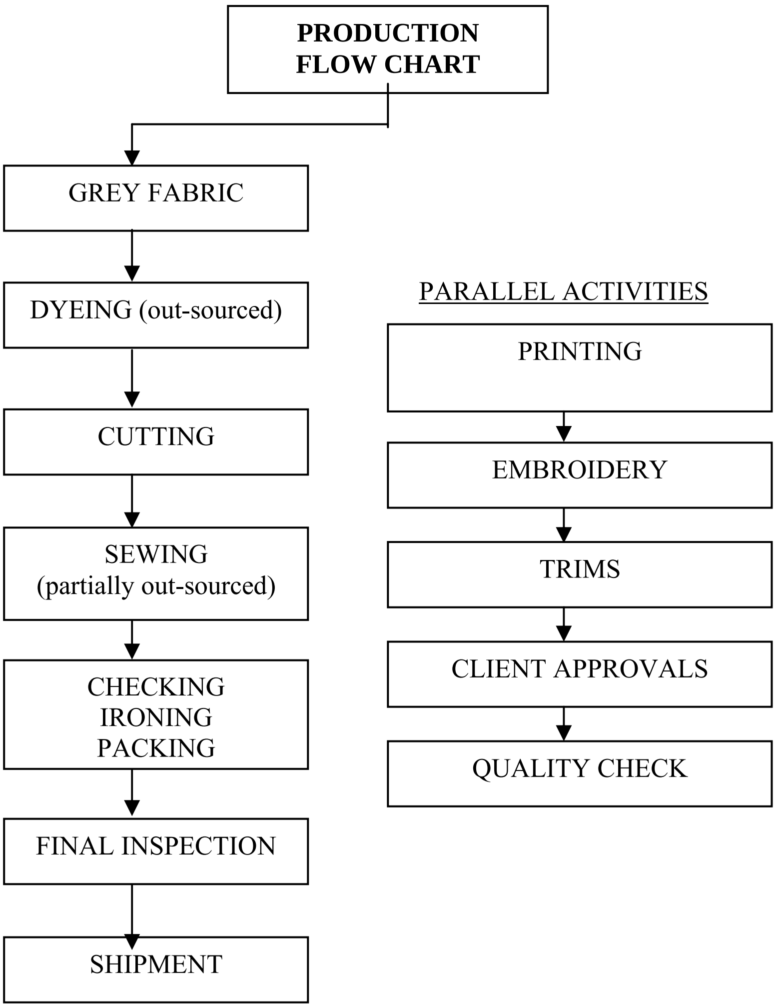
We are a vertically integrated manufacturer in the cotton apparel industry. We manufacture readymade knitted apparel, including men's, ladies' and kids' wear; summer, spring and winter wear and sports wear. We also have upstream knitting and spinning capabilities. We employ a high level of automation in our production processes, which results in high productivity and quality. Our apparel manufacturing and knitting and spinning processes are described below.

Readymade Knitted Apparel

The production process of readymade knitted apparel begins when a customer sends us a sample for a cost estimate. Following price negotiation, we prepare samples for the customer's approval and upon approval, an order is confirmed. We then develop a pre-production sample with prior customer approval on yarn, fabric and finishings. Once we receive final approval from the customer, we source our raw material requirements. Approximately 25.0% of our knitted fabric is used for internal consumption in our apparel manufacturing business. We purchase our remaining requirements of fabric and other raw materials (including thread, accessories and trims) from a variety of suppliers, some of which are designated by our customers. On receipt of the fabric and raw materials, our quality assurance team conducts a pre-production inspection. Following the approval of the quality of materials, the apparel is produced, which involves the following production elements: fabric processing (including bleaching, dyeing, and/or compacting of fabric), cutting, sewing, checking (loose threads), ironing, packing and final inspection. Parallel processes include printing and embroidery, trims, client approval and multiple quality checks. Following production, packing, and a final inspection by the customer of a random sample, the goods are then shipped. Each stage of production is monitored by our quality assurance team to ensure conformity with our quality, cost and delivery requirements.

We currently outsource fabric processing and a portion of our sewing requirements through our contract manufacturers, which we select for each project based on available capacity and customer requirements. However, we are currently phasing in apparel manufacturing at our Arasur facility, near Coimbatore, which will allow us to bring the sewing, printing and embroidery segments of the apparel manufacturing process in-house. As of March 31, 2007 we had 640 sewing machines operational at Arasur, and by the end of fiscal 2008, we expect that number to increase to 1,440 sewing machines. Once fully operational, the Arasur facility will give us the capacity to produce 25.9 million pieces of readymade knitted apparel per year, although we expect to continue to utilize our contract manufacturers for small orders and maintain their current utilization levels. Additionally, upon completion of the processing facility at SIPCOT, Perundurai, we will have the ability to complete all fabric processing in-house, including bleaching, dyeing, and compacting.

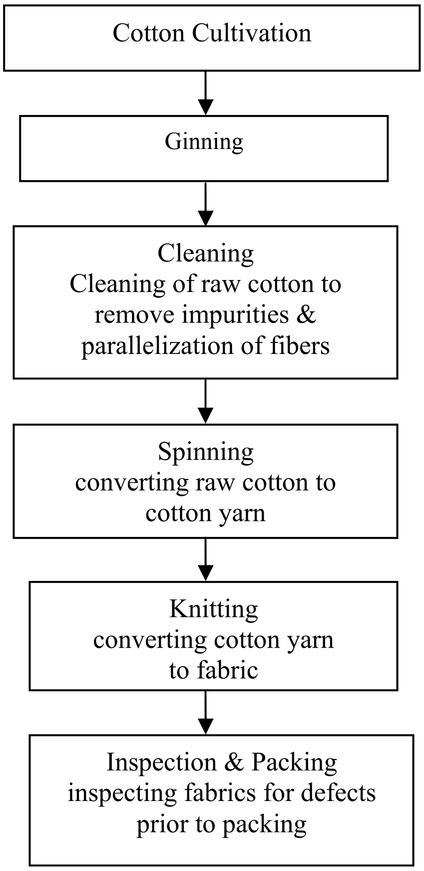
The following flow chart depicts the apparel manufacturing process and parallel activities that are carried out at various times during the manufacturing process



Cotton Knitting

We use automated circular knitting machines to produce our knitted fabric. The knitting machines are fit with specific needles and feeders to adjust for the required structure of fabric. After completion of knitting, fabric roles are removed from the machine. The fabric is then passed through an inspection department to check for faults. After inspection, fabric roles are packed. We use re-usable plastic cones in the winding process for yarn, instead of paper cones, which reduces our packing material consumption.

Our presence in the yarn and fabric production value chain is set forth below.



Cotton Spinning

The manufacturing process of spun cotton yarn comprises cleaning of cotton (blow room stage), elimination of short fibers and impurities (carding and combing), parallelization of fibers (drawframes), spinning and post spinning operations.

Cotton Testing. Cotton, which is the raw material for manufacturing cotton yarn, undergoes strict quality tests by our quality control department for moisture, fiber length, fineness, strength, maturity, rigidity, fiber friction and structural features.

Cleaning of Cotton. Cotton bales are opened and placed in position beside an automated plucking and opening machine that tears apart and partially cleans matted, compressed, and baled cotton. The cotton is then blended to form a uniform mass by sophisticated blow room technology, which also cleans the material. Our cleaning equipment includes modern machinery imported from Switzerland that removes contamination, including polypropylene, which is difficult to detect manually because it is clear in color. The blow room process removes approximately 55.0% of the impurities found in raw cotton.

Carding: Elimination of Short Fibers and Impurities. The blow room provides uniform feeding to our carding machines, which remove short fibers and further eliminate impurities and dust to provide additional orientation and alignment of individual fibers and improve uniformity and density. Carding eliminates approximately 99.0% of all impurities. The carding machine consists mainly of one big roller with smaller ones surrounding it. All of the rollers are covered in small teeth, and as the cotton progresses, the teeth get finer. We employ only imported card wires, which we believe provide higher and more consistent quality. Cotton leaves the carding machine in the form of a “sliver”, a large rope of fibers.

Drawframe. Carded slivers are then processed by drawing frame equipment to stretch the combined strands of cotton so that the combined strands approximate the weight and size of any one of the original strands. This is accomplished by running the strand between several pairs of rollers, each pair turning faster than the pair before it. We believe our drawframes, which we import from Germany, are among the most sophisticated available.

Combing. Combing is the process of extracting fibers below a predetermined length and removing any remaining impurities. Output of the combing machines is deposited in round cans. Our combers are imported from Switzerland, and we believe that they produce superior quality with high productivity.

Finisher Drawframe. The cotton then goes through a finisher drawframe to provide uniformity and improved quality. Here the cotton sliver is prepared to be processed into yarn.

Speed frame. The sliver is then drawn into strands called "roving", where both drafting and twisting takes place.

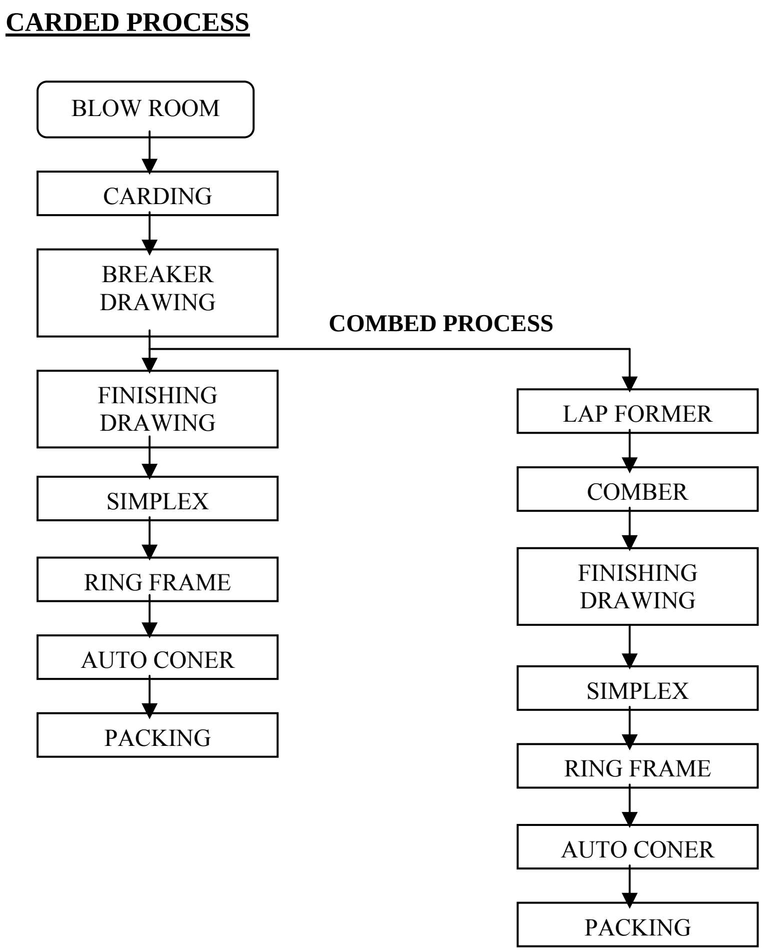
Spinning. Subsequent stretching and high speed twisting of roving bobbins is carried out on ring frames until the required yarn count is achieved (i.e., 16s to 34s). The yarn count expresses the thickness of the yarn, and must be known before calculating the quantity of yarns for a known length of fabric.

Auto Coners. Our auto coner system winds the yarn into a form suitable for storage, transportation or further processing. We believe our yarn package weight is among the heaviest in the local market, which improves our and our clients' knitting productivity. We have ordered new generation auto coner machinery from Germany for our new mill at Arasur, near Coimbatore. This new equipment is able to remove polypropylene, which aids in knitting productivity and operations.

Yarn Conditioning. We condition the coned yarn to improve the yarn quality by supplying necessary moisture. Conditioning enhances twist stability and consistency in yarn properties.

Inspection and Packing. Each individual cone of yarn undergoes an ultra violet lighting check before packing. This identifies any impurities or imperfections. Yarn is then packaged and put into cartons or packaged as a pallet as per the request of the customer.

Our cotton spinning process is depicted in the following process flow chart:



Marketing and Distribution

Readymade Knitted Apparel

Our sales office in Tirupur handles business development and relationship management for our apparel business. Most of our major customers have sourcing offices in Tirupur or Coimbatore. For the years ended March 31, 2006 and 2007, 99.97% and 99.86%, respectively, of our apparel sales were international and 0.03% and 0.14% were domestic during such periods. Some of our international customers include Carrefour, Penneys (Primark), Pom-tex, C&A, Ethel Austin, Kiabi, Bandos AG, Mother Care, Innovations Club, and Grouppo Industry Moda SPA.

We sell our readymade knitted apparel primarily in the international market through direct sampling efforts. We believe we employ a very customer-driven approach to client development and service that is strongly oriented to the customer's specifications and satisfaction. Each customer is assigned to a specific team that oversees merchandising, sampling, production, logistics, development of the finished product, quality management and customer satisfaction. We have twenty apparel sales and marketing teams comprised of five people each. These teams are motivated by incentives linked to sales targets and customer profitability. Our apparel sales and marketing teams utilize our apparel showroom in Tirupur, which can be configured to visually demonstrate for any particular retailer what our apparel products would look like in their store.

Our new mill at Arasur, near Coimbatore, employs a highly modern and computerized storage system with capacity to handle 500 metric tons of apparel and fabric, which enables us to quantify and rapidly locate inventory. We expect that this will improve our distribution efficiency and productivity.

Fabric and Yarn

We sell our fabric and yarn through our sales representatives directly to apparel manufacturers, as well as through third-party agents who procure orders from manufacturers. Orders are procured on a day-to-day basis. Our cotton fabric and yarn have significant demand in the domestic market and we are able to realize a higher price on domestic sales compared to international sales. Therefore, we have focused mainly on the domestic market for fabric and yarn sales, particularly in Tirupur. For the year ended March 31, 2007, approximately 99.4% of our fabric and yarn sales were domestic and 0.6% were international. Our core customers in our fabric and yarn businesses include hosiery mills and knitted apparel manufacturers. As a matter of policy, we have avoided sales to intermediaries in order to maximize profits. We believe our yarn, known for its high quality, commands a premium price compared to our competitors.

Our third-party sales agents are assigned to promote our fabric and yarn products to specific customers in the Tirupur region. Sales agents receive a commission based on the quantity of fabric and yarn purchased by the customers they cover. Although we believe we have strong relationships with our sales agents, we have no agreements in place between us and the sales agents, and the sales agents are not exclusive to our Company. The performance of each of our sales agents is monitored by our marketing personnel, and we maintain direct communication with each customer to monitor quality and customer satisfaction. Where appropriate, our marketing personnel may terminate arrangements with sales agents if their performance consistently falls below expectation.

We have a sales office and warehousing facilities in Tirupur, which allow us to readily meet the requirements of our customers. Our customer service department, which is headed by a textile technologist, addresses any quality issues that may arise.

Our fabric and yarn customers in the domestic market are fragmented, as most of them are small exporters based in Tirupur. We service approximately 1,000 out of the approximately 7,000 manufacturing facilities based in Tirupur, which mitigates any risk of customer concentration in our fabric and yarn businesses.

Export Obligations and Benefits

The Export Promotion Capital Goods ("EPCG") scheme in India facilitates import of capital goods at a 5% concessional rate of duty. Pursuant to the EPCG scheme, we have an obligation to export an amount at least equal to eight times the duty we save.

As of March 31, 2007, our export obligations were as set forth below:

S No.	Particulars	Amount (Rs. In Million)
1	Total Export obligation	7244.13
2	Less: Exports achieved so far	1298.40
3	Gap between export obligation and export achieved	5945.73
4	Time limit for achieving export obligation	2013-2014
5	Implication on profit, if exports not achieved	31.84

Windmill Operations

In order to become more self-sufficient, support our expanding operations and reduce our reliance on the state electrical grid, which could subject us to increases in cost, we have installed windmill facilities in Tirunelveli, Thenkasi and Coimbatore. Through these facilities, we have the capacity to produce 39.07 mega watts of power, which as of March 31, 2007 met all of our energy needs, and which we expect will support approximately 75.0% of our energy needs once the Arasur mill is fully operational.

We generate and transmit electricity from these windmills pursuant to multiple agreements for private windmill generation with the Tamil Nadu Electricity Board ("TNEB"). Pursuant to these agreements, between 2% and 5% of the gross energy generated by our windmills is deducted as TNEB's commission (the "wheeling charge") and 5% of the energy that is banked with TNEB is deducted by TNEB as a "banking charge". TNEB has the sole right to vary the wheeling charge, the banking charge and other charges. We have agreed to indemnify TNEB from and against any losses that occur to the equipment or the power transmission lines of TNEB and to maintain the windmills and all equipment to the reasonable satisfaction of TNEB. We have further agreed not to sell the energy generated to any person other than TNEB. The energy generated by our windmills is set off on a monthly basis against the consumption of electricity that we receive from TNEB. The unutilized surplus energy may be either sold to TNEB at a fixed rate (without an annual escalation) until a specified date or banked with TNEB. The power that is banked must be utilized before March 31 of every year. The banked power that is not utilized is forfeited. Upon a breach by the Company, TNEB may cancel permission to operate the windmill and to connect with TNEB's grid. Generally, the agreements may be terminated by TNEB by giving a notice of three months following a breach by the Company. However, in certain agreements, TNEB has the right to withdraw the approval given for no cause. The agreements may also be terminated by us by giving a notice of three months to TNEB.

This power supply, together with related tax incentives, enables us to substantially improve our profitability. For the year ended March 31, 2007, our power cost per unit was Rs.0.53, which was approximately 84.9% lower than the per unit cost charged by TNEB. In order to support our expanded operations, we plan to implement an additional windmills by the end of fiscal 2009. With the additional windmills, we expect that we will be able to meet a substantial portion of our electricity requirements with this low cost, sustainable and clean source of energy.

Competition

The apparel manufacturing industry, globally and in India, is highly fragmented and competitive, with a large number of small and medium sized manufacturers having a local presence in Western Europe, China and India. With the elimination of export quotas as of January 1, 2005 under the WTO, competition in the apparel exporting market has increased dramatically, including competitive pressure from additional low cost manufacturers in countries such as Turkey, Romania, Pakistan and Bangladesh. No single company dominates the apparel industry either in the Indian or international markets and our competitors range from large multinational enterprises with substantial resources to niche manufacturers. In order to be competitive in the apparel export market, we intend to continue to leverage our increasing capacity, cost efficient production and operational capabilities and maintain and develop strong relationships with our existing customers and new customers.

In respect of our fabric and yarn business, we compete primarily with other domestic manufacturers; however, we have experienced relatively low competition with respect to our yarn products. We believe this is the case because we produce a higher quality yarn than other mills in the region. Further, many of the mills in the region switch between the production of weaving yarn and knitting yarn, while we focus solely on knitting yarn. We believe this makes us more competitive because our production is not interrupted in order to switch manufacturing processes.

We believe that we have certain competitive advantages that enable us to be a lower cost producer of readymade knitted apparel, knitted fabric and cotton yarn than many of our competitors, including our ability to source substantially all of our cotton requirements during the peak selling season when the prices are at their lowest, our skilled and stable workforce and our use of wind-generated electricity. For more information on competition, see the sections "Risk Factors - Indian apparel exporters face significant competition in our principal markets" and "Risk Factors - The reduction and elimination of quantitative restrictions has resulted in significant pricing pressures in the apparel export industry and significant competition in our principal markets" beginning on page xxii and page xv, respectively, of this Red Herring Prospectus.

Insurance

We maintain insurance policies in respect of our operations and products. These policies include all-risk coverage in respect of loss of, or damage to, buildings, machinery, equipment, inventory and other physical assets. Our property insurance covers standard peril, fire and earthquake. We maintain transit insurance policies to cover the safety of our goods in transit. We also maintain a group health insurance policy for certain of our employees and have taken a directors' and officers' liability insurance policy, as well as a key-man insurance policy. Our insurance policies are subject to customary exclusions and deductibles. We have obtained what we consider to be adequate insurance for our facilities and workforce and that we believe is consistent with other apparel manufacturers in India.

Workforce

As of March 31, 2007, we had a workforce of 5,438 handling various responsibilities as stated below:

Broad Function Area	No.
Senior Management	7
Mid/General Management	37
Research and Development / Technical	221
Finance/Administration	104
Marketing/Logistics	140
Manufacturing	125
Apprentices (manufacturing workforce)	4,361
Casual Labor	145
Others	298
Total	**5,438**

As a part of our efforts to recruit and retain a motivated workforce, we aim to provide opportunities to those in under-developed districts in the state of Tamil Nadu, and we believe that we provide our workforce with many personal development opportunities. For example, programs and services that we offer include nutritional subsidized meals, continuous job-oriented training, library facilities, sports facilities, computer training, medical facilities, motivational lectures, and yoga and meditation facilities. Most importantly, in our view, our manufacturing workforce is provided with the opportunity to take courses toward a vocational, high school or college degree. We subsidize the fees for these courses, which is a distinctive benefit for apparel workers in the Indian apparel industry. As of March 31, 2007, approximately 1,230 of our workers are participating in this program.

We believe these initiatives have enabled us to retain a qualified, loyal and motivated workforce and have helped us maintain our workforce costs at a stable level. Our low attrition rates enable us to minimize recruitment costs and avoid inefficiencies related to workforce turnover. We have not had a labor disruption since inception.

Health, Safety and Environment

We comply with applicable health, safety and environmental legislation and other requirements in our operations. 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.

Our environmental management policy requires compliance with all local, state and central laws and regulations concerning environmental protection and related matters. 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. Detailed rules and regulations have been prescribed under these acts, including rules governing the management of hazardous waste and the manufacture, storage and import of hazardous chemicals and management of noise pollution, which we will be subject to once our dyeing facilities are operational.

We have obtained necessary environmental consents from the Tamil Nadu State Pollution Control Board concerning our existing operations and have applied for the necessary consents for our dyeing facilities under construction at SIPCOT, Perundurai and our spinning and knitting facilities at Arasur, near Coimbatore. We are subject to regular inspections for the discharge of water effluents and the emission of gases in connection with these operations. We believe that we are in material compliance with all applicable health, safety and environmental laws and regulations. Please also refer to the section titled "Risk Factors - Compliance with, and changes in, safety, health and environmental laws and various labor, workplace and related laws and regulations impose additional costs and may adversely affect our results of operations and our financial condition."

We have demonstrated our commitment to protecting the environment by seeking to minimize pollution and waste and by attempting to decrease our fuel and electricity consumption. Our operations at the Sathyamangalam and Karumathampatti facilities have been certified as conforming to the Environmental Management System Standard ISO 14001:2004.

Equipment

We own modern textile and apparel production equipment comparable to equipment used internationally in the cotton textile and apparel manufacturing industry. Most of our machinery is imported from abroad in order to take advantage of the latest technology in the manufacturing process. Our equipment is managed, maintained and operated internally, which reduces the costs of outsourcing maintenance.

The following table lists the machinery installed in our various facilities:

(Rs. millions)

Machinery	Manufacturer	Purpose	Quantity (Nos.)	Cost incurred
Apparel Division				
Sewing machines	Siurba Power, Pfaff Industries, Pagasus Sewing Machines	Stitching	1,517	119.32
Cutting machine	Gerber Technology	Cutting	1	9.69
Embroidery machines	Barudan Asia	Embroidery	6	19.97
Needle detection and other equipment	York Detecting System	Needle detection	1	1.03
Boiler	Simons	Steam for ironing	2	1.58
Printing Machine	Sri Shanmuga Traders	Printing	10	0.05
Collar Knitting Machine	Kauo Precision Machinery Industries	Collar Knitting	5	2.05
Electric Iron	Sewoong Products Company	Ironing	100	0.49
Knitting Division				
Knitting machines	Mayier & Cie, Pailong, Orizio Paolo spa	Knitting	113	147.67

Machinery	Manufacturer	Purpose	Quantity (Nos.)	Cost incurred
Spinning Division				
Blow room (Unifloc, Uniclean, Vision Shield)	Rieter India Ltd, Lakshmi Machine Works Ltd, Trumac Engineering Company, Trutzchler	Manufacturing	9	164.91
Carding	Rieter India Ltd, Lakshmi Machine Works Ltd, Trumac Engineering Company, Trutzchler	Manufacturing	135	351.04
Comber machines	Rieter India Ltd, Lakshmi Machine Works Ltd	Manufacturing	71	294.12
Drawing machines	Rieter India Ltd, Lakshmi Machine Works Ltd	Manufacturing	46	102.40
Simplex	Zinser Textile systems Lakshmi Machine Works Ltd	Manufacturing	44	140.32
Ring frames	Lakshmi Machine Works Ltd	Manufacturing	120	371.02
Winding machines	Schlafhorst Muratech	Manufacturing	42	490.78
Yarn conditioning plant	Elgi Electric & Sieger	Manufacturing	4	1.08
Overhead cleaners	Elgi Electric & Sieger	Manufacturing	156	22.28
Genset and other equipment	Powerica, Voltas, etc.	Manufacturing	25	197.04
Various electrical installations		Manufacturing		291.67
Windmills	Suzlon, Enercon, NEG Micon	Power generation	39	2,291.87

Property

We have acquired various properties for our business and operations. A table of owned properties follows:

Property	Built up Area (square feet)	Total Area (acres)	Purpose
Karumathampatti Unit, 273 Kittampalayam village, Karumathampatti Coimbatore	264,779	18.76	Spinning and knitting
Neelambur Unit, SF no.525,526 Neelambur Coimbatore	385,097	16.71	Spinning and knitting
Arasur Unit, Kollupalayam Arasur Coimbatore *	1,003,000	44.00	Apparel manufacturing, knitting and spinning

* We expect the Arasur mill to be fully operational by the end of fiscal 2008 with a total built up area of 1,308,457 square feet.

In addition to the above owned properties, we have taken the following properties on lease:

Property	Term	Amount (per year)	Built up Area (square feet)	Total Area (acres)	Purpose
Sathyamangalam Unit, Indiampalayam Arasur Post Sathyamangalam Taluk Erode District	10 years from December 7, 2006	Rs.500,000 (adjustable per market value after 5 years)	272, 493	13.99	Spinning
SIPCOT Perundurai, * Erode District	99 years from February 27, 2006	Re.1 (for 98 years, Rs.2 for 99th year)	Under construction	19.83	Processing
Tirupur, 252 Periyar Colony Anupparpalayam Tirupur	10 years from December 7, 2006	Rs.500,000 (adjustable per market value after 5 years)	110,000	1.88	Apparel manufacturing
Tirupur, 270 J Periyar Colony Anupparpalayam	10 years from December 7, 2006	Rs.300,000 (adjustable per market value after 5 years)	22,500	1.00	Administrative office
Tirupur, 252 Periyar Colony Anupparpalayam	10 years from December 7, 2006	Rs.300,000 (adjustable per market value after 5 years)	35,000	0.40	Staff Quarters & Amenities

* We expect the SIPCOT, Perundurai processing facility to be fully operational by July 2007 with a total built up area of 153,591 square feet upon completion.

Intellectual Property

We do not manufacture any of our products under our own brand or trade name. Our Promoters have applied for registration of the K.P.R. trade name under their firm, K.P.R. Enterprises, and the application is currently pending. K.P.R. Enterprises has agreed to license the K.P.R. trade name to us for a one-time payment of Rs.100 pursuant to a license agreement, which will be effective upon approval of the registration. We have not applied for any other intellectual property registrations.

Litigation

For a summary of litigation to which we are a party, please refer to the section titled "Outstanding Litigation and Material Developments" beginning on page 166 of this Red Herring Prospectus.

Corporate Social Responsibility

We have made significant investments to meet our energy requirements with a clean and eco-friendly source of energy. We currently operate 39 windmills with a power generation capacity of 39.07 mega watts per hour. This environment friendly power infrastructure meets a substantial portion of our electricity requirements. For further details on our windmill operations, see the section titled "Windmill Operations" beginning on page 68 of this Red Herring Prospectus.

We also believe in promoting the personal development of our workforce. In this regard, we strictly enforce an eight hour workday policy without overtime. We believe this provides our workforce with ample time to pursue educational and vocational activities that are offered at our facilities. Our manufacturing facilities are equipped with computer training rooms, libraries, meditation and yoga halls, and our workforce is encouraged to utilize these facilities. We also provide our employees with protective safety equipment and we believe that we provide our workforce with a safe and healthy working environment. For further details on the facilities provided to our workforce, see the section titled "Our Key Strengths – We have a distinctive model of attracting, training and retaining our workforce" beginning on page 56 of this Red Herring Prospectus.

In pursuit of social accountability, we have been awarded the SA 8000:2001 certification for Social Accountability Management Systems.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India, Government of the State of Tamil Nadu, certain international treaties and conventions to which India is a signatory and the respective byelaws framed by the local bodies incorporated under the laws in the State of Tamil Nadu. The information detailed in this chapter has been obtained from the various legislations, international treaties and conventions, and the byelaws of the respective local authorities that are available in the public domain.

Restrictions on Foreign Investment

Foreign Ownership

Under the Industrial Policy and FEMA, foreign direct investment of up to 100% is permitted in the textile industry.

The RBI by A.P. (DIR Series) Circular No. 16 dated October 4, 2004 granted general permission for the transfer of shares of an Indian company by Non-Residents to residents and from residents to Non-Residents, subject to the terms and conditions, including pricing restrictions, specified in such circular.

No approval of the FIPB is required for the Allotment of Equity Shares in this Issue. The Government issued a press release dated January 24, 2006 announcing that the Cabinet of Ministers had approved a proposal to permit foreign direct investment of up to 51% with prior approval of the FIPB in Indian companies engaged in single brand retail trading. The press release states that retailing multiple brands, even if such products are produced by the same manufacturer, is not permitted. Subsequently, pursuant to Press Note No. 3 (2006 Series) dated February 10, 2006, the Government of India has permitted foreign direct investment up to 51% in retail trading of single brand products with the prior approval of the FIPB.

Investment by Foreign Institutional Investors

FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies on primary and secondary markets in India, to realize capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards the sale or renunciation of rights issues of shares.

Ownership Restrictions of FIIs

Under the portfolio investment scheme, the total holding of all FIIs together with their sub-accounts in an Indian company is subject to a cap of 24% of the paid-up capital of the company, which may be increased up to the percentage of sectoral cap on FDI in respect of the said company pursuant to a resolution of the board of directors of the company and the approval of the shareholders of the company by a special resolution in a general meeting. The aggregate FII limit for the Company is currently 24% of its issued Equity Shares, and it has not obtained board or shareholders approval to increase such limit to the maximum of 100% permitted for the Company. The total holding by each FII, or in case an FII is investing on behalf of its sub-account, each sub-account, should not exceed 10% of the total paid-up capital of that company.

Textile Sector

National Textile Policy

The Government of India in November 2000 announced the new National Textile Policy (the "NTP-2000") with the objective of helping the textile industry attain global standing in the manufacture and export of clothing. In furtherance of these objectives, the NTP-2000 placed strategic importance on technological upgradation, enhancement of productivity and quality, product diversification and strengthening the raw material base of the country.

The NTP-2000 sought to increase the target of textile and apparel exports from the existing level of US$11.0 billion to US$50.0 billion by 2010, of which the share of garments would be US$25.0 billion. The NTP-2000 also provides for setting up a venture capital fund to assist the private sector in establishing financial arrangements to fund the diverse needs of the textile industry. The NTP-2000 also seeks to encourage the private sector to set up world class, environment-friendly, integrated textile complexes and textile processing units in different parts of the country and seeks to establish review procedures with respect to the working of the textile research associations to focus research on industry needs.

Certain sector specific initiatives envisaged under the NTP-2000 are set forth below:

(a) *Raw Materials*

The NTP-2000 aims at improving the availability, productivity and quality of raw materials at reasonable prices for the industry. Although cotton is expected to continue to be the dominant fibre, NTP-2000 seeks to give special attention to creating a balance between cotton and non-cotton fibres, in keeping with international trends.

(b) *Clothing*

The woven segment of the readymade garment sector has been moved out of the small scale industries' reservation list. Further, joint ventures and strategic alliances with leading world manufacturers and schemes with necessary infrastructural facilities for the establishment of textile/apparel parks is sought to be encouraged.

(c) *Spinning Sector*

The NTP-2000 aims at continuing efforts to modernize and upgrade technology in the spinning sector and encouraging export of cotton yarn.

(d) *Handloom Industry*

The NTP-2000 states that the Government of India will continue to accord priority to the handloom sector. The NTP-2000 sets forth, *inter alia*, the following measures in this regard:

- Developing training modules for weavers engaged in the production of low value added items with the objective of upgrading their skills to enable them to find alternate employment in the textile or other allied sectors;
- Implementing comprehensive welfare measures in close cooperation with state governments, for better working environment and social security of weavers; and
- Providing effective support systems in research and development, design inputs and skill upgradation.

(e) *Knitting*

The NTP-2000 states that the knitwear sector would be removed from the small scale industries' reservation list. The knitwear sector has been subsequently removed from this list pursuant to a notification dated March 28, 2005.

(f) *Fiscal Policy*

The NTP-2000 states that a growth-oriented fiscal road map will be drawn up and the existing multi-level duty structure and rates of levies will be reviewed and rationalized.

Technology Upgradation Fund Scheme ("TUFS")

The Ministry of Textiles, Government of India, launched a Technology Upgradation Fund Scheme for the textile and jute industry for a five year period from April 1, 1999 to March 31, 2004. It was extended until March 31, 2007. The union budget announced on February 28, 2007 has extended the TUFS to March 31, 2012. The TUFS provides for a reimbursement of 5% on the interest charged by a lending agency on a project of technology upgradation in conformity with this scheme. An additional option has been given to power loom units for a 20% capital subsidy under the Credit Linked Capital Subsidy ("CLCS-TUFS") up to a cost of Rs.10 million in eligible machinery with a facility to obtain credit from a credit network that includes all co-operative banks and other genuine non-banking financial companies recognized by the Reserve Bank of India.

Export Promotion Capital Goods ("EPCG") Scheme

The EPCG scheme in India facilitates import of capital goods at a 5% concessional rate of duty with an obligation to export an amount at least equal to eight times the duty saved. Importing second hand capital goods without any restriction on age is also allowed under the new Foreign Trade Policy announced on August 31, 2004.

Export Performance Certificate

Exporters who are registered with the Apparel Export Promotion Council can make an application for the issuance of an Export Performance Certificate for importing certain eligible items for use in the manufacture of textile garments for exports. We received concessions on imports of eligible items up to the extent of 3% of the FOB value realized on exports of ready-to-wear garments during the preceding financial year.

Duty Entitlement Pass Book ("DEPB") Scheme

The DEPB scheme is an alternative to the duty drawback scheme. This scheme consists of a reimbursement of basic and special customs duties paid by an exporter on an imported input used in the export product. The benefit is given by way of a grant of duty credit (by way of a tradable license) against the FOB value of export products at specified rates.

DEPB credit rates have been prescribed for 83 textile and clothing products. The DEPB credit rates were reduced on all textile items with effect from September 23, 2004. The DEPB credit rates were again revised with effect from December 30, 2004. The DEPB credit rates have recently been further reduced pursuant to a notification dated July 3, 2006.

Duty Drawback Scheme

Exporters are allowed a refund of the excise and customs duty payable on raw materials under this scheme in order to make their products more competitive in the international market. The Department of Revenue, Government of India, announced a revision in the All Industry Drawback Rates on July 13, 2006, with effect from July 15, 2006. Pursuant to this revision, the drawback rates on all export products, except a few, have been expressed in ad valorem terms instead of the earlier system, which was based on the weight of the export product. The associated drawback caps have, however, been fixed on the basis of the weight or pieces of export products. The revised Drawback Schedule covers 2,704 entries. With respect to apparel items, the drawback rates have also been given on the basis of the composition of textiles. Further, pursuant to a notification dated July 13, 2006, which became effective on July 15, 2006, revised drawback rates have been fixed for certain items. For example, the revised drawback rate for knitted blouses, shirts or tops of cotton is 7% with a cap of Rs.31 per piece. For knitted blouses, shirts or tops of cotton and man made fibre blend, the drawback rate is 7.5% with a cap of Rs.32 per piece and for knitted blouses, shirts or tops of man made fibre, the drawback rate is 8.1% with a cap of Rs.34 per piece.

Target Plus Scheme

The Target Plus Scheme was introduced in 2004 to provide certain graded incentives to Star Export Houses that have achieved a certain amount of growth in exports. The scheme was operationalized on April 7, 2005. Pursuant to this scheme, high performing Star Export Houses are entitled for duty credit based on incremental exports substantially higher than the general annual export target fixed. All Star Export Houses that achieved a minimum export turnover in free foreign exchange of Rs.100 million during the previous licensing year were eligible for consideration under the Target Plus Scheme.

The Target Plus Scheme has been discontinued with effect from April 1, 2006.

Under the Target Plus Scheme, any exporter achieving export growth at a specified rate over the previous fiscal year is entitled to a duty free import license. Under the scheme, the export target for fiscal 2006 was set at 17% and the lowest limit of performance for qualifying for rewards was pegged at 20%. The entitlement under this scheme is dependent on the incremental growth in FOB value of exports in the current licensing year. The duty credit may be used to import any capital goods, including spares.

Marketing Development Assistance ("MDA") Scheme

The Department of Commerce has introduced the MDA scheme to assist Export Promotion Councils ("EPCs") to undertake promotional activities and undertake limited non-recurring innovative activities connected with export promotion efforts for their members.

The Textiles Committee Act, 1963

The Textiles Committee Act, 1963, as amended, has established the Textiles Committee with the primary objective of ensuring standard quality of textiles both for internal marketing and export purposes and the manufacture and use of standard type of textile machinery. Its functions include the promotion of textiles and textile exports, research in technical and economic fields, establishing standards for textiles and textile machinery and setting up of laboratories for the testing of textile.

The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978

The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978, as amended, provides for the levy and collection of an additional duty of excise on certain textiles and textile related articles.

Other Recent Initiatives

To strengthen the domestic textile industry and enable it to meet growing global competition, the Union Budget 2006-2007 enhanced the allocation to TUFS to Rs.5,350 million.

The following important announcements were made in the Union Budget 2005–2006:

- A capital subsidy of 10% for the processing sector; 30 items of textiles products and hosiery have been identified for de-reservation from items reserved for small scale industries;
- Creation of a special purpose vehicle for financing infrastructure projects, especially debt of long term maturity. The limit was fixed at Rs.100,000 million;
- Excise duty on polyester filament yarn and polyester texturized yarn reduced from 24% to 16%;
- Optional Central Value Added Tax ("CENVAT") Scheme has been extended to stand alone texturizing units at 8% excise duty with CENVAT credit or at nil duty without CENVAT credit;
- Customs duty rates reduced from 20% to 15%; and
- Duties on textile machinery, raw materials and spare parts for manufacture of such machinery brought down from 20% to 10%. The existing concessional duty of 5% on some other machinery is being continued.

International

Multi-Fibre Arrangement ("MFA")

Until December 31, 1994, the exports of textiles to certain developed countries (e.g. the U.S., member countries of the European Union and Canada) were governed by bilateral textile arrangements entered into between India and these countries under the MFA, outside the rules of the General Agreement on Tariffs and Trade ("GATT"). The MFA provided for the application of selective quantitative restrictions when surges in imports of particular products caused, or threatened to cause, serious damage to the industry of the importing country. The MFA was a major departure from basic GATT rules and particularly from the principle of non-discrimination. With effect from January 1, 1995, the quantitative restrictions (import quotas) in the bilateral agreements under the MFA were taken over by the Agreement on Textiles and Clothing ("ATC") contained in the Final Act of the Uruguay Round negotiations of the GATT.

Under the ATC, a 10-year plan for dismantling the international quota regime on the textile trade was adopted and on December 31, 2004, the last of the quota restrictions on textile exports were removed. However, quota restrictions on China's textile exports to the United States of America and the European Union will continue until 2008 under specific bilateral agreements.

Wind Energy

The wind power programme in India was initiated towards the end of the Sixth Plan in 1983-84. India has a separate Ministry for Non-Conventional Energy Sources ("MNES"). In 1980, Commission on Alternative Sources of Energy was set up to look into feasibility of tapping into sources of renewable energy. In 1982, a separate Department of Non-Conventional Energy Sources was created under the aegis of the Ministry of Energy for promoting activities relating to development, trial and induction of variety of renewable energy technologies for use in different sectors. In 1992, the MNES started functioning as a separate Ministry to develop all areas of renewable energy. Policy guidelines were issued by the MNES to all the States during the mid Nineties with a view to promote commercial development and private investment in this sector. The guidelines pertain to areas such as provision of facilities for wheeling, banking, third party sale, and buy-back of electricity. Nine states have introduced renewable energy policies following the MNES's Guidelines in the country.

The mandate of MNES includes research, development, commercialization and deployment of renewable energy systems/devices for various applications in rural, urban, industrial and commercial sector. In order to ensure quality of wind farm projects and equipments, the MNES introduced the 'Guidelines for wind power projects' (the "MNES Guidelines") in July 1995 for the benefit of state electricity boards, manufacturers, developers and end-users of energy to ensure proper and orderly growth of the wind power sector. The MNES Guidelines are periodically updated and issued. The MNES Guidelines, inter-alia, make provision for proper planning, siting, selection of quality equipment, implementation and performance monitoring of wind power projects. The MNES Guidelines seek to create awareness among various stakeholders about planned development and implementation of wind power projects.

In 1987, MNES established the Indian Renewable Energy Development Agency ("IREDA"), a financial institution to complement the role of MNES and make available finance to renewable energy projects. IREDA functions under administrative control of MNES. IREDA is involved in extending financial assistance and related services to promote deployment of renewable energy systems in India.

In addition, MNES has established various specialized technical institutions to carry out its mandate. In relation to the wind energy sector, the Centre of Wind Energy Technology at Chennai is the major specialized technical institution, looking into areas such as technology development, testing and certification. In addition, it has also been playing vital role in the wind resource assessment programme of the country.

Environmental and Labor Regulations

Depending upon the nature of the manufacturing activity undertaken by us at our various units, applicable environmental and labor laws and regulations include the following:

- Air (Prevention and Control of Pollution) Act, 1981;
- Contract Labor (Regulation and Abolition) Act, 1970;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Employees' State Insurance Act, 1948;
- Environment Protection Act, 1986 and Environment (Protection) Rules, 1986;
- Factories Act, 1948;
- Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957;
- Minimum Wages Act, 1948;
- Payment of Bonus Act, 1965;
- Payment of Gratuity Act, 1972;
- Payment of Wages Act, 1936;
- Tamil Nadu Shops and Establishments Act, 1974; and
- Water (Prevention and Control of Pollution) Act, 1974.

A brief description of certain labor legislations is set forth below:

Contract Labor (Regulation and Abolition) Act, 1970

The Contract Labor (Regulation and Abolition) Act, 1970, as amended (the "CLRA"), requires establishments that employ or employed on any day in the previous 12 months, 20 or more workmen as contract labor to be registered and prescribes certain obligations with respect to the welfare and health of contract labor.

The CLRA requires the principal employer of an establishment to which the CLRA applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labor cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a licence and not to undertake or execute any work through contract labor except under and in accordance with the licence issued.

To ensure the welfare and health of the contract labor, the CLRA imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period.

Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952, as amended, provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. A liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948 (the "ESI Act") provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Factories Act, 1948

The Factories Act, 1948, as amended (the "Factories Act"), defines a 'factory' to be any premise which employs or employed on any day in the previous 12 months, 10 or more workers and in which a manufacturing process is being carried on with the aid of power or any premises where there are or were in the previous 12 months, at least 20 workers working even though there is no manufacturing process being carried on with the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the 'occupier' of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions.

If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment for a term up to two years or with a fine up to Rs.100,000 or with both, and in case of contravention continuing after conviction, with a fine of up to Rs.1,000 per day of contravention. In case of a contravention which results in an accident causing death or serious bodily injury, the fine shall not be less than Rs.25,000 in the case of an accident causing death, and Rs.5,000 in the case of an accident causing serious bodily injury.

Minimum Wages Act, 1948

State governments may stipulate the minimum wages applicable to a particular industry. The minimum wages may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any.

Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment up to six months or a fine up to Rs.500 or both.

Payment of Bonus Act, 1965

Pursuant to the Payment of Bonus Act, 1965, as amended (the "Bonus Act"), an employee in a factory or in any establishment where twenty or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year is eligible to be paid bonus.

Contravention of the provisions of the Bonus Act by a company is punishable by imprisonment for up to six months or a fine of up to Rs.1,000 or both, against persons in charge of, and responsible to the company for, the conduct of the business of the company at the time of contravention.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972, as amended (the "Gratuity Act"), an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement or resignation, superannuation or death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent on an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed Rs.350,000.

An employee in a factory is said to be in 'continuous service' for a certain period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee. The employee is also deemed to be in continuous service if the employee has worked (in an establishment that works for at least six days in a week) for at least 240 days in a period of 12 months or 120 days in a period of six months immediately preceding the date of reckoning.

Tamil Nadu Shops and Establishments Act, 1947

The Tamil Nadu Shops and Establishments Act, 1947, as amended, prescribes regulations in relation to health and safety, wages and working hours.

HISTORY AND CERTAIN CORPORATE MATTERS

The Company was incorporated as K.P.R. Cotton Mills Private Limited on March 19, 2003 under the Companies Act. The name of the Company was subsequently changed to K.P.R. Mill Private Limited and the status of the Company was also changed to a public limited company following a merger and pursuant to a scheme of arrangement approved by the High Court of Judicature at Madras on August 19, 2006 with effect from April 1, 2005. The fresh certificate of incorporation consequent upon the change of name and status of the Company was granted on October 5, 2006, by the RoC.

Key Events and Milestones

Month and Year	Event
May 2004	K.P.R. Mill Private Limited (for its operations located at Sathyamangalam) and K.P.R. Spinning Mill Private Limited (for its operations located at Karumathampatti) received ISO 9001:2000 certification for their quality management system.
July 2004	The Company started a spinning facility with a capacity of 50,784 spindles.
August 2005	The Company initiated implementation of new projects at an outlay of Rs.4716.7 million comprising a spinning facility with 100,800 spindles, a garment unit with 1440 sewing machines, a fabric processing unit with capacity to process 23 metric tons of fabric per day and 12 windmills of 1.65 MW each with an aggregate capacity of 19.8 MW and modernization of the spinning facility located at Sathyamangalam.
August 2005	K.P.R. Mill Private Limited (for its operations located at Sathyamangalam) and K.P.R. Spinning Mill Private Limited (for its operations located at Karumathampatti) received ISO 14001:2004 certification for their environmental management systems.
September 2005	K.P.R. Mill Private Limited (for its operations located at Sathyamangalam) and K.P.R. Spinning Mill Private Limited (for its operations located at Karumathampatti) received SA 8000:2001 certification for their social accountability management system certifications for the manufacture of cotton yarn.
February 2006	The business of K.P.R. Knits was acquired by the Company with effect from April 1, 2005.
March 2006	The Company completed installation of 12 windmills with an aggregate capacity of 19.8 MW.
August 2006	K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited merged with and into the Company with effect from April 1, 2005.
November 2006	Private equity investment in the Company by Ares Investments, Brandot Investments Limited and Argonaut Ventures.

The business of K.P.R. Knits, a sole proprietorship concern of Mr. K P D Sigamani, was acquired as a going concern by the Company from Mr. K P D Sigamani on February 15, 2006 with effect from April 1, 2005. The consideration for this transaction was paid by way of issue of 72,651 Equity Shares of Rs.10 each at an issue price of Rs.119.60 per share. The business of K.P.R. Knits consisted principally of knitwear and included assets such as building, plant and machinery. As of March 31, 2005, this entity had 16 knitting machines. The acquisition of the business of K.P.R. Knits strengthened the ability of the Company to produce and export knitted ready made garments.

Pursuant to a scheme of arrangement approved by the High Court of Judicature at Madras on August 19, 2006, K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited were merged into and with the Company with effect from April 1, 2005. Quantum Management Consultants Private Limited, Coimbatore, produced the following valuation for this merger on a fair value basis:

Company	Valuation (Rs. in Millions)	Fair value per share (Rs.)	Exchange Ratio
K.P.R. Mill Private Limited	954.17	106.42	1 : 0.89
K.P.R. Spinning Mill Private Limited	731.45	73.14	1 : 0.61
K.P.R. Cotton Mills Private Limited (i.e., the Company)	239.19	119.60	

The fair value per share of the two merging companies, K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited, was determined on the basis of their paid-up capital of Rs.90 million (comprising 9 million equity shares of Rs.10 each) and Rs.100 million (comprising 10 million equity shares of Rs.10 each), respectively. The fair value per share of K.P.R. Cotton Mills Private Limited (i.e., the Company) was determined on the basis of its audited balance sheet as on March 31, 2005. Based on the above valuation, K.P.R. Cotton Mills Private Limited issued 8,010,000 Equity Shares to the shareholders of K.P.R. Mill Private Limited and 4,941,000 Equity Shares to the shareholders of K.P.R. Spinning Mill Private Limited.

Under the terms of the scheme of arrangement, the shares of the merging companies, K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited, were cancelled and the consideration for the amalgamation in the form of 12,951,000 Equity Shares was paid to the shareholders of these two companies. In addition, 15,400 Equity Shares held by K.P.R. Mill Private Limited in the Company were cancelled. For details of the number of shares issued pursuant to the scheme of amalgamation, see "Capital Structure" beginning on page 20 of this Red Herring Prospectus. The scheme of amalgamation further provided for the change in the name of the Company and an increase in the authorized share capital of the Company from Rs.50,000,000 divided into 5,000,000 equity shares of Rs.10 each to Rs.240,000,000 divided into 24,000,000 equity shares of Rs.10 each by consolidation of the authorized share capital of the two merging companies. K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited were incorporated in 1993 and 1999, respectively. K.P.R. Mill Private Limited was principally engaged in the production of cotton yarn, ready made garments and the generation of electricity through its wind mills. As of March 31, 2005, this company had a spindle capacity of 30,240 spindles and its windmill division had an aggregate capacity of 4.67 MW. K.P.R. Spinning Mill Private Limited was principally engaged in the production of cotton yarn, hosiery fabrics, ready made garments and the generation of electricity through its wind mills. As of March 31, 2005, this company had a spindle capacity of 30,240 spindles and 29 knitting machines and its windmill division had an aggregate capacity of 5.00 MW. The merger of these two entities with and into the Company helped consolidate our business operations as a vertically integrated apparel company.

Our Main Objects

The main objects of the Company as contained in the Memorandum of Association enable us to carry on the business that is carried on and proposed to be carried on by the Company.

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

1. To carry on the business of ginners of kappas, spinners, doublers, twisters, combers, weavers, knitters, finishers, bleachers, dyers, printers, mercers, processors, manufacturers, merchants, traders, buyers, dealers, importers and exporters of cotton, waste cotton, staple fibre, silk, artificial silk, rayon, nylon, polyester, linen, flax, hemp, jute, worsted wool and other natural and / or synthetic fibrous substances.

2. To comb, prepare, spin, wind, warp, dye, bleach, colour, shade, stretch, double, reel, cone, size, mercerize, print, embroider and deal in cotton, waste cotton, staple, fibre, silk, artificial silk, rayon, nylon, polyester, linen, flax, hemp, jute, worsted, wool and other natural and / or synthetic fibrous substances, to weave or otherwise manufacture, cut, stitch, design cloth and other goods, fabrics, whether textile, felted, netted or looped and to produce, manufacture, process or prepare, deal, import, export yarns, threads, cloth of all kinds, knitted wear, hosiery, linen, ready made dress articles, garments, made ups, furnishings, medical textile goods, towels, napkins, tarpaulins, designer fabrics, sewing threads, lining materials, zips, buttons, elastic materials, knitting materials, needles and all other textile goods.

3. To carry on the business of generating, selling, transmitting, distributing, supplying either directly or through others, electrical energy by using coal, lignite, wind, solar energy, tidal energy, wave energy, hydro energy and other methods.

Amendments to the Memorandum of Association of the Company

Since the Company's incorporation, the following changes have been made to the Memorandum of Association:

Date of Shareholders' Approval	Nature of Amendment
December 23, 2005	Amendment of Clause V to sub divide one equity share of the Company of Rs.100 each into ten equity shares of Rs.10 each. Accordingly, the authorized share capital of the Company was changed from Rs.50,000,000 comprising of 500,000 equity shares of Rs.100 each to Rs.50,000,000 comprising 5,000,000 equity shares of Rs. 10 each.
September 15, 2006	Increase of authorized share capital from Rs.50,000,000 divided into 5,000,000 equity shares of Rs.10 each to Rs.240,000,000 divided into 24,000,000 equity shares of Rs.10 each pursuant to the order of the High Court of Judicature at Madras.
September 15, 2006	Insertion of existing Clauses 2 and 3 under Clause III(A) relating to main objects of the Company and Clause 4 under Clause III(C) relating to other objects of the Company.
September 15, 2006*	Change of name of the Company from "K.P.R. Cotton Mills Private Limited" to "K.P.R. Mill Private Limited".
September 15, 2006*	Change of name of the Company from "K.P.R. Mill Private Limited" to "K.P.R. Mill Limited"
March 1, 2007	Increase of authorized share capital from Rs.240,000,000 divided into 24,000,000 equity shares of Rs.10 each to Rs.400,000,000 divided into 40,000,000 equity shares of Rs.10 each.

* Fresh certificates of incorporation were granted to the Company by the ROC on October 5, 2006.

Investment Agreement

Pursuant to an Investment Agreement dated November 14, 2006 entered into among the Company, Mr. K.P. Ramasamy, Mr. K P D Sigamani, Mr. P. Nataraj, Mrs. K.R. Parvathy, Mrs. D. Radhamani, Mrs. N. Jayanthi, Ares Investments, Brandot Investments Limited and Argonaut Ventures (Ares Investments, Brandot Investments Limited and Argonaut Ventures are jointly referred to as the "Investors"), Argonaut Ventures and Brandot Investments Limited acquired a total of 877,145 Equity Shares from the Promoters and certain members of the Promoter Group. In addition, Ares Investments was allotted 877,145 Equity Shares by the Company.

The Investment Agreement terminates upon the occurrence of certain events, including the date of successful completion of an initial public offering by the Company. Accordingly, other than as set forth herein, all special rights of the Investors shall lapse upon the completion of an initial public offering by the Company. Pursuant to the Investment Agreement, upon the completion of an initial public offering of our Equity Shares, Ares Investments has the right to nominate a Director on our Board and appoint its nominee Director on any one committee of our Board. In addition, Ares Investments also has the right to nominate a director on the board of a subsidiary of the Company or any company under the control of the Company. Ares Investments' right to nominate directors, as discussed above, shall continue until the Investors, individually or jointly, hold at least 60% of the aggregate of the Equity Shares that were issued to, or acquired by, the Investors in November 2006 (together with bonus issues that have been or may be issued in relation to such shares) which represents 9.32% of our issued Equity Shares immediately after the completion of the Issue. In the event that our Equity Shares are not listed for trading on the NSE within six months of filing of a draft red herring prospectus with SEBI, then the Investment Agreement, as in effect prior to the initial public offering, shall continue with full force and effect.

On July 17, 2007, each of Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi, members of the Promoter Group, transferred 443,560 Equity Shares, or a total of 1,330,680 Equity Shares, to Ares Investments for a consideration of Rs. one per Equity Share. This transfer is based on a price of Rs. 237.64 per Equity Shares. Following such transfers, the aggregate Equity Shares held by the Investors on the date of this Red Herring Prospectus is 4,839,260, which constitutes 15.23% of the pre-Issue share capital, and 12.84% of the post-Issue share capital, of the Company.

Pursuant to the 2nd Supplementary Agreement, if the Issue Price is less than Rs. 237.64 per Equity Share, each of Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi will transfer up to a maximum of 270,728 Equity Shares to Ares Investments for a consideration of Rs. one per Equity Share. Following such transfer the Investors will together hold a maximum of 5,109,988 Equity Shares of the Company which will constitute a maximum of 16.08% of the pre-Issue share capital and a maximum of 13.56% of the post-Issue share capital of the Company and the Promoter Group will together hold a minimum of 2,824,674 Equity Shares of the Company which will constitute a minimum of 8.89% of the pre-Issue share capital and a minimum of 7.50% of the post-Issue share capital of the Company. If the Issue Price is greater than Rs. 237.64 per Equity Share, Ares Investors will transfer up to a maximum of 500,019 Equity Shares in equal proportions to Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi for a consideration of Rs. one per Equity Share. Following such transfer the Investors will together hold a minimum of 4,339,241 Equity Shares, of the Company, which will constitute a minimum of 13.66% of the pre-Issue share capital and a minimum of 11.52% of the post-Issue share capital of the Company, and the Promoter Group will together hold a maximum of 3,595,421 Equity Shares of the Company which will constitute a maximum of 11.32% of the pre-Issue share capital and a maximum of 9.54% of the post-Issue share capital of the Company. These transfers will occur prior to filing the final Prospectus with the RoC and the aggregate Equity Shares held by the Investors and the Promoter Group, together with their post-Issue shareholding percentage will be included in the final Prospectus filed with the RoC.

The Investment Agreement defines an "Initial Public Offering" to mean and include a Qualified Initial Public Offering, a Liquidity Initial Public Offering and any other form of public offering and listing of the shares of the Company. "Qualified Initial Public Offering" has been defined in the Investment Agreement as a firm commitment underwritten public offering of a fresh issue of Equity Shares of not less than Rs.1,750 million in value on a national or international stock exchange approved by the Board with a public float of at least 25% of the post-issue share capital of the Company, including the Equity Shares held by the Investors. The Investment Agreement further requires the Qualified Initial Public Offering by our Company to be completed within 24 months from November 14, 2006. If a Qualified Initial Public Offering is not completed within 24 months, the Investors may trigger a "Liquidity Initial Public Offering", which is defined as a firm commitment underwritten public offering of Equity Shares on a national or international stock exchange approved by Ares Investments with a public float of at least 25%.

Supplementary Agreement

The parties to the Investment Agreement entered into a Supplementary Agreement on March 15, 2007 to reflect their understanding following the amendment to the Articles of Association of the Company on March 1, 2007. Under the terms of the Supplementary Agreement, the parties acknowledged and confirmed that until the completion of the Qualified Initial Public Offering (as defined in the Investment Agreement) and the receipt of listing and trading approvals from the Stock Exchanges on or before September 30, 2007 such amendments to the Articles of Association on March 1, 2007 will not extinguish, relegate or diminish in any manner whatsoever the rights, interests, privileges and authorities available to the Investors (as defined in the Investment Agreement) in the Investment Agreement nor shall it be construed as a waiver or otherwise affect any provisions under the Investment Agreement unless the Investment Agreement has been terminated in accordance with the terms subject to any survival rights.

If a Qualified Initial Public Offering is not completed and listing and trading approvals from the Stock Exchanges is not received by September 30, 2007, the parties undertake to take all necessary steps to ensure that the Articles of Association are amended within 15 days thereafter to reflect the form they existed in prior to such amendment. The Supplementary Agreement shall terminate upon the earlier of the successful completion of the Qualified Initial Public Offering upon receiving the necessary approvals and the termination of the Investment Agreement.

Details of past performance

For details in relation to the financial performance of the Company in the previous five financial years, including details of non-recurring items of income, see the section titled "Financial Information" beginning on page 110 of this Red Herring Prospectus.

OUR MANAGEMENT

Board of Directors

Under the Articles of Association, the Company is required to have not less than three directors and not more than twelve directors. The Company currently has eight (8) Directors on its Board.

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

Name, Father's Name, Address, Designation, Occupation and Term	Nationality	Director's Identification Number	Age (years)	Other Directorships/Partnerships/ Proprietorships/Trusts
Mr. K.P. Ramasamy* S/o N. Palanisamy 73, Lokamanya Street (East) R.S. Puram, Coimbatore – 641 002 Tamil Nadu, India Whole–time Chairman Non-Independent and Executive Director *Not liable to retire by rotation* *Business* *Five Years w.e.f. January 9, 2007*	Indian	00003736	58	**Indian Companies:** K.P.R. Sugar Mills Private Limited **Partnerships:** K.P.R. Enterprises **Proprietorships:** Sree Ramakrishna Textiles **Trusts:** K.P.R. Charities
Mr. K P D Sigamani* S/o N. Palanisamy Old No. 5, New No. 12, Park Avenue, Near Water Tank Kumar Nagar, Tirupur – 641 603 Tamil Nadu, India Managing Director Non-Independent and Executive Director *Business* *Five Years w.e.f. January 9, 2007*	Indian	00003744	53	**Indian Companies:** K.P.R. Sugar Mills Private Limited **Partnerships:** K.P.R. Enterprises **Trusts:** K.P.R. Charities
Mr. P. Nataraj* S/o N. Palanisamy D Block, 001, Raheja Enclave 236, Race Course Coimbatore- 641 018 Tamil Nadu, India Managing Director Non-Independent and Executive Director *Business* *Five Years w.e.f. January 9, 2007*	Indian	00229137	49	**Indian Companies:** K.P.R. Sugar Mills Private Limited **Partnerships:** K.P.R. Enterprises **Trusts:** K.P.R. Charities

Name, Father's Name, Address, Designation, Occupation and Term	Nationality	Director's Identification Number	Age (years)	Other Directorships/Partnerships/ Proprietorships/Trusts
Mr. Shujaat Khan S/o Shaheryar Khan 80C, MLA Colony Road No. 12, Banjara Hills Hyderabad – 500 034 Andhra Pradesh, India Non-Independent and Non-Executive Director *Business* *Liable to retire by rotation*	Indian	00526891	37	**Indian Companies:** Blue River Capital Advisors (India) Private Limited
Mr. M.J. Vijayaraagavan S/o M.S. Jagannathan 34A, K.G. Layout Church Road Extension K.K. Pudur Coimbatore – 641 038 Tamil Nadu, India Independent Director *Practising Chartered Accountant* *Liable to retire by rotation*	Indian	00013948	74	**Indian Companies:** a) Shanthi Gears Limited b) K.G. Denim Limited **Partnerships:** a) M.S. Jagannathan & Visvanathan, Chartered Accountants b) S.V. Visvanathan & Associates c) M.S. Jagannathan & Co.
Mr. M. Ramji S/o S. Mahadevan No. 112, Sri Abirami, 1st Floor Dr. Radhakrishnan Road, Tatabad Coimbatore – 641 012 Tamil Nadu, India Independent Director *Practising Chartered Accountant* *Liable to retire by rotation*	Indian	00086696	49	**Indian Companies:** High Value Consultancy Services Private Limited **Partnerships:** Ramji & Maheswaran, Chartered Accountants
Mr. S. Sathyanarayanan S/o Sangameswara Chettiar B-7, Fairlands Salem – 636 016 Tamil Nadu, India Independent Director *Business* *Liable to retire by rotation*	Indian	00390864	82	**Indian Companies:** Amarjothi Spinning Mills Limited

Name, Father's Name, Address, Designation, Occupation and Term	Nationality	Director's Identification Number	Age (years)	Other Directorships/Partnerships/ Proprietorships/Trusts
Dr. K. Sabapathy S/o V.M Karuppanna Gounder 3 North Main Road Krishna Colony, Singanallur, Coimbatore – 641 005 Tamil Nadu, India Independent Director *Business –Stock Broking* *Liable to retire by rotation*	Indian	00001794	51	**Indian Companies:** a) Coimbatore Capital Limited b) Seyyone Software Solutions Private Limited c) Deivayanai Properties Private Limited **Proprietorships:** Dhanashree Shares

* Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. Nataraj are brothers.

Brief Biographies of our Directors

Mr. K.P. Ramasamy, 58 years, is the founder, mentor and Chairman of the Company. He joined the textile industry upon completing his pre-university college education. He has guided the Company in project implementation, mill production, modernization, expansion, cost control and new business developments. He spearheads the strategic expansion plan initiatives of the Company and is currently implementing the expansion of the spinning facility, the processing facility and the apparel division of the Company. He also supervises manufacturing and human resources related functions of the Company. He is an active Rotarian. He has over 35 years of experience in the apparel business, particularly in the production and marketing of woven fabric, knitted apparel, cotton yarn and hosiery fabric as well as in dyeing of yarn and fabric. He has been a partner of Sree Ramakrishna Textiles, Coimbatore for 22 years from 1984 to 2006, a director of K.P.R. Mill Private Limited for 10 years from 1995 to 2005, a director of K.P.R. Spinning Mills Private Limited for 5 years from 2000 to 2005, a director of K.P.R. Cotton Mill Private Limited for 2 years from 2003 to 2005, a director of K.P.R. Sugar Mills Private Limited for 1 year since 2006 and the chairman of K.P.R. Mill Limited for 1 year since 2006.

Mr. K P D Sigamani, 53 years, is a Managing Director of the Company. He holds a Master of Science degree in Mathematics from PSG College of Arts and Science, Coimbatore, Tamil Nadu in India. He has over 25 years of experience in the apparel industry including the hosiery, apparel, fabric and yarn export business, with specialized experience in the production and marketing of knitted apparel. He currently heads the apparel division of the Company and also supervises the export business of the Company. He has been a partner of Sree Ramakrishna Textiles, Coimbatore for 22 years from 1984 to 2006, a director of K.P.R. Mill Private Limited for 10 years from 1995 to 2005, a director of K.P.R. Spinning Mills Private Limited for 5 years from 2000 to 2005, a director of K.P.R. Cotton Mill Private Limited for 3 years from 2003 to 2005, a director of K.P.R. Sugar Mills Private Limited for 1 year since March 2006 and the managing director of K.P.R. Mill Limited for 1 year since 2006.

Mr. P. Nataraj, 49 years, is a Managing Director of the Company. He is a Chartered Accountant and holds a Bachelor of Science degree from PSG College of Arts and Science, Coimbatore, Tamil Nadu in India. He manages the finance function of the Company and also oversees cotton procurement and yarn marketing activities of the spinning division of the Company. He has over two decades of experience in the apparel industry, including the production and marketing of woven fabric, knitted apparel, cotton yarn and hosiery fabric and in dyeing of yarn and fabric. He is also experienced in internal control, project implementation and tax planning. He was a special invitee at the South India Mills Association and was also the President of the Coimbatore chapter of the Indian Institution of Industrial Engineering in 2003-2004. He has been a partner of Sree Ramakrishna Textiles, Coimbatore for 22 years from 1984 to 2006, a director of K.P.R. Mill Private Limited for 10 years from 1995 to 2005, a director of K.P.R. Spinning Mills Private Limited for 5 years from 2000 to 2005, a director of K.P.R. Cotton Mill Private Limited for 3 years from 2003 to 2005, a director of K.P.R. Sugar Mills Private Limited for 1 year since March 2006 and the managing director of K.P.R. Mill Limited for 1 year since 2006.

Mr. Shujaat Khan, 37 years, is the nominee of Ares Investments on the Board of the Company. He holds a Masters of Business Administration degree from Harvard University. He has over 15 years of experience in investment banking and private equity activities. He has been the Managing Director of Blue River Capital Advisors (India) Private Limited for 2 years since 2005, and previously was a Managing Director at ChrysCapital for 4 years from 2000 to 2004. He has also worked with Merrill Lynch International in Asia for 4 years from 1997 to 2000 and with the Travelers Group in New York for 5 years from 1991 to 1995. He has been associated with the Company since November 14, 2006.

Mr. M.J. Vijayaraagavan, 74 years, is an independent director of the Company. He is a Chartered Accountant with over four decades of experience. He is also the senior partner of M.S. Jagannathan & Visvanathan who are the statutory auditors of leading companies located in Coimbatore, Bangalore and in the State of Kerala. He has been a director of Shanti Gears Limited for 6 years since 2001, a director of K.G. Denim Limited for 2 years since 2005, a partner of M.S. Jagannathan & Visvanathan for 40 years since 1967, a partner of S.V. Viswanathan & Associates for 15 years since 1992 and a partner of M.S. Jagannathan & Co. for 15 years since 1992. He has been associated with the Company since October 5, 2006.

Mr. M. Ramji, 49 years, is an independent director of the Company. He holds Bachelor of Commerce degree. He is a Chartered Accountant with over two decades of experience since 1985 and has been the Chairman of the Institute of Chartered Accountants, Coimbatore Branch in 1994. He has served as visiting professor for finance, cost management and strategic management papers at many educational institutions in India including Indira Gandhi National Open University (for 21 years since 1986), PSG College of Technology-Institute of Management (for 12 years since 1995) and Jansons School of Business (for 3 years since 2004). He has also handled textile costing and management information system for four batches of international mill managers at the South India Textile Research Association. He has been nominated to the governing council of Indian Chamber of Commerce and Industries, Coimbatore in 2007 and is the Convenor of the Sub-Committee on Indirect Taxes. In addition, he is a certified International Trainer of Junior Chamber International, Florida, USA. He has been a director of High Value Consultancy Services Private Limited for 11 years since 1996. He has been associated with the Company since January 9, 2007.

Mr. S. Sathyanarayanan, 82 years, is an independent director of the Company. He holds a Bachelor of Science degree in Technology. He has worked as a Technical Expert at the United Nations Industrial Development Organization for 1 year in 1979. He has been the President of Salem Dharmapuri Chamber of Commerce, Tamil Nadu, India for 42 years since 1965 and a Senate Member at the Periyar University, Salem, Tamil Nadu, India for 3 years since 2004. He has been a director of Amarjothi Spinning Mill Limited for 15 years since 1992. He has been associated with the Company since January 9, 2007.

Dr. K. Sabapathy, 51 years, is an independent director of the Company. He holds a Masters of Science, a Masters of Philosophy and a Ph.D. in Physics from PSG College of Arts and Science, University of Madras, India. He has worked as an Assistant Professor of Physics at the PSG College of Art and Science for 2 years from 1980 to 1982. He has been a member of the Coimbatore Stock Exchange for 15 years since 1992 and has also held the post of the Vice President of the Coimbatore Stock Exchange Limited during the period between2003 to 2005. He has been a director of Coimbatore Capital Limited for over 8 years since 1998, a director of Seyyone Software Solutions Private Limited for 8 years since 1999, a director of Deivayani Properties Private Limited for over 1 year since 2005 and a proprietor of Dhanashree Shares for 14 years since 1993. He has also held the post of Director of Inter Connected Stock Exchange of India Limited at Mumbai during 2002 to 2005. He has been associated with the Company since February 21, 2007.

Borrowing powers of the Board

The Articles of Association, subject to the provisions of the Companies Act, authorize the Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. The shareholders have, pursuant to a resolution passed at the EGM dated September 15, 2006, authorized the Board to borrow monies from time to time, for and on behalf of the Company, notwithstanding that the aggregate of the monies proposed to be borrowed together with the monies, if any, already borrowed, might exceed the aggregate paid up capital and free reserves of the Company at any time by a maximum of Rs.10,000 million other than the monies borrowed by the Company for its working capital purpose.

Shareholding of Directors in the Company

The Articles of Association do not require the Directors to hold any qualification shares in the Company. The following table sets forth the shareholding of the Directors in their personal capacity, as at the date of filing of this Red Herring Prospectus:

S. No.	Name	Pre-Issue Number of Equity Shares Held	Pre-Issue Percentage Shareholding (%)	Post-Issue Number of Equity Shares Held	Post-Issue Percentage Shareholding (%)
1.	Mr. K P D Sigamani	7,945,996	25.01	7,945,996	21.09
2.	Mr. P. Nataraj	7,945,090	25.01	7,945,090	21.08
3.	Mr. K.P. Ramasamy	7,945,044	25.01	7,945,044	21.08
	TOTAL	**23,836,130**	**75.03**	**23,836,130**	**63.25**

Interest of Promoters and Directors

Except as stated in "Related Party Transactions" beginning on page 107 of this Red Herring Prospectus, and to the extent of compensation and commission, if any, and their shareholding in the Company, the Promoters do not have any other interest in our business.

All of the 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 and reimbursement of expenses, if any, payable to them under the Articles of Association, and to the extent of remuneration, if any, paid to them for services rendered as an officer or employee of the Company.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of the Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Other than as disclosed in this Red Herring Prospectus, none of the Directors are entitled to receive remuneration from the Company. For further details see the section "Our Management- Details of Appointment and Compensation of our Executive Directors" beginning on page 90 of this Red Herring Prospectus.

The non-executive Directors of the Company are paid sitting fee as permitted under the Companies Act, and actual travel, boarding and lodging expenses for attending meetings of the Board of Directors. Non-executive Directors of the Company other than independent Directors of the Company may also be paid commission and any other amounts as may be decided by the Board in accordance with the provisions of the Articles of Association, the Companies Act and any other applicable Indian laws and regulations.

The Promoters have granted leases over four properties to the Company, comprising the following: a lease for a property located at 270 J Periyar Colony, Anupparpalayam, Tirupur, Tamil Nadu, India, measuring 1 acre which is also the administrative office of the Company; a lease for a property located at 252 Periyar Colony, Anupparpalayam, Tirupur, Tamil Nadu, India, measuring 0.40 acre on which the Company's staff quarters and other amenities are located; a lease for a property located at Periyar Colony, Anupparpalayam, Tirupur, Tamil Nadu, India, measuring 1.88 acres on which the apparel manufacturing unit of the Company is located; and a lease for a property located at Indiampalayam, Arasur post, Sathyamangalam Taluk, Erode District, Tamil Nadu, India, measuring 13.99 acres on which the Sathyamangalam unit of the Company is located. The four lease agreements dated December 7, 2006 are valid for a period of ten years from the date of the agreements. The rent payable by the Company to the Promoters for two of the properties is Rs.300,000 per annum for the first five years of the agreement which shall be fixed at the fair market value thereafter. The rent payable for the other two properties leased by the Company from the Promoters is Rs.500,000 per annum for the first five years of the agreement which shall be fixed at the fair market value thereafter. The lease may be terminated by the Promoters upon a 30-day notice for (a) failure by the Company to pay rent; (b) winding-up of the Company; (c) existing shareholders of the Company ceasing to hold at least 51% of the issued share capital of the Company; or (d) breach by the Company of any covenant or representation in the agreement. Except as disclosed in this Red Herring Prospectus, the Promoters have no interest in any property acquired by the Company or proposed to be acquired by the Company.

In addition, the Promoters are also partners of K.P.R. Enterprises, a member of the Promoter Group, which has applied for the registration of "K.P.R." as a trademark/logo/brand name/service mark/copyright under the Trade Marks Act, 1999, pursuant to Application nos. 1511943 to 1511948 dated December 11, 2006. The Company has entered into an irrevocable, perpetual and royalty free license agreement with K.P.R. Enterprises dated November 14, 2006 for the exclusive use of the words "K.P.R" in relation to its business (which has been specifically defined to include all activities carried out by the licensee in the textile and/or garment manufacturing industries), within and outside India and in its name, upon the successful registration with the appropriate authorities under the Trade Marks Act, 1999. Accordingly the Company is entitled to access, use, modify and/or display the "K.P.R" name in it's corporate name and for its business in India and abroad for a one time consideration of Rs.100.

Our Promoters, Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj, are brothers. Ms. D. Geetha, one of the key managerial personnel of the Company, is the daughter of Mr. K P D Sigamani.

Except as disclosed in this Red Herring Prospectus, the key managerial personnel of the Company 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 and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to the Company immediately upon the listing of the Equity Shares with the Stock Exchanges. The Company has taken steps to comply with the corporate governance code in accordance with Clause 49, including in relation to the appointment of independent Directors to the Board and constitution of the following committees of the Board: the Audit Committee, the Remuneration Committee and the Investor Grievance Committee. The Company undertakes to take all necessary steps to comply with all the requirements of the guidelines on corporate governance and adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges, as would be applicable to the Company upon the listing of its Equity Shares.

Currently the Board has eight (8) Directors and the Chairman of the Board is an executive Director. Accordingly under Clause 49 of the Listing Agreement, the Company has not less than 50% independent Directors on the Board.

Audit Committee

The Audit Committee was reconstituted by the Directors at their Board meeting held on February 21, 2007. The purpose of the Audit Committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters.

The constitution of the reconstituted Audit Committee is as follows:

S.No.	Name of the Director	Executive/Non-Executive/Independent
1.	Mr. M.J. Vijayaraagavan	Independent and Non-Executive Director (Chairman)
2.	Mr. S. Sathyanarayanan	Independent and Non-Executive Director (Vice Chairman)
3.	Dr. K. Sabapathy	Independent and Non-Executive Director
4.	Mr. P. Nataraj	Non Independent and Executive Director

Mr. Govind M. Joshi is the secretary to the Audit Committee.

The terms of reference of the Audit Committee are as per Clause 49 of the listing agreements that are proposed to be entered into with the Stock Exchanges and Section 292A of the Companies Act.

Remuneration Committee

The Remuneration Committee was reconstituted by the Directors at their Board meeting held on February 21, 2007. The Remuneration Committee's goal is to ensure that the Company's remuneration policies in respect of the senior executives are competitive so as to recruit and retain the best talent in the Company and to ensure appropriate disclosure of remuneration paid to the said persons.

The constitution of the reconstituted Remuneration Committee is as follows:

S.No.	Name of the Director	Executive/Non-Executive/Independent
1.	Mr. S. Sathyanarayanan	Independent and Non-Executive Director (Chairman)
2.	Mr. M.J. Vijayaraagavan	Independent and Non-Executive Director (Vice Chairman)

S.No.	Name of the Director	Executive/Non-Executive/Independent
3.	Mr. M. Ramji	Independent and Non-Executive Director
4.	Mr. Shujaat Khan	Non Independent and Non Executive Director

The terms of reference of the Remuneration Committee are as per Clause 49 of the listing agreements that are proposed to be entered into with the Stock Exchanges and the SEBI ESOP Guidelines.

Investors Grievance Committee

The Investors Grievance Committee was constituted by the Directors at their Board meeting held on February 21, 2007. The Investors Grievance Committee is responsible for the redressal of investor grievances.
The constitution of the Investors Grievance Committee is as follows:

S.No.	Name of the Director	Executive/Non-Executive/Independent
1.	Dr. K. Sabapathy	Independent and Non-Executive Director (Chairman)
2.	Mr. M.J. Vijayaraagavan	Independent and Non-Executive Director (Vice Chairman)
3.	Mr. P. Nataraj	Non Independent and Executive Director
4.	Mr. Shujaat Khan	Non Independent and Non-Executive Director

Mr. Govind M. Joshi is the secretary to the Investor Grievance Committee.

The terms of reference of the Investor Grievance Committee are as per Clause 49 of the listing agreements that are proposed to be entered into with the Stock Exchanges.

Details of Appointment and Compensation of our Executive Directors

Name of the Director	Date of contract/Appointment Letter/Resolution	Term	Compensation (per annum)
Mr. K.P. Ramasamy (Whole-time Chairman)	Agreement dated January 9, 2007; Board resolutions dated March 19, 2003 and January 9, 2007; EGM resolution dated March 1, 2007	5 years[(1)] (w.e.f. January 9, 2007)	Rs.2,400,000 with a commission of 2% of the net profits of the Company subject to a maximum of Rs.10,000,000
Mr. K P D Sigamani (Managing Director)	Agreement dated January 9, 2007; Board resolutions dated January 9, 2007 and September 14, 2006; EGM resolution dated March 1, 2007	5 years (w.e.f. January 9, 2007)	Rs.2,400,000 with a commission of 2% of the net profits of the Company subject to a maximum of Rs.10,000,000
Mr. P. Nataraj Managing Director)	Agreement dated January 9, 2007; Board resolutions dated January 9, 2007 and August 10, 2005;, EGM resolution dated March 1, 2007	5 years (w.e.f. January 9, 2007)	Rs.2,400,000 with a commission of 2% of the net profits of the Company subject to a maximum of Rs.10,000,000

[(1)] Pursuant to Articles 40 and 58 of the Articles of Association, Mr. K.P. Ramasamy has been appointed as a Director and Chairman of the Board for life.

The non-executive Directors of the Company are paid sitting fee as permitted under the Companies Act, and actual travel, boarding and lodging expenses for attending meetings of the Board of Directors. Non-executive Directors of the Company other than independent Directors of the Company may also be paid commission and any other amounts as may be decided by the Board in accordance with the provisions of the Articles of Association, the Companies Act and any other applicable Indian laws and regulations.

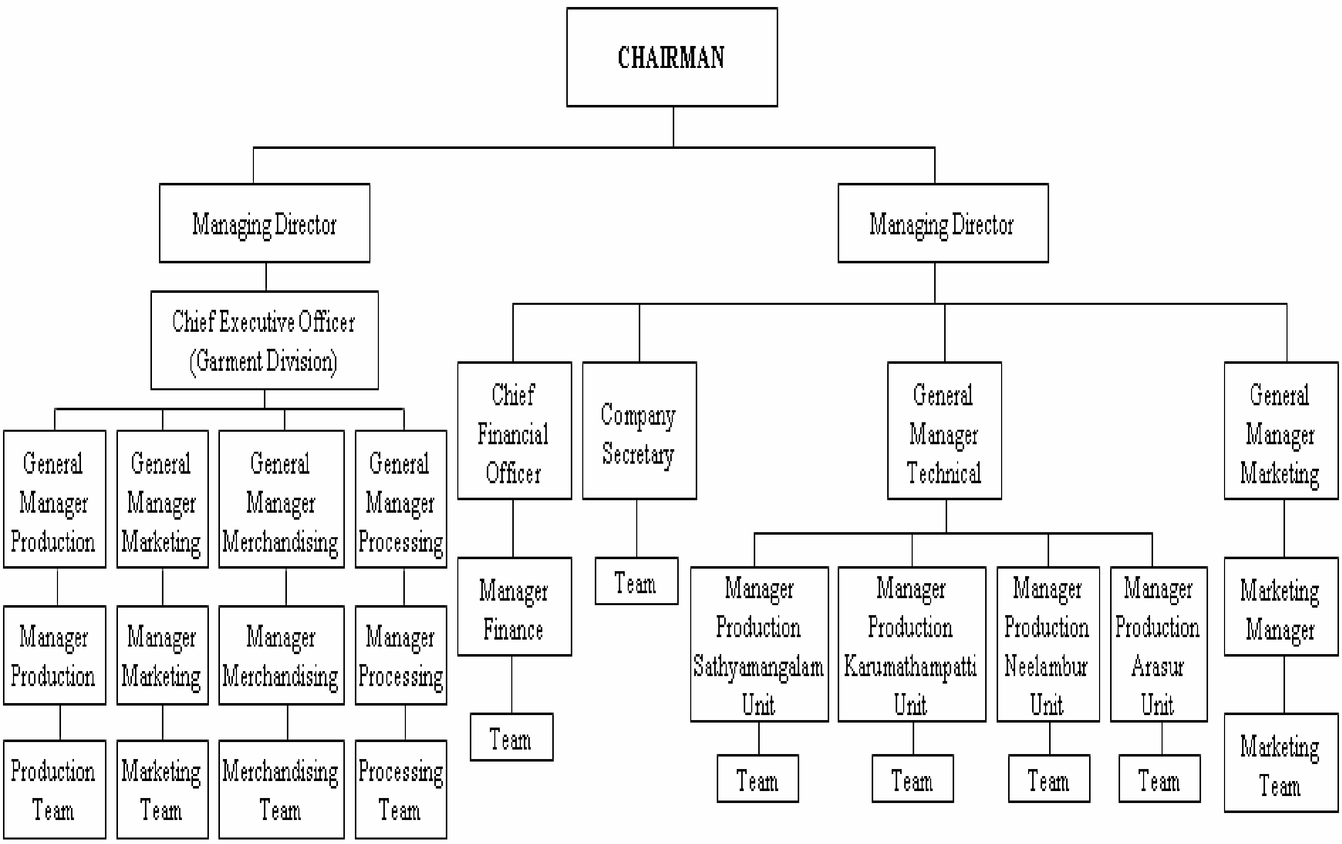
Changes in the Board of Directors during the last three years

The following are the changes in the Board of Directors of the Company in the last three years preceding the date of filing this Red Herring Prospectus:

Name	Date of Appointment	Date of Cessation	Reason
Mr. C.R. Anandakrishnan	October 5, 2006	November 14, 2006	Resignation
Mr. M.J. Vijayaraagavan	October 5, 2006	-	Appointment
Mr. Shujaat Khan	November 14, 2006	-	Appointment
Mr. M. Ramji	January 9, 2007	-	Appointment
Mr. S. Sathyanarayanan	January 9, 2007	-	Appointment
Dr. K. Sabapathy	February 21, 2007	-	Appointment

Managerial Organizational Structure

The Company's operations are organized in the following manner:



Key Managerial Personnel

In addition to our executive Directors, Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj, whose details have been provided under "Brief Biographies of our Directors" beginning on page 86 of this Red Herring Prospectus, the following employees are the other key managerial personnel of the Company.

Ms. D. Geetha, 21 years, is the Chief Executive Officer of the garment division of the Company. She holds a Bachelor of Science degree in Information Technology from PSG College of Technology, Coimbatore. She oversees the day-to-day operations of the apparel division including general administration, accounting, logistics, production, planning, merchandising and marketing activities. She joined the Company in September 5, 2005. The remuneration paid to her for the year ended March 31, 2007 was Rs.430,000.

Mr. K. Kuppu Dhandapani, 47 years, is the Chief Financial Officer of the Company. He received a bachelor's degree in Business Administration from Madurai Kamaraj University and is a fellow member of the

Institute of Chartered Accountants of India. He has over two decades of experience in accounts, finance and taxation areas. He has specialized in mobilization of resources through long-term loans and rights/public issue of shares for projects. He heads the finance and accounts departments of the Company and looks into matters pertaining to income tax, sales tax, excise duty and other accounting issues. He joined the Company on November 20, 2005. Prior to joining the Company, he was with Sakthi Sugars Limited from 1984 to 2003 and held the post of General Manager (Finance). He also served as the Vice President (Finance) at English Tools and Castings Limited from 2004 until 2005. The remuneration paid to him for the year ended March 31, 2007 was Rs.720,000.

Mr. Govind M. Joshi, 47 years, is the Company Secretary and the Compliance Officer of the Company. He is responsible for the corporate secretarial functions of the Company including forming strategic initiatives and ensuring sound corporate governance. He is a Chartered Accountant and also a qualified Company Secretary and holds a Bachelor of Science degree in Mathematics from Madras University. He is experienced in secretarial functions of a listed public company. Prior to joining the Company, he served as the Chief Financial Officer and Company Secretary of Bannari Amman Spinning Mills Limited from 2005 until February 20, 2007. He joined the Company on February 21, 2007. The remuneration paid to him for the year ended March 31, 2007 was Rs.360,000.

Mr. S. Rajasekhar, 36 years, is the General Manager, Marketing, of the Company. He heads the marketing department of the spinning division of the Company. He joined K.P.R Knits in 1993. He holds a Master's degree in Commerce from Annamalai University. The remuneration paid to him for the year ended March 31, 2007 was Rs.300,000.

Mr. P. Ranganathan, 38 years, is the General Manager, Technical, of the Company. His responsibilities include supervising the manufacturing department of the spinning division of the Company. He joined the K.P.R Mill Private Limited in 2002. He holds a diploma in Textile Technology from PSG College of Technology, Coimbatore. His previous work experience includes serving at Lakshmi Mills Limited from 1987 until 1996 and Suryalakshmi Cotton Mill from 1996 until 2002 as the maintenance manager. The remuneration paid to him for the year ended March 31, 2007 was Rs.600,000.

Mr. C.S. Mahesh, 39 years, is the General Manager, Marketing, of the Company. He heads the marketing department of the apparel division of the Company. He joined the Company on June 16, 2004. He holds a Diploma in Mechanical Engineering from Venkataraju Institute of Technology, Bangalore. Prior to joining the Company, he served as a Merchandiser at Renaissance Creations from 1999 until 2001, as the Manager (Marketing) at SVR Exports from 2001 until 2003 and as the Manager (Marketing) at SCM Creations from 2003 until 2004. The remuneration paid to him for the year ended March 31, 2007 was Rs.300,000.

Mr. S. Murthy, 33 years, is the General Manager, Processing, of the Company. He heads the production department of the processing division of the Company. He has been with the Company since October 27, 2006. He holds a Bachelor of Science degree in Chemistry from PSG College of Arts & Science. Prior to joining the Company, he worked with Centwin where he served as a supervisor from 1994 until 1995. His work experience includes working as the Supervisor at Greenwich Colours from 1995 until 1997, as the production manager at Classic Apparels from 1997 until 1999, as the processing manager at Rogini Garment from 1999 until 2001 and as the factory manager at KTM Processing from 2001 until 2006. The remuneration paid to him for the year ended March 31, 2007 was Rs.600,000.

All the key managerial personnel of the Company are permanent employees of the Company.

Shareholding of the Key Managerial Personnel

None of the key managerial personnel hold any Equity Shares in the Company. For details of the shareholding of the Company's Directors, refer to "Shareholding of Directors in the Company" beginning on page 87 of this Red Herring Prospectus.

Bonus or profit sharing plan of the Key Managerial Personnel

There is no bonus or profit sharing plan for the key managerial personnel.

Interest of Key Managerial Personnel

Ms. D. Geetha is the daughter of Mr. K P D Sigamani, who is a Promoter and a Director of the Company.

Except as disclosed in this Red Herring Prospectus, 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 to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

Changes in our Key Managerial Personnel

The following are the changes in the key managerial personnel in the last three years preceding the date of filing this Red Herring Prospectus.

Name	Date of Appointment	Date of Cessation	Reason
Mr. Govind M. Joshi	February 21, 2007	-	Appointment
Mr. A. Murthy	October 27, 2006	-	Appointment
Mr. K. Kuppu Dhandapani	November 20, 2005	-	Appointment
Ms. D. Geetha	September 5, 2005	-	Appointment
Mr. C.S. Mahesh	June 16, 2004	-	Appointment

Employee Stock Option Scheme

The Company does not have any employee stock option scheme as of the date of filing of this Red Herring Prospectus.

Payment or benefit to our officers (non-salary related)

No amount or benefit has been paid or given to any officer of our Company within the two preceding years from the date of filing of this Red Herring Prospectus or is intended to be paid, other than in the ordinary course of their employment. None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

OUR PROMOTERS AND PROMOTER GROUP

Promoters

The Promoters of the Company are the following individuals:

	**Mr. K.P. Ramasamy** His passport number is A8234099. His voter's identification card number is TN/20/105/0195099. His driving license number is R/TN/038/006907/1999. His Permanent Account Number is AARPR1787J. For further details, see the section titled "Our Management – Brief Biographies of our Directors" beginning on page 86 of this Red Herring Prospectus.
	**Mr. K P D Sigamani** His passport number is Z068037. His voter's identification card number is TN/20/116/0180073. His driving license number is R/TN/39/006683/2005. His Permanent Account Number is ACWPD4021E. For further details, see the section titled "Our Management – Brief Biographies of our Directors" beginning on page 86 of this Red Herring Prospectus.
	**Mr. P. Nataraj** His passport number is A7613644. His voter's identification number is TN/20/116/0165123. His driving license number is F/TN/39/001653/2000. His Permanent Account Number is ABOPN9966D. For further details, see the section titled "Our Management – Brief Biographies of our Directors" beginning on page 86 of this Red Herring Prospectus.

For details of terms of appointment of Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj on the Board of Directors, see "Our Management" beginning on page 90 of this Red Herring Prospectus.

The Company confirms that the Permanent Account Numbers, Bank Account Numbers and Passport Numbers of the Promoters have been submitted to the BSE and NSE at the time of filing this Red Herring Prospectus with them.

Promoter Group

Natural Persons (Relatives of the Promoters)

The relative of the Promoters that form a part of the Promoter Group under Explanation II to Clause 6.8.3.2 of the SEBI Guidelines are set forth below:

Promoter	Name of the Relative	Relationship
Mr. K.P. Ramasamy	Mrs. K.R. Parvathy	Spouse
	Mr. C.R. Anandakrishnan	Son
	Mrs. Uma Sekar	Daughter
	Mrs. Kalpana Anand	Daughter
	Mr. K.P. Murugasamy	Brother
	Mr. K.C. Subramaniam	Spouse's Brother
Mr. K P D Sigamani	Mrs. D. Radhamani	Spouse
	Ms. D. Geetha	Daughter
	Mr. N.J. Subramaniam	Spouse's Brother
	Mrs. G. Saroja	Spouse's Sister
Mr. P. Nataraj	Mrs. N. Jayanthi	Spouse
	Mr. T.N. Arun	Son
	Mr. C. Subramaniam	Spouse's Brother
	Mrs. C. Valliammal	Spouse's Mother

Companies

The companies that are part of the Promoter Group are as follows:

A) K.P.R. Sugar Mills Private Limited

K.P.R. Sugar Mills Private Limited was incorporated on March 3, 2006 in Coimbatore, Tamil Nadu, India. The registered office of K.P.R. Sugar Mills Private Limited is located at No.5, A.K.S. Nagar, Thadagam Road, Coimbatore -641 001, Tamil Nadu, India. The main objects of the company include, among others, to carry on the business of manufacture of sugar and its by-products, to carry on the business of distillers, brewers, blenders and manufacturers and to produce, manufacture, process, import, export and otherwise deal in motor vehicle spirits, ethanol alcohol, food products, protein products, animal feeds etc. The promoters of the company are Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj. For further details on the promoters of K.P.R. Sugar Mills Private Limited, see the section titled "Our Management – Brief Biographies of our Directors" beginning on page 86 of this Red Herring Prospectus.

Shareholding as of April 30, 2007

The shareholding pattern of equity shares of K.P.R. Sugar Mills Private Limited is as follows:

Shareholder	Number of shares	Percentage of issued capital (%)
Mr. K.P. Ramasamy	1,193,600	29.76
Mr. K P D Sigamani	1,042,600	26.00
Mr. P. Nataraj	1,202,600	29.99
Mrs. K.R. Parvathy	132,600	3.31
Mrs. D. Radhamani	292,200	7.29
Mrs. N. Jayanthi	132,200	3.30
Mr. C.R. Anandakrishnan	10,000	0.25

Shareholder	Number of shares	Percentage of issued capital (%)
Mr. V. Krishnan	1,000	0.02
Mr. S.S. Venkatraman	1,000	0.02
Mr. V. Damodaran	1,000	0.02
Mr. S. Prabhakar	1,000	0.02
Mr. K. Poovendran	1,000	0.02
TOTAL	**4,010,800**	**100.00**

Change in Capital Structure in the last six months

On December 27, 2006, further allotment was made as set forth below:

Shareholder	Number of shares
Mr. K.P. Ramasamy	1,190,000
Mr. K P D Sigamani	1,039,000
Mr. P. Nataraj	1,199,000
Mrs. K.R. Parvathy	132,600
Mrs. D. Radhamani	292,200
Mrs. N. Jayanthi	132,200
Mr. C.R. Anandakrishnan	10,000
Mr. V. Krishnan	1,000
Mr. S.S. Venkatraman	1,000
Mr. V. Damodaran	1,000
Mr. S. Prabhakar	1,000
Mr. K. Poovendran	1,000
TOTAL	**4,010,800**

Except as disclosed above, there have been no changes in the capital structure of the company in the last six months preceding the date of this Red Herring Prospectus.

Directors as of April 30, 2007

The board of directors comprises Mr. K.P. Ramasamy, Mr. K P D Sigamani, Mr. P. Nataraj, Mr. C.R. Anandakrishnan and Mr. Mohan D. Hosamani.

Financial Performance

No audited financial statements have been prepared as of the date of this Red Herring Prospectus as K.P.R. Sugar Mills Private Limited was incorporated in March 2006.

K.P.R. Sugar Mills Private Limited is an unlisted company and it has not made any public issue (including any rights issue to the public) in the past. It has not become a sick company under the meaning of SICA and is not under winding up.

B) Sri Chenniappa Chit Funds Private Limited

Sri Chenniappa Chit Funds Private Limited was incorporated on April 13, 1994 in Coimbatore, Tamil Nadu, India. The registered office of Sri Chenniappa Chit Funds Private Limited is located at 50, Kullichettiar Street, Tirupur, Tamil Nadu, India. The main objects of the company include, among others, to conduct chits according to the provisions of Chit Fund Act, 1982 and the rules framed thereunder.

Shareholding as of April 30, 2007

The shareholding pattern of equity shares of Sri Chenniappa Chit Funds Private Limited is as follows:

Shareholder	Number of shares	Percentage of issued capital (%)
Mr. C. Subramaniam	150,000	50.00
Mrs. C. Valliammal	150,000	50.00
TOTAL	**300,000**	**100.00**

There have been no changes in the capital structure of the company in the last six months preceding the date of this Red Herring Prospectus.

Directors as of April 30, 2007

The board of directors comprises Mr. C. Subramaniam and Mrs. C. Valliammal.

Financial Performance

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	**2005**	**2006**
Income/Sales	1,989.75	2,000.25	2,415.00
Profit (Loss) after Tax	421.65	326.77	361.28
Equity Share Capital	300.00	300.00	300.00
Reserves and surplus/Current Account	3,080.12	3,407.00	3,768.00
Earnings per share (Rs.)	Rs.14.06	Rs.10.90	Rs.12.03
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

Sri Chenniappa Chit Funds Private Limited is an unlisted company and it has not made any public issue (including any rights issue to the public) in the past. It has not become a sick company under the meaning of SICA and is not under winding up.

C) Chenniappa Yarn Spinners Private Limited

Chenniappa Yarn Spinners Private Limited was incorporated on February 10, 2005 in Coimbatore. The registered office of Chenniappa Yarn Spinners Private Limited is located at 4B, Sidco Industrial Estate, Harvey Road, Tirupur – 641 603, Tamil Nadu, India. The main objects of the company include, among others, to carry on the business of ginners of kappas, spinners, knitters, importers and exporters of cotton and other natural and/or synthetic fibrous substances.

Shareholding as of April 30, 2007

The shareholding pattern of equity shares of Chenniappa Yarn Spinners Private Limited is as follows:

Shareholder	Number of shares	Percentage of issued capital (%)
Mr. C. Subramaniam	100,000	33.33
Mrs. C. Valliammal	100,000	33.33
Ms. S. Komathi	100,000	33.33
TOTAL	**300,000**	**100.00**

Directors as of April 30, 2007

The board of directors comprises Mr. C. Subramaniam, Mrs. C. Valliammal and Ms. S. Komathi.

Financial Performance

No audited financial statements have been prepared as at the date of this Red Herring Prospectus since Chenniappa Yarn Spinners Private Limited did not commence commercial production in Fiscal 2006.

Chenniappa Yarn Spinners Private Limited is an unlisted company and it has not made any public issue (including any rights issue to the public) in the past. It has not become a sick company under the meaning of SICA and is not under winding up.

Proprietorships

The proprietorships that are part of the Promoter Group are as follows:

A) Sree Ramakrishna Textiles

Sree Ramakrishna Textiles commenced business on January 23, 1984. The main activity of the proprietorship concern is dealing in woven fabrics. Its principal office is located at No.5, A.K.S. Nagar, Thadagam Road, Coimbatore - 641 001, Tamil Nadu, India. Mr. K.P. Ramasamy is the sole proprietor of the concern.

The capital of the proprietorship concern, as of March 31, 2006, was Rs.1,494,001 and the entire capital is owned by Mr. K.P. Ramasamy.

Financial Performance

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	**2005**	**2006**
Income/Sales	145,484.61	179,010.43	187,487.78
Profit (Loss) after Tax	2,372.92	2,057.42	1,620.39
Capital Account	1,494.00	1,494.00	1,494.00
Reserves and surplus/Current Account	26,307.89	24,860.21	19,366.90
Earnings per share (Rs.)	Not Applicable	Not Applicable	Not Applicable
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

B) Ramakrishna Dyeing Industry

Ramakrishna Dyeing Industry commenced business on May 5, 1996. The main object of the proprietorship concern is dyeing of fabric. Its principal office is located at S.F.No.342, Avarankadu, Thottipalayam Village, Angeripalayam Post, Tirupur–641603, Tamil Nadu, India. Mr. K.P. Murugasamy is the sole proprietor of the concern.

The capital of the proprietorship concern, as of March 31, 2006, was Rs.2,500,000 and the entire capital is owned by Mr. K.P. Murugasamy.

Financial Performance

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	**2005**	**2006**
Income/Sales	12,336.39	104,833.97	144,864.65
Profit (Loss) after Tax	(2,786.74)	24,200.26	25,225.25
Capital Account	2,500.00	2,500.00	2,500.00
Reserves and surplus/Current Account	4,449.82	3,904.77	46,981.92
Earnings per share (Rs.)	Not Applicable	Not Applicable	Not Applicable
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

C) Chenniappa Wind Mills

Chenniappa Wind Mills commenced business on March 31, 2004. The main object of the proprietorship concern is to generate power through windmills. Its principal office is located at D.No.50 (1), Kulli Chettiar Street, Tirupur- 641 604, Tamil Nadu, India. Mr. C. Subramaniam is the sole proprietor of the concern.

The capital of the proprietorship concern, as of March 31, 2006, was Rs.14,343,248 and the entire capital is owned by Mr. C. Subramaniam.

Financial Performance:

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	**2005**	**2006**
Income/Sales	108.76	3,394.98	3,639.07
Profit (Loss) after Tax	(41.95)	1,332.69	1,602.37
Capital Account	10,129.04	14,745.98	14,343.25
Reserves and surplus	Nil	Nil	Nil
Earnings per share (Rs.)	Not Applicable	Not Applicable	Not Applicable
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

D) Nataraja Financiers

Nataraja Financiers commenced business from April 1, 2005. The proprietorship carries on the business in financing of any industry, commerce, agriculture and others by giving loans and advances and also doing business in Hire Purchase Finance. Its principal office is located at 34, Kulli Chettiar Street, Tirupur – 641 604, Tamil Nadu, India. Mr. C. Subramaniam is the sole proprietor of the concern.

The capital of the proprietorship concern, as of March 31, 2006, was Rs.1,780,750 and the entire capital is owned by Mr. C. Subramaniam.

Financial Performance:

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	**2005**	**2006**
Income/Sales	2,257.39	2,038.81	1,595.62
Profit (Loss) after Tax	1,402.46	1,396.86	1,271.36
Capital Account	3,311.31	2,701.39	1,780.75
Reserves and surplus/Current Account	Nil	Nil	Nil
Earnings per share (Rs.)	Not Applicable	Not Applicable	Not Applicable
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

E) Sree Rama Finance

Sree Rama Finance commenced business on April 1, 2005 as a partnership concern. Subsequently, this concern has been converted into a proprietorship concern. Sree Rama Finance carries on the business in financing of any industry, commerce, agriculture and others by giving loans and advances and also doing business in Hire Purchase Finance. Its principal place of business is located at 564, P.N. Road, Tirupur – 641 602, Tamil Nadu, India.

The capital of the proprietorship concern, as of March 31, 2006, was Rs.1,003,589 and the entire capital is owned by Mr. C. Subramaniam.

Financial Performance:

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	**2005**	**2006**
Income/Sales	2,402.88	2,298.26	2,652.85
Profit (Loss) after Tax	1,644.70	1,683.30	2,189.99
Capital Account	6,261.45	1,627.32	1,003.59
Reserves and surplus/Current Account	Nil	Nil	Nil
Earnings per share (Rs.)	Not Applicable	Not Applicable	Not Applicable
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

Partnerships

The partnerships that are part of the Promoter Group are as follows:

A) K.P.R. Enterprises

K.P.R. Enterprises was formed on December 7, 2006. This partnership firm was established to carry on the business of owning/holding intellectual property rights such as patents, designs, copy rights, trade mark rights and trade mark rights; trading in securities; investments, real estate transactions, commodity transactions, to carry on the business of manufacturers, traders, exporters, importers of all goods excluding textile and textile products and to carry on any other business that may be decided by the partners from time to time. Its principal place of business is located at No.5, A.K.S. Nagar, Thadagam Road, Coimbatore – 641 001, Tamil Nadu, India.

The partners of the firm as of April 30, 2007 were:

1. Mr. K.P. Ramasamy
2. Mr. K P D Sigamani
3. Mr. P. Nataraj

The capital of the partnership firm, as of April 30, 2007, was held in the following pattern:

Partner	Partnership Interest (Rs.)	Percentage of partnership interest (%)
Mr. K.P. Ramasamy	10,000	33.33
Mr. K P D Sigamani	10,000	33.33
Mr. P. Nataraj	10,000	33.33
Total	**30,000**	**100.00**

All the partners have contributed an equal amount towards the capital in the firm.

No audited financial statements have been prepared as of the date of this Red Herring Prospectus as the partnership firm was formed in December 2006.

B) Chenniappa Textiles

Chenniappa Textiles was formed on September 12, 1996. This partnership firm was established to carry on the business of fabrication, manufacturing, purchase and sale of yarn, cloth and hosiery goods. Its principal place of business is located at 4-B, Sidco Industrial Estate, Harvey Road, Tirupur, Tamil Nadu, India.

The partners of the firm as ofApril 30, 2007 were:

1. Ms. S. Komathi
2. Mr. C. Subramaniam
3. Mrs. Valliammal

The capital of the partnership firm, as of March 31, 2006, was held in the following pattern:

Partner	Partnership Interest (Rs.)	Percentage of partnership interest (%)
Ms. Komathi	8,860,954	28.73
Mr. C. Subramaniam	16,378,787	53.09
Mrs. Valliammal	5,609,598	18.18
Total	**30,849,339**	**100.00**

Financial Performance:

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	2005	2006
Income/Sales	24,697.54	24,805.47	25,942.95
Profit (Loss) after Tax	3,475.35	6,366.72	3,844.29
Capital Account	21,691.63	28,066.26	30,849.34
Current Account	Nil	Nil	Nil
Earnings per share (Rs.)	Not Applicable	Not Applicable	Not Applicable
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

C) Parimalan Financiers

Parimalan Financiers commenced business on April 1, 1998. The partnership carries on the business in financing of any industry, commerce, agriculture and others by giving loans and advances and also doing business in Hire Purchase Finance. Its principal place of business is located at 33, Kulli Chettiar Street, Tirupur-641 604, Tamil Nadu, India.

The partners of the firm as ofApril 30, 2007 were:

1. Mr. M. Rasappa Gounder
2. Mr. C. Subramaniam
3. Mrs. Valliammal

The capital of the firm, as of March 31, 2006, was held in the following pattern:

Partner	Partnership Interest (Rs.)	Percentage of partnership interest (%)
Mr. M. Rasappa Gounder	49,500	16.50
Mr. C. Subramaniam	1,80,000	60.00
Mrs. Valliammal	70,500	23.50
Total	**300,000**	**100.00**

Financial Performance:

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	2005	2006
Income/Sales	2,976.96	3,352.57	2,740.42
Profit (Loss) after Tax	1,588.54	2,335.73	1,953.13
Capital Account	300.00	300.00	300.00

	For the period ending March 31		
	2004	2005	2006
Current Account	8,439.33	6,282.93	4,688.06
Earnings per share (Rs.)	Not Applicable	Not Applicable	Not Applicable
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

D) Kemps Corner

Kemps Corner commenced business on December 10, 1996. The main activity undertaken by the partnership is retailing of ready made garments. Its principal place of business is located at 24-C, Cutchery Street, Erode, Tamil Nadu, India.

The partners of the firm as of April 30, 2007 were:

1. Ms. S. Parimaladevi
2. Ms. R. Uma
3. Ms. R. Kanchanadevi

The capital of the firm, as of March 31, 2006, was held in the following pattern:

Partner	Partnership Interest	Percentage of partnership interest (%)
Ms. S. Parimaladevi	477,378	35.89
Ms. R. Uma	375,378	28.22
Ms. R. Kanchanadevi	477,376	35.89
Total	**1,330,132**	**100**

Financial Performance:

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	2005	2006
Income/Sales	1,933.97	2,497.75	2,435.87
Profit (Loss) after Tax	62.80	72.24	79.91
Capital Account	629.40	749.01	1,330.13
Current Account	Nil	Nil	Nil
Earnings per share (Rs.)	Not Applicable	Not Applicable	Not Applicable
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

E) Babee World

Babee World commenced business on September 11, 2002. The main activity undertaken by the partnership is retailing of ready made garments. Its principal place of business is located at 456, Brough Road, Erode, Tamil Nadu, India.

The partners of the firm as of April 30, 2007 were:

1. Ms. S. Parimaladevi
2. Ms. R. Uma
3. Ms. R. Kanchanadevi
4. Mr. M. Ravichandran

The capital of the firm, as of March 31, 2006, was held in the following pattern:

Partner	Partnership Interest	Percentage of partnership interest (%)
Ms. S. Parimaladevi	222,599	33.06
Ms. R. Uma	224,706	33.38
Ms. R. Kanchanadevi	108,933	16.18
Mr. M. Ravichandran	116,986	17.38
Total	**673,224**	**100.00**

Financial Performance:

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	**2005**	**2006**
Income/Sales	1,870.87	2,800.65	2,811.86
Profit (Loss) after Tax	82.94	69.35	83.51
Capital Account	446.64	547.44	673.22
Current Account	Nil	Nil	Nil
Earnings per share (Rs.)	Not Applicable	Not Applicable	Not Applicable
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

F) Babee's Kemp

Babee's Kemp commenced business on May 7, 2004. The main activity undertaken by the partnership is retailing of ready made garments. Its principal place of business is located at 2/119, Kamaraj Road, Tirupur, Tamil Nadu, India.

The partners of the firm as of April 30, 2007 were:

1. Ms. S. Parimaladevi
2. Ms. R. Uma
3. Ms. R. Kanchanadevi
4. Mr. E.P. Kumar

The capital of the firm, as of March 31, 2006, was held in the following pattern:

Partner	Partnership Interest	Percentage of issued capital (%)
Ms. S.Parimaladevi	257,440	25.00
Ms. R.Uma	257,440	25.00
Ms. R.Kanchanadevi	257,438	25.00
Mr. E.P. Kumar	257,439	25.00
Total	**1,029,757**	**100.00**

Financial Performance:

The financial results of the concern for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	2005	2006
Income/Sales	Not Applicable	1,818.95	1,579.26
Profit (Loss) after Tax	Not Applicable	60.81	90.64
Capital Account	Not Applicable	940.82	1,029.76
Current Account	Not Applicable	Nil	Nil
Earnings per share (Rs.)	Not Applicable	Not Applicable	Not Applicable
Book Value per share (Rs.)	Not Applicable	Not Applicable	Not Applicable

Trusts

The following trust forms a part of the Promoter Group:

K.P.R. Charities

K.P.R. Charities was constituted on October 1, 1997 as a charitable trust. The office of the charitable trust is located at 23, A.K.S. Nagar, Thadagam Road, Coimbatore – 641 001, Tamil Nadu, India. The benefits of the trust extend to all persons, irrespective of their caste, creed or religion, and the objects of the trust are to promote establish, construct, repair, renovate maintain, run, develop, improve, extend grants donate, aid manage or take over:

(a) Nursery, elementary, secondary, arts, craft, cultural, science, technical, management, business, engineering, medical or any other schools, colleges, institutions and Hostels for imparting education, skills or propagating knowledge or awareness or for promoting subjects.

(b) Scholarship for study, research, apprenticeship or development.

(c) Places of worship such as temples, prayer halls, meditation or yoga centers etc.

(d) Hospitals, surgical houses, maternity centers and other medical Institutions, as would give medical and surgical treatment care, cure recuperation and other facilities for alleviating the sufferings of mankind.

(e) Cultural institutions, organizations, cultural and other performances, programmes, meeting and conferences.

(f) Publications, distributions, of pamphlets, circulars, books journals etc. for the benefit of the society.

(g) Hostels, homes, ha1l or other conveniences of general public utility.

(h) Water supply schemes including boring of tube wells, installation of pump sets for the benefit of the public.

(i) Public health and sanitation measures in rural and urban areas, vehicles for the transport of the injured, the sick, the invalids and the deed.

(j) Promoting consumer awareness among the general public.

(k) Institutions to give medical aid and education to the handicapped and orphans for this rehabilitation and thereby pave way for their social and economic development.

(l) Hospitals, educational, vocational and medical institutions, rehabilitation centers and recreational centers for aged, mentally retarded, children and adults and to develop their health, character and vocational pursuits and thereby pave way for their social and economic de1opment.

Mr. K.P. Ramasamy, Mr. K P D Sigamani and P. Nataraj are the permanent trustees of the charitable trust.

Financial Performance:

The financial results of the charitable trust for the years ended March 31, 2004, 2005 and 2006 are set forth below:

(Rs. thousand, unless otherwise stated)

	For the period ending March 31		
	2004	**2005**	**2006**
Gross Total Receipts	3,022.44	2,743.19	3,710.23
Excess of Income over Expenditure	304.19	169.28	391.37
Trust Fund	983.69	1,152.97	1,544.34
Corpus Fund	9.00	705.00	1,855.00

Interest of our Promoters

The Promoters are interested in the Company to the extent that they have promoted the Company, their shareholding in the Company within two years from the date of the Red Herring Prospectus and to extent of them being Directors of the Company and as set forth below. For further details on the interest of our Directors, see the section titled "Our Management - Interests of Promoters and Directors" beginning on page 88 of this Red Herring Prospectus.

The Promoters have granted leases over four properties to the Company, comprising the following: a lease for a property located at 270 J Periyar Colony, Anupparpalayam, Tirupur, Tamil Nadu, India, measuring 1 acre which is also the administrative office of the Company; a lease for a property located at 252 Periyar Colony, Anupparpalayam, Tirupur, Tamil Nadu, India, measuring 0.40 acre on which the Company's staff quarters and other amenities are located; a lease for a property located at Periyar Colony, Anupparpalayam, Tirupur, Tamil Nadu, India, measuring 1.88 acres on which the apparel manufacturing unit of the Company is located; and a lease for a property located at Indiampalayam, Arasur post, Sathyamangalam Taluk, Erode District, Tamil Nadu, India, measuring 13.99 acres on which the Sathyamangalam unit of the Company is located. The four lease agreements dated December 7, 2006 are valid for a period of ten years from the date of the agreements. The rent payable by the Company to the Promoters for two of the properties is Rs.300,000 per annum for the first five years of the agreement which shall be fixed at the fair market value thereafter. The rent payable for the other two properties leased by the Company from the Promoters is Rs.500,000 per annum for the first five years of the agreement which shall be fixed at the fair market value thereafter. The lease may be terminated by the Promoters upon a 30-day notice for (a) failure by the Company to pay rent; (b) winding-up of the Company; (c) existing shareholders of the Company ceasing to hold at least 51% of the issued share capital of the Company; or (d) breach by the Company of any covenant or representation in the agreement. Except as disclosed in this Red Herring Prospectus, the Promoters have no interest in any property acquired by the Company or proposed to be acquired by the Company.

In addition, our Promoters are also partners of K.P.R. Enterprises, a member of our Promoter Group, which has applied for the registration of the "K.P.R." trademark under the Trade Marks Act, 1999. The Company has entered into an irrevocable, perpetual and royalty free license agreement with K.P.R. Enterprises dated November 14, 2006 for a one time payment of Rs.100 for the exclusive use of the words "K.P.R" in relation to its business (which has been specifically defined to include all activities carried out by the licensee in the textile and/or garment manufacturing industries), within and outside India and in its name, upon the successful registration with the appropriate authorities under the Trade Marks Act, 1999.

Common Pursuits

Other than the activities of the Promoter Group as disclosed in the section titled "Promoter Group" beginning on page 94 of this Red Herring Prospectus, the Promoters do not have an interest in any venture that is involved in any activities similar to those conducted by the Company or any member of the Promoter Group.

Disassociation by the Promoters in the last three years

Except as described below, none of the Promoters have disassociated themselves from any of the companies/firms during preceding three years.

S. No.	Name of the Company/Firm	Relationship with the Promoter	Reasons for Disassociation	Date of disassociation
1.	K.P.R. Knits	Proprietorship of Mr. K P D Sigamani	Assets acquired by the Company	April 1, 2005
2.	Kannan Tex	Partnership firm formed by Mr. K P D Sigamani, Mr. P. Nataraj, Mrs. K.M. Subbayal	Firm dissolved	August 10, 2005
3.	Sree Ramakrishna Textiles	Partnership firm formed by Mr. K.P. Ramasamy, Mr. P. Nataraj, Mrs. K. R. Parvathy and Mrs. D. Radhamani	Firm dissolved	April 1, 2006

Payment or Benefit to Promoters

Except as stated in the section tilted "Related Party Transactions" beginning on page 107 of this Red Herring Prospectus, no amount or benefit has been paid or given to any Promoter within the two preceding years prior to the date of filing of this Red Herring Prospectus or is intended to be paid.

Other Confirmations

The Promoters and the members of the Promoter Group have further confirmed that they have not been declared as willful defaulters by the Reserve Bank of India or any other Governmental authority and there are no violations of securities laws committed by them in the past or pending against them.

RELATED PARTY TRANSACTIONS

(All amounts are in millions of Indian Rupees, unless otherwise stated)

In accordance with Accounting Standard 18 – "Related Party Disclosure" issued by the Institute of Chartered Accountants of India, the Company has compiled the required information as detailed below (as identified and disclosed by the management):

Key Management Personnel	:	Mr. K.P. Ramasamy Mr. K P D Sigamani Mr. P. Nataraj
Relatives of Key Managerial Personnel	**:**	Ms. D. Geetha
Associates	**:**	Sree Ramakrishna Textiles Ramakrishna Dyeing Industry K.P.R. Sugar Mills Private Limited K.P.R Enterprises Kannan Tex (until 10-08-2005 Still Water (until 01-10-2006) K.P.R. Designs (until 31-03-2004) K.P.R. Mill Private Limited (until 31-03-2005) K.P.R. Spinning Mill Private Limited (until 31-03-2005) K.P.R. Knits (until 31-03-2005)

Transactions with Associates

(Rs. in Millions)

Nature of transaction	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Purchase of goods / assets				
- K.P.R. Spinning Mill Pvt Ltd	-	0.10	-	12.85
- Sree Ramakrishna Textiles	-	-	3.44	
Sale of goods / assets				
- Sree Ramakrishna Textiles	-	7.79	8.95	
- K .P.R. Knits	-	15.64	-	0.50
- Still Water	-	-	0.60	
- Kannan Tex	-	-	5.15	
Interest Received				
- K.P.R. Sugar Mills Pvt Ltd	-	-	-	0.25
Processing charges				
- Ramakrishna Dyeing Industry	-	-	0.08	11.77
Amount receivable				
- Sree Ramakrishna Textiles	-	21.00	45.68	
- Ramakrishna Dyeing Industry	-	-	-	56.071.96
- Kannan Tex	-	-	3.36	
- Still Water	-	-	6.09	
- K .P.R. Knits	0.60	-		
Amount payable	50.31			-
- K.P.R. Knits	-	60.25	-	-
- Ramakrishna Dyeing Industry	-	0.05	0.54	-
- Kannan Tex	18.25	0.38		-
- K P R Mill Pvt Ltd	35.24	109.99	-	-
- K P R Spinning Mill Pvt Ltd	-	165.00	-	-
- Still Water	-	-	-	-
- K P R Designs	-	-	-	0.00
- K.P.R. Enterprises		-	-	

Transactions with Key Managerial Personnel and their relative

(Rs. in Million)

Nature of transaction	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Sale of goods / assets				
- K.P. Ramasamy	-	-	2.85	
- K P D Sigamani	-	-	2.85	
- P. Nataraj	-	-	2.85	
Lease rent				
- K .P. Ramasamy	-	-	0.48	0.5400.530.5 3
- K P D Sigamani	-	-	0.48	
- P. Nataraj	-	-	0.48	
Remuneration				
- K.P. Ramasamy	-	-	-	2.25
- K.P.D. Sigamani	-	-	-	2.23
- P Nataraj	-	-	-	2.23
– D. Geetha	-	-	0.24	0.50
Amount payable				
- K P D Sigamani	0.92	0.92	-	
- K .P. Ramasamy	-	4.70	-	---
- P. Nataraj	-	-	-	
- K.R. Parvathy	-	-	0.42	

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board of Directors and approved by the shareholders of the Company, at their discretion, and will depend on a number of factors, including but not limited to, the results of operation, profits, capital requirements, overall financial condition of the Company, applicable Indian legal restrictions and other factors considered relevant by the Board. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company. Until fiscal 2006, the Company had not declared any dividend since inception. In the past, the Company has invested profits in expanding the business.

For fiscal 2006, the Board, at its meeting held on October 6, 2006, declared, and the shareholders of the Company, at the annual general meeting held on October 6, 2006, approved a dividend at a rate of 5% on the paid-up equity share capital of the Company, aggregating to Rs.8.56 million inclusive of dividend tax. The dividend was paid and distributed to the shareholders whose names appeared in the register of members as on October 6, 2006.

For fiscal 2007, the Board, at its meeting held on May 11, 2007, declared, and the shareholders of the Company, at the annual general meeting held on May 12, 2007, approved a dividend at a rate of 15% on the paid-up equity share capital of the Company, aggregating to Rs.29.29 million inclusive of dividend tax. The dividend was paid and distributed on a pro rata basis to the shareholders whose names appeared in the register of members as on May 12, 2007.

For further details, see the section titled "Financial Statements" beginning on page 110 of this Red Herring Prospectus.

The amounts paid as dividends in the past are not necessarily indicative of the Company's dividend policy or dividend amounts, if any, in the future.

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Auditors' Report

To,
The Board of Directors,
K.P.R. Mill Limited,
No. 9, Gokul Buildings,
1st Floor, A.K.S. Nagar,
Thadagam Road,
Coimbatore – 641 001,
Tamil Nadu, India

Dear Sirs,

Re: Public issue of Equity Shares of KPR Mill Limited

We have examined the financial information of KPR Mill Limited ('KPR' or 'the company') annexed to this report and initialed by us for identification. The financial information has been prepared in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and related clarifications thereto issued by the Securities and Exchange Board of India (SEBI) under Section 11 of Securities and Exchange Board of India Act, 1992.

Financial Information

1. The following information referred to above, relating to profits and losses, assets and liabilities and cash flows of KPR is contained in the following Annexures to this report:

   a) Annexure 1 contains the Summary Statement of Profit and Loss, as restated for the years ended March 31, 2004 (from March 19, 2003 to March 31, 2004), March 31, 2005 March 31, 2006 and March 31, 2007

   b) Annexure 2 contains the Summary Statement of Assets and Liabilities, as restated as at March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007.

   c) Annexure 3 contains the Summary Statement of Cash Flows, as restated for the years ended March 31, 2004 (from March 19, 2003 to March 31, 2004), March 31, 2005, March 31, 2006 and March 31, 2007.

   d) Annexure 4 contains the Notes on adjustments made in the Summary Statements

   e) Annexure 5 contains Summary of Significant Accounting Policies and Notes on Accounts

Other Financial Information

2. Other financial information relating to KPR prepared by the Company is attached in Annexures 6 to 26 to this report:

   a) Annexure 6 contains Details of Sales
   b) Annexure 7 contains Details of Other Income
   c) Annexure 8 contains Details of Consumption of Materials
   d) Annexure 9 contains Details of Employee and Work force cost
   e) Annexure 10 contains Details of Other Manufacturing Cost
   f) Annexure 11 contains Details of Administrative Expenses
   g) Annexure 12 contains Details of Selling & Distribution Cost
   h) Annexure 13 contains Details of Interest Charges
   i) Annexure 14 contains Details of Fixed Assets
   j) Annexure 15 contains Details of Investments

k) Annexure 16 contains Details of Sundry Debtors
l) Annexure 17 contains Details of Loans and advances
m) Annexure 18 contains Details of Secured Loans
n) Annexure 19 contains Details of Unsecured Loans
o) Annexure 20 contains Details of Current liabilities and Provisions
p) Annexure 21 contains Details of Share Capital
q) Annexure 22 contains Details of Reserves and Surpluses
r) Annexure 23 contains Details of Dividend paid
s) Annexure 24 contains Accounting ratios
t) Annexure 25 contains Capitalisation statement
u) Annexure 26 contains Tax Shelter Statement

3. We have examined, as appropriate, the financial information contained in the aforesaid annexures and are to state that:

   a) The financial information, prepared by the Company, is based on the financial statements of the Company for the years ended March 31, 2004 (from March 19, 2003 to March 31, 2004), March 31, 2005, March 31, 2006, audited by Mr. A Vetrivel, an Independent Chartered Accountant and adopted by the Board of Directors/Members for those respective years, and for the year ended March 31, 2007 audited by us and adopted by the Board of Directors in their Meeting held on May 11, 2007.

   b) The financial information is arrived at after making such adjustments as in our opinion are appropriate in the year to which they related as detailed in Annexure 4 to this report.

4. Based on our examination of the Restated Summary Statements, we confirm that:

   a) The impact arising on account of changes in accounting policies adopted by the Company as at and for the year ended March 31, 2007 have been adjusted with retrospective effect in the attached Restated Summary Statements;

   b) The prior period items have been adjusted in the Restated Summary Statements in the years to which they relate;

   c) There are no extraordinary items which need to be disclosed separately in the Restated Summary Statements; and

   d) There are no qualifications in the auditors' reports, which require any adjustments to the Restated Summary Statements.

5. In our opinion, the financial information of the Company as attached to this report, read with the significant accounting policies and notes on accounts and other notes contained in the aforesaid Annexures, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

6. This report is intended solely for your information and for inclusion in the Red Herring Prospectus in connection with the Public Issue of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **Deloitte Haskins & Sells**
Chartered Accountants

C R Rajagopal
Partner
M. No. : 23418

Coimbatore
Date : May 14, 2007

Annexure 1: Summary Statement of Profit and Loss of K.P.R. Mill Limited, as restated

(Rs. in Millions)

Particulars	For the year ended			
	March 31, 2004 March 19, 2003 to March 31, 2004	March 31, 2005 12 months	March 31, 2006 12 months	March 31, 2007 12 months
INCOME				
Gross Sales	-	591.99	4,214.50	4,816.23
Less: Excise Duty **	-	-	-	-
Net Sales	-	591.99	4,214.50	4,816.23
Other Income	0.85	101.77	236.98	172.14
Increase / Decrease in stock	-	37.98	(20.33)	132.22
Total	**0.85**	**731.74**	**4,431.15**	**5,120.59**
EXPENDITURE				
Consumption of Materials	-	421.11	2,704.29	3,175.02
Employees & Work force Cost	0.69	18.36	121.31	160.50
Other Manufacturing Cost	0.50	54.39	226.12	228.38
Administrative Expenses	0.26	4.06	22.58	50.59
Selling & Distribution Expenses	-	10.98	130.31	131.18
Total	**1.45**	**508.90**	**3,204.61**	**3,745.67**
EBIDTA	**(0.60)**	**222.84**	**1,226.54**	**1,374.92**
Interest	0.09	31.85	144.04	208.91
Depreciation	6.48	190.77	281.74	363.53
Net Profit before tax & extraordinary items	**(7.17)**	**0.22**	**800.76**	**802.48**
Extraordinary item *	-	-	124.08	-
Profit before taxation	**(7.17)**	**0.22**	**924.84**	**802.48**
Provision for Tax				
- Current Tax	-	0.02	75.00	90.00
- Fringe Benefit Tax	-	0.00	1.29	1.63
- Deferred Tax	-	0.00	93.40	126.65
Net Profit as per financial statements	**(7.17)**	**0.20**	**755.15**	**584.20**
Adjustments on account of restatement				
Prior period adjustment				
- Terminal Excise Duty	-	(11.99)	11.99	-
Excess provision for depreciation withdrawn	4.07	132.01	(136.08)	-
Total of Adjustments	4.07	120.01	(124.08)	-
Restated Net Profit / (Loss)	**(3.10)**	**120.22**	**631.06**	**584.20**
Balance brought forward from previous year	0.00	(3.10)	117.12	739.63
Profit available for appropriation	**(3.10)**	**117.12**	**748.18**	**1,323.83**
Proposed Dividend	-	-	7.50	25.04
Tax on Dividend	-	-	1.05	4.25
Transfer to General Reserve	-	-	-	-
Balance Carried to Balance Sheet	(3.10)	117.12	739.63	1,265.34
Total	**(3.10)**	**117.12**	**748.18**	**1,323.83**

Notes

* represents net of Rs.136.08 million on account of excess provision for depreciation written back and Rs.11.99 million written off on account of Terminal excise duty.

** refer Annexure 5(1)(H)

Annexure 2: Summary Statement of Assets and Liabilities of K.P.R. Mill Limited, as restated

(Rs. in Millions)

	PARTICULARS		March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
A.	**FIXED ASSETS**					
	Gross Block		133.40	1,508.88	5,032.02	6,053.50
	Less: Depreciation		2.41	61.17	341.11	6,98.18
	Net Block		130.99	1,447.71	4,690.91	5,355.32
	Capital work in Progress including advances		68.31	11.45	374.46	1,328.07
	Total	**(A)**	**199.30**	**1,459.16**	**5,065.37**	**6,683.39**
B.	**INVESTMENTS**	**(B)**	**-**	**-**	**2.50**	**2.50**
C.	**CURRENT ASSETS, LOANS & ADVANCES**					
	Inventories		0.03	193.46	832.90	1,219.13
	Sundry Debtors		-	234.06	414.50	598.57
	Cash and Bank Balances		22.70	84.38	152.22	272.48
	Loans and Advances		1.65	81.46	343.73	516.84
	Total	**(C)**	**24.38**	**593.36**	**1,743.35**	**2,607.02**
	Total Assets	**(A+B+C)**	**223.68**	**2,052.52**	**6,811.22**	**9,392.91**
D.	**LIABILITIES AND PROVISIONS**					
	Loan Funds					
	Secured Loans		80.79	1,147.87	2,895.24	3,938.05
	Unsecured Loans		104.11	249.45	216.50	225.40
	Sub total		**184.90**	**1,397.32**	**3,111.74**	**4,163.45**
	Current Liabilities					
	Liabilities		43.91	489.16	1,179.49	1,365.01
	Provisions		-	-	84.41	120.92
	Total	**(D)**	**43.91**	**489.16**	**1,263.90**	**1,485.93**
E.	Deferred Tax Liability	**(E)**	-	-	190.20	316.84
	Total Liabilities	**(D+E)**	**228.81**	**1,886.48**	**4,565.84**	**5,966.22**
	Net Worth	**(A+B+C) -(D+E)**	**(5.13)**	**166.04**	**2,245.38**	**3,326.69**
G.	**Net Worth Representing**					
	Share Capital		0.37	20.00	150.08	317.71
	Reserves & Surplus		(3.10)	146.57	2,095.70	3,008.98
	Miscellaneous Expenditure to the extent not written off		(2.40)	(0.53)	(0.40)	-
			(5.13)	**166.04**	**2,245.38**	**3,326.69**

Annexure 3: Summary Statement of Cash Flows of K.P.R. Mill Limited, as restated

(Rs. in Millions)

	PARTICULARS		March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Restated Net Profit		(3.10)	120.22	631.06	584.20

	PARTICULARS		March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
	Adjustment for					
	Provision for Taxes		-	0.02	169.69	218.28
	Depreciation		2.41	58.77	281.74	363.53
	(Profit) / Loss on Sale of Assets		-	-	(3.64)	19.06
	Interest Expenses		0.09	31.85	144.04	208.91
	Dividend Income		-	-	-	(0.07)
	Interest Income		(0.36)	(1.19)	(5.60)	(10.01)
	Provision for doubtful debts		-	-	4.31	-
	Operating profit before Working Capital adjustments		**(0.96)**	**209.67**	**1,221.60**	**1,383.90**
	Adjustment for Increase in Sundry Debtors		-	(234.06)	(184.74)	(184.08)
	Increase in Loans and Advances		(1.65)	(79.55)	(229.91)	(127.16)
	Increase in Inventories		(0.03)	(193.43)	(639.43)	(386.23)
	Increase in current liabilities & provisions		43.91	445.26	690.32	185.53
	Increase in other assets		(2.40)	1.86	0.13	0.40
	Cash Generated from Operations		**38.87**	**149.75**	**857.97**	**872.36**
	Income Tax Paid		-	(0.26)	(32.80)	(121.81)
	Cash Flow before extraordinary items		**38.87**	**149.49**	**825.17**	**750.55**
	Net Cash from Operating Activities	**(A)**	**38.87**	**149.49**	**825.17**	**750.55**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of Fixed Assets		(201.71)	(1,318.64)	(3,916.37)	(2,033.43)
	Proceeds from Sale of Fixed Assets		-	-	32.06	32.82
	Purchase of Investments		-	-	(2.50)	-
	Dividend		-	--	-	0.07
	Interest Receipts		0.36	1.19	5.60	10.01
	Net Cash flow used in Investing Activities	**(B)**	**(201.35)**	**(1,317.45)**	**(3,881.21)**	**(1,990.53)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Proceeds from Share Capital		0.37	19.63	130.08	8.77
	Proceeds from Share Premium		-	29.45	7.96	517.23
	(Repayment) / Proceeds of Secured Loan		80.79	1,067.07	1,747.37	1,042.81
	Proceeds / (Repayment) of Unsecured Loans		104.11	145.34	(32.95)	8.90
	Interest Paid		(0.09)	(31.85)	(144.04)	(208.91)
	Dividend Paid		-	-	-	(8.56)

	PARTICULARS		March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
	Surplus arising on account of amalgamation		-	-	1,415.46	-
	Net Cash used in Financing Activities	**(C)**	**185.18**	**1,229.64**	**3,123.88**	**1,360.24**
	Net Increase in Cash and Cash Equivalents	**(A+B+C)**	22.70	61.68	67.84	120.26
	Opening Balance		-	22.70	84.38	152.22
	Closing Balance		**22.70**	**84.38**	**152.22**	**272.48**

Annexure 4: Notes on adjustments made in the summary statements of K.P.R. Mill Limited, as restated

1 Up to the year ended March 31, 2005, the company provided depreciation on its fixed assets on written down value method at the rates specified in Schedule XIV of the Companies Act, 1956. During and from the year ended March 31, 2006, the Company provided depreciation on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956, which resulted into write back of excess depreciation charged during the earlier years being made in the accounts for the year ended March 31, 2006 aggregating to Rs.136.08 million, the effect of which has been given in the restated accounts.

2 The Company recognised an amount of Rs.11.99 million as income receivable on account of Terminal Excise Duty as at March 31, 2005 and has written off this amount as prior period expenses during the year ended March 31, 2006, the effect of which has been given in the restated accounts.

Annexure 5 : Significant Accounting Policies and Notes forming part of Accounts

1) <u>SIGNIFICANT ACCOUNTING POLICIES</u>

A. BASIS OF ACCOUNTING

The financial statements have been prepared under thehistorical cost convention on an accrual basis in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The said financial statements comply with the relevant provisions of the Companies Act, 1956 (the Act) and the mandatory Accounting Standards to the extent they are applicable.

B. FIXED ASSETS

i) Fixed Assets are stated in Historical Cost (Net of CENVAT) less accumulated depreciation. Cost comprises of direct costs including interest on specific borrowing wherever applicable for new projects upto the stage of commissioning.

ii) Capital Work- In - Progress includes cost of assets at sites, construction expenditure, and interest on the funds deployed.

iii) Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

C. CASH FLOW STATEMENT

Cash flow statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3 – Cash Flow Statement (AS 3) issued by the Institute of Chartered Accountants of India.

D. BORROWING COSTS

Borrowing costs are capitalised as part of qualifying fixed assets when it is possible that they will result in future economic benefits. Other borrowing costs are expensed.

E. INVENTORIES

i) Raw Materials, Work-In-Process and Stock of Stores, Spares, Consumables, Packing and Others Materials are valued at lower of Cost or net realizable value.

ii) Finished goods are valued at lower of cost or net realizable value.

iii) Cotton waste, Yarn waste and Scrap are valued at net realizable value.

F. REVENUE RECOGNITION:

i) Sales includes sale of products, waste and windmill power. Revenue from sale of products and waste are recognized when goods are dispatched. Revenue from sale of windmill power is recognized when invoiced.

ii) Refund of Terminal Excise Duty is treated as income linked to export benefits and is recognized on accrual basis.

G. DEFERRED REVENUE EXPENDITURE:

Expenses such as Preliminary Expenditure, Share Issue expenses are written off over a period of 5 Years.

H. EXCISE DUTY

The Company has opted to adopt for Exempted Route under Central Excise for local sales. Accordingly, CENVAT credit on inputs is not available to the Company.

I. RETIREMENT BENEFITS

i) Contribution to Recognized Provident Fund is made in accordance with the rules of the Company.

ii) Expenses towards employee cost have also been accounted for on accrual basis.

iii) There is no scheme for encashment of unavailed leave on retirement, since unavailed earned leave is paid at the end of each year.

iv) Gratuity liability to the employees on actuarial basis as estimated by an insurance company has been provided for in the books of accounts of the Company.

J. INVESTMENTS

Long term investments are stated at cost/valuation. The diminution, if any,in the value of investments,is not recognised unless such diminution is considered permanent in nature. Current investments are stated at lower of cost or market value.

K. FOREIGN EXCHANGE TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rate prevailing on transactionon the date of the transaction. Current Assets and Liabilities in foreign currency outstanding at the close of financial year are stated at the appropriate exchange rates prevailing at the close of the year. The gains or loss due to decrease / increase in reporting currency due to fluctuations in rates of exchange are, recognized in the profit and loss account in the case of current assets and liabilities. Exchange differences relating to Fixed Assets are adjusted in the cost of the Asset. The premium paid on forward contracts has been recognised in the year of payment.

L. PROVISIONS, CONTINGENT LIABILITIES:

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

M. TAXATION

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The deferred tax for timing difference between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is reasonable certainty that these would be realized in future.

Deferred tax assets in case of unabsorbed losses are recognized only if there is virtual certainty that such deferred tax asset can be realized against future taxable profits.

Fringe Benefit Tax is provided in accordance with the provisions of the Income Tax Act, 1961.

N. IMPAIRMENT OF ASSETS

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

2) NOTES FORMING PART OF ACCOUNTS:

1. Amalgamation AS-14

Name of the amalgamating companies	:	M/s KPR Cotton Mills Private Limited, (Transferee Company). M/s KPR Spinning Mill Private Limited, (Transferor Company). M/s KPR Mill Private Limited, (Transferor Company).
General nature of business garments	:	Spinning yarn, Knitted Fabrics and Knitted
Effective date of amalgamation	:	01.04.2005
Consideration for the amalgamation	:	1,29,51,000 equity shares of Rs.10/- each fully Paid-up allotted to the existing equity share holders of Transferor Companies.
Treatment of reserves arising out of Amalgamation.	:	Rs.1415.46 Million is treated as reserves arising out of amalgamation and it forms part of The General reserves of the Company

Particulars of Scheme:

a) Pursuant to the Scheme of Amalgamation (the Scheme) under section 391 to 394 of the Companies Act, 1956 approved by the High Court of Judicature at Madras in C.P.No.133 to 135 of 2006, K.P.R. Mill Private Limited (KPRMPL) and K.P.R. Spinning Mill Private Limited (KPRSMPL) have been merged with the Company K.P.R.Cotton Mills Private Limited with effect from 01.04.2005 (the Appointed Date).

b) Both the Companies Carried on all their businesses and activities for the benefit of and in trust for, the Company from the Appointed date. Thus, the profit or income accruing or arising to KPRMPL and KPRSMPL, or expenditure or losses arising or incurred by them from the Appointed date are treated as the profit or income or expenditure or loss as the case may be, of the Company. The Schemes have accordingly been given effect to in these accounts.

c) The Amalgamations have been accounted for under the "Purchase Method" as prescribed by Accounting Standard 14- Accounting for Amalgamations (AS 14) issued by the Institute of Chartered Accountants of India (ICAI). The Fixed Assets of KPRMPL and KPRSMPL on the appointed date have been valued by a Chartered Engineer.

d) In terms of the Scheme, all assets and liabilities of K.P.R. Mill Private Limited (KPRMPL) and K.P.R. Spinning Mill Private Limited (KPRSMPL) have been transferred and stand vested with the Company with effect from the Appointed Date.

e) 80,10,000 and 49,41,000 Equity Shares of Rs.10 each of the Company have been issued to the shareholders of KPRMPL and KPRSMPL respectively as detailed below:

Name of the Amalgamating Company	Number of Equity Shares of KPRMPL and KPRSMPL	% of KPRMPL and KPRSMPL Equity Shares Exchanged	Exchange Ratio	Number of Equity Shares of the Company
KPRMPL	90,00,000	100%	1 : 0.81	80,10,000
KPRSMPL	81,00,000	100%	1 : 0.61	49,41,000

In terms of the Scheme, the shares held by the transferor companies in the transferee company and the shares held by the transferor companies inter se have been cancelled.

f) The difference between the consideration of Rs.129.51 Million (being face value of Equity Shares of the Company issued) for Amalgamation and the purchase consideration is transferred to General reserve, in accordance with the Scheme of Amalgamation approved by the High Court of Judicature at Madras.

g) In terms of the scheme, the Equity shares as and when issued and allotted by the Company shall rank pari-passu in all respects with the existing Equity Shares of the Company. Accordingly, the appropriation for the proposed dividend includes the dividend amount on 1,29,51,000 Equity Shares to be allotted to the shareholders of KPRMPL and KPRSMPL for the full year.

h) In view of the aforesaid amalgamation with effect from 01.04.2005, the figures for the current year are not comparable to those of the previous year.

2. Lease:

The significant leasing arrangements of the Company are in respect of operating leases for land and vehicles. These leasing arrangements for five years to ten years, and are usually renewable by mutual consent. The Company has incurred lease rentals as detailed below.

(Rs. in Million)

Particulars	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Lease Rent	-	-	1.43	1.62
Total	-	-	1.43	1.62

3. Security provided to the Banks, Financial Institutions:

For Working capital limits, the first charge has been given to the respective lenders by way of hypothecation of inventories and book debts. The second charge on current assets has been given on pari-passu basis to Banks / Financial Institutions for Term loan lent by them. The Chairman and Managing Directors guarantee these loans.

For Term Loans, the first charge on fixed assets is given to the respective Banks/Financial Institutions. The second charge on fixed assets has been given to working capital lending banks on *pari-passu* basis. Second charge on fixed assets has been given to working capital lending banks on pari-passu basis. Term Loan repayable within one year Rs.2217.10 Lakhs. The term loans guaranteed by the Chairman and Managing Directors aggregate to Rs 11024.40 lakhs.

4. Contingent Liabilities not provided for in the accounts

(Rs. in Million)

Particulars	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Claim against the company not acknowledged as debt	-	-	32.81	22.75
Bank Guarantees	12.98	26.16	39.40	31.84
Duty implication on account of Export Obligation	-	-	347.41	625.85
Letter of credit	83.76	329.90	885.42	1,798.23
Disputed cases with respect to Sales tax, Entry Tax and Income Tax	-	-	9.86	12.72
Capital Commitments	-	-	-	487.59

5. A. Deferred Tax:

In accordance with the Accounting Standard 22, "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has debited during the current year a sum of Rs.126.65/- Million as deferred tax expense. Details of deferred tax liability/(Asset) are : -

(Rs. in Million)

Particulars	Deferred Tax Liability as at 01.04.2006	Current year Charge/(Credit)	Deferred Tax Asset/Liability as at 31.03.2007
Depreciation	190.20	126.65	316.85

B. Depreciation Accounting

Consequent upon the change in the basis of providing Depreciation from Written Down Value Method to Straight Line Method with effect from 01 April 2005, an amount of Rs.136.08 Million has been withdrawn as excess depreciation and credited to the Profit and Loss account.

6. Payment to Auditors:

(Rs. in Million)

Particulars	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Audit fees	0.00	0.02	0.20	0.50
Tax Audit and Tax Matters	0.00	0.01	0.03	-
Other Services	-	0.00	-	-
Expenses (incl. Service Tax)	-	0.00	0.02	-
Total	0.00	0.03	0.25	0.50

7. Micro, Small and Medium Scale Industries:

In the absence of details we are unable to quantify the amount of due to Micro, Small and Medium Scale Industries. However the management informs that dues to Micro, Small and Medium Scale Industries are settled with in the statutory time and there is no dispute.

8. Confirmation of balances

Balance in Debtors, Creditors, Advances and Deposit accounts are to be confirmed / reconciled.

9. Provision for liabilities

In the view of the Management, the provisions created for the Liabilities are adequate.

10. Related Party disclosures

In accordance with Accounting Standard 18 – "Related Party Disclosure" issued by the Institute of Chartered Accountants of India, the company has compiled the required information as detailed below (As identified and disclosed by the management):

Key Management Personnel	:	Sri K.P. Ramasamy Sri KPD. Sigamani Sri P. Nataraj
Relatives of Key Managerial Personnel	**:**	Ms. D.Geetha
Associates	**:**	M/s Sree RamaKrishna Textiles M/s RamaKrishna Dyeing Industry M/s KPR Sugar Mills Private Limited M/s K. P. R. Enterprises M/s Kannan Tex (till 10-08-2005) M/s Still Water (till 01-10-2006) M/s KPR Designs (till 31-03-2004) M/s KPR Mill Private Limited (till 31-03-2005) M/s KPR Spinning Mill Private Limited (till 31-03-2005) M/s KPR Knits (till 31-03-2005)

Transactions with Associates

(Rs. in Millions)

Nature of transaction	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Purchase of goods / assets				
- K P R Spinning Mill Pvt Ltd	-	0.10	-	12.85
- Sree Ramakrishna Textiles	-	-	3.44	
Sale of goods / assets				
- Sree Ramakrishna Textiles	-	7.79	8.95	
- K P R Knits	-	15.64	-	0.50
- Still Water	-	-	0.60	
- Kannan Tex	-	-	5.15	
Interest Received				
- K P R Sugar Mills Pvt Ltd	-	-	-	0.25
Processing charges				
- Ramakrishna Dyeing Industry	-	-	0.08	11.77
Amount receivable				
- Sree Ramakrishna Textiles	-	21.00	45.68	56.07
- Ramakrishna Dyeing Industry	-	-	-	1.96
- Kannan Tex				
- Still Water	-	-	3.36	
- K P R Knits	-	-	6.09	
	0.60	-		
Amount payable				
- K P R Knits	50.31	60.25	-	-
- Ramakrishna Dyeing Industry	-	0.05	0.54	-
- Kannan Tex	-	0.38	-	-
- K P R Mill Pvt Ltd	18.25	109.99	-	-
- K P R Spinning Mill Pvt Ltd	35.24	165.00	-	-
- Still Water	-	-	-	-
- K P R Designs	-	-	-	-
- K.P.R. Enterprises	-	-	-	0.00

Transactions with Key Managerial Personnel and their relative

(Rs. in Millions)

Nature of transaction	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Sale of goods / assets				
- K P Ramasamy	-	-	2.85	
- K P D Sigamani	-	-	2.85	
- P Nataraj	-	-	2.85	
Lease rent				
- K P Ramasamy	-	-	0.48	0.54
- K P D Sigamani	-	-	0.48	0.53
- P Nataraj	-	-	0.48	0.53
Remuneration –				
- K. P. Ramasamy	-	-	-	2.25
- K. P. D. Sigamani	-	-	-	2.23
- P Nataraj	-	-	-	2.23
- D Geetha	-	-	0.24	0.50
Amount payable				
- K P D Sigamani	0.92	0.92	-	
- K P Ramasamy	-	4.70	-	---
- P Nataraj	-	-	-	
- K R Parvathy	-	-	0.42	

11. Quantitative Information

ADDITIONAL PARTICULARS AS REQUIRED BY PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

A(i). Capacity, Production and Sales:

Particulars	Product	UoM	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Installed Capacity	Yarn	Spindles	-	50,784	1,11,264	1,28,064
Production	Yarn	Kilograms	-	40,24,024	2,62,32,717	2,83,46,348
	Knitted Fabrics	Kilograms	-	9,54,902	61,47,685	67,34,302*
	Cotton Waste	Kilograms	-	7,57,673	56,05,546	55,98,674
Opening Stock	Yarn	Kilograms	-	-	1,64,876	79,480
	Knitted Fabrics	Kilograms	-	-	34,098	42,678
	Cotton Waste	Kilograms	-	-	16,205	13,130
Closing Stock	Yarn	Kilograms	-	92,831	79,480	4,14,999
	Knitted Fabrics	Kilograms	-	16,766	42,678	46,842
	Cotton Waste	Kilograms	-	7,037	13,130	17,375
Sales	Yarn	Kilograms	-	29,66,646	2,02,73,699	2,24,73,294
	Knitted Fabrics	Kilograms	-	9,38,136	61,39,105	56,08,430
	Cotton Waste	Kilograms	-	7,50,635	56,08,621	55,94,428

* Includes 12,21,707 Kilograms of Own Yarn converted into fabrics on job work basis.

A(ii). Garment Production, Sales

Particulars	Products	UoM	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Production / Purchase	Garment	Pieces	-	12,96,222	1,01,59,449	1,15,46,380
Opening Stock	- do -	- do -	-	-	3,02,753	34,588
Closing Stock	- do -	- do -	-	3,02,733	34,588	9,95,014
Sales	- do -	- do -	-	9,93,469	1,04,27,614	1,05,85,914

B. Raw Material Consumed:

(Quantity in Kilograms)

Particulars	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Imported	-	4,80,026	62,717	
Indigenous	-	45,13,254	3,22,96,631	3,44,09,513
Total	-	49,93,280	3,23,59,348	3,44,09,513

(Rs. in Million)

Particulars	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Imported	-	28.83	2.76	
Indigenous	-	291.67	1675.58	1,960.43
Total	-	320.50	1678.34	1,960.43

12. Details of Foreign Exchange Earnings and Outgo:

Expenditure in Foreign Currency

(Rs. in Million)

Particulars	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Travel and sales promotion	-	-	1.44	1.41
Value of imports on CIF basis				
Raw Material	-	79.39	-	11.45
Stores and Spare Parts	-	-	30.45	1.78
Machinery	-	294.69	239.13	137.55

Earnings in Foreign Currency

(Rs. in Million)

Particulars	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Export of Goods at FOB value	-	116.25	1264.26	1,298.49

13. Tax deducted at source

(Rs. in Million)

Particulars	31.03.2004	31.03.2005	31.03.2006	31.03.2007
On Interest receipts	-	0.23	1.13	1.45
On Fabrication charges	-	0.04	0.50	0.33

14. Managerial Remuneration :

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and calculation of Chairman & Managing director's Commission for the Year Ended 31-03-2007:

(Rs. in Millions)

Profit before Tax as per Profit & Loss Account	802.48
Add : Commission to Chairman / Managing Directors	5.10
Add : Salary to Chairman / Managing Directors	1.64
Add : Loss on Sale of Assets	19.06
Net Profit as per Section 198 of the Companies Act, 1956	828.28
2.00 % Commission on Net Profits to Chairman / M Ds each	16.56
Commission to Chairman / Sri K P D Sigamani, MD / Sri P.Nataraj MD - Restricted to	1.69

(Rs. in Millions)

Name	Designation	Salary	Commission	Total
Sri K.P.Ramasamy	Chairman	0.55	1.70	2.25
Sri KPD Sigamani	Managing Director	0.54	1.69	2.23
Sri P.Nataraj	Managing Director	0.54	1.69	2.23
Total		**1.63**	**5.08**	**6.71**

15. Segment Reporting:

The Company has operated in only one business segment i.e. Textile business. Hence, Segment wise report is not annexed.

16. Provision for Income Tax has been computed on the basis of Minimum Alternate Tax (MAT) in accordance with Section 115JB of the Income Tax Act, 1961.

17. Fabrication income

The amount received from contract manufacturers are adjusted in cost.

18. Captive consumption of windmill power

The power cost is net of revenue earned on captive consumption.

19.

Particulars	31.03.2004	31.03.2005	31.03.2006	31.03.2007
No. of non-resident shareholders to whom remittance was made for the year ended March 31, 2007	-	-	-	-
No. of shares held by non-resident shareholders on which dividend was due for the year ended March 31, 2007	-	-	-	3,508,580

Annexure 6 : Details of sales of K.P.R. Mill Limited, as restated

(Rs. in Millions)

Particulars	March 31,2004	March 31,2005	March 31,2006	March 31, 2007
	March 19, 2003 to March 31, 2004	12 months	12 months	12 moths
Sales				
Yarn	-	304.25	2,067.11	
Fabrics	-	95.78	735.69	
Garments	-	116.25	1,255.10	2,449.94

Particulars	March 31,2004	March 31,2005	March 31,2006	March 31, 2007
	March 19, 2003 to March 31, 2004	12 months	12 months	12 moths
Waste sales	-	20.18	141.31	810.03
Cotton Sales	-	51.58	12.48	1,300.29
Wind Mill Receipts	-	12.44	139.35	143.26
	-	600.48	4,351.04	-
Less: Inter Division Sales-				297.46
Wind Power consumption	-	8.49	136.54	5,000.98
Total	**-**	**591.99**	**4,214.50**	

Annexure 7 : Details of other income of K.P.R. Mill Limited, as restated

(Rs. in Millions)

Particulars	March 31,2004	March 31,2005	March 31,2006	March 31, 2007
	March 19, 2003 to March 31, 2004	12 months	12 months	12 Months
Recurring				
Rent & Hire Charges	0.04	0.06	-	
Interest Receipts	0.36	1.19	5.60	10.01
Dividend Income				0.07
Surplus on forward contracts / exchange fluctuation	-	0.05	11.36	6.48
Miscellaneous Receipts	-	29.16	52.81	5.90
Duty drawback	-	9.96	75.45	85.32
Deemed Export Benefit (Terminal Excise Duty)	-	60.67	87.05	43.66
Embroidery Charges				3.79
DEPB Licence Sales	-	0.68	1.00	-
Fabrication charges	0.45	-	-	16.91
Non-recurring				
Target plus				-
Miscellaneous receipts				-
Profit on sale of Fixed Assets	-	-	3.64	-
Total	**0.85**	**101.77**	**236.91**	**172.14**

Annexure 8 : Details of Raw Material Consumption of K.P.R. Mill Limited, as restated

(Rs. in Million)

Particulars	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
	March 19, 2003 to March 31, 2004	12 months	12 months	12 months
Opening Stock				
Cotton	-	-	423.18	670.92
Yarn & Fabrics	-	-	0.53	60.39
Total	-	-	423.71	731.31
Purchases:				
Cotton	-	472.50	1926.08	2,231.66

Particulars	March 31, 2004 March 19, 2003 to March 31, 2004	March 31, 2005 12 months	March 31, 2006 12 months	March 31, 2007 12 months
Yarn & Fabrics	-	100.61	1085.81	1,216.46
Total	-	573.11	3011.89	3,448.12
Closing Stock				
Cotton	-	152.00	670.92	942.14
Yarn & Fabrics	-	-	60.39	62.27
Total	-	152.00	731.31	1,004.41
Consumption of Raw Materials:				
Cotton	-	320.50	1678.34	1,960.44
Yarn & Fabrics	-	100.61	1025.95	1,214.58
Total	**-**	**421.11**	**2704.29**	**3,175.02**

Annexure 9 : Details of Employee and Workforce Cost of K.P.R. Mill Limited, as restated

(Rs. in Million)

Particulars	March 31, 2004 March 19, 2003 to March 31, 2004	March 31, 2005 12 months	March 31, 2006 12 months	March 31, 2007 12 months
Salaries	0.34	4.46	29.86	43.76
Stipend, Wages & Settlement to Work force	0.22	8.90	60.87	74.11
Bonus	-	0.48	5.33	7.99
PF & ESI	0.04	0.81	5.50	7.49
Other employee benefits	0.09	3.71	19.75	27.15
Total	**0.69**	**18.36**	**121.31**	**160.50**

Annexure 10 : Details of Other Manufacturing Cost of K.P.R. Mill Limited, as restated

(Rs. in Million)

Particulars	March 31, 2004 March 19, 2003 to March 31, 2004	March 31, 2005 12 months	March 31, 2006 12 months	March 31, 2007 12 months
Power & Fuel	0.31	50.91	270.47	315.87
Less:Interdivision consumption	-	8.49	136.54	184.75
Sub-total	0.31	42.42	133.93	131.12
Stores & Packing Materials	-	4.38	34.70	36.34
Repairs & Maintenance	0.19	5.69	48.66	47.19
Job Work Expenses	-	2.65	23.67	-
Less: Inter division Income	-	1.95	23.74	-
Sub-total	-	0.70	(0.07)	-
Insurance Charges	-	1.20	8.83	13.73
Total	**0.50**	**54.39**	**226.05**	**228.38**

Annexure 11 : Details of Administrative Expenses of K.P.R. Mill Limited, as restated

(Rs. in Million)

Particulars	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
	March 19, 2003 to March 31, 2004	12 months	12 months	12 months
Postage, Telephone & Cell Phone Charges	0.02	0.25	9.82	6.82
Miscellaneous Expenditure written off	-	0.13	0.13	0.64
Rent, Rates & Taxes	-	0.28	3.48	4.08
Loss on sale of Fixed Assets	-	-	-	19.06
Remuneration to Directors	-	-	-	6.74
Other Administrative Expenses	0.24	3.40	9.15	13.25
Total	**0.26**	**4.06**	**22.58**	**50.59**

Annexure 12 : Details of Selling & Distribution Cost of K.P.R. Mill Limited, as restated

(Rs. in Million)

Particulars	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
	March 19, 2003 to March 31, 2004	12 months	12 months	12 months
Commission & Brokerage – Yarn & Fabrics	-	4.09	66.40	70.74
Clearing & Forwarding Expenses on Exports	-	3.02	27.54	26.85
Carriage Outwards	-	2.94	15.72	12.58
Travelling Expenses	-	0.63	5.99	6.65
Other Selling Expenses	-	0.30	14.66	14.36
Total	**-**	**10.98**	**130.31**	**131.18**

Annexure 13 : Details of Interest Charges of K.P.R. Mill Limited, as restated

(Rs. in Million)

Particulars	March 31,2004	March 31,2005	March 31,2006	March 31, 2007
	March 19, 2003 to March 31, 2004	12 months	12 months	12 months
Interest on Term Loans	0.08	22.05	60.49	132.34
Interest on Working Capital	0.01	4.67	40.03	41.39
Bank Charges	-	5.13	43.52	35.18
Total	**0.09**	**31.85**	**144.04**	**208.91**

Annexure 14 : Details of Fixed assets of K.P.R. Mill Limited, as restated

(Rs. in Million)

Particulars	GROSS BLOCK				Depreciation				Net Block as on 31.03.2004
	Cost as on 19.03.2003	Additions	Deletion	Cost as on 31.03.2004	Upto 31.03.2003	For the year	Withdrawn on deletions	Upto 31.03.2004	
Land	-	3.42	-	3.42	-	-	-	-	3.42
Buildings	-	67.13	-	67.13	-	-	-	-	67.13
Plant & Machinery	-	57.75	-	57.75	-	2.41	-	2.41	55.34
Electrical fittings	-	4.90	-	4.90	-	-	-	-	4.90
Furniture & Fixtures	-	0.03	-	0.03	-	-	-	-	0.03
Miscellaneous Fixed Assets	-	0.17	-	0.17	-	-	-	-	0.17
Total	**-**	**133.40**	**-**	**133.40**	**-**	**2.41**	**-**	**2.41**	**130.99**

(Rs. in Million)

Particulars	GROSS BLOCK				Depreciation				Net Block as on 31.03.2005
	Cost as on 1.04.2004	Additions	Deletion	Cost as on 31.03.2005	Up to 31.03.2004	For the year	Withdrawn on deletions	Up to 31.03.2005	
Land	3.42	-	-	3.42	-	-	-	-	3.42
Buildings	67.13	116.97	-	184.10	-	3.88	-	3.88	180.22
Plant & Machinery	57.75	731.08	-	788.83	2.41	42.34	-	44.75	747.08
Electrical fittings	4.90	19.84	-	24.74	-	1.25	-	1.25	23.49
Furniture & Fixtures	0.03	0.27	-	0.30	-	0.01	-	0.01	0.29
Computer & Accessories	-	0.46	-	0.46	-	0.04	-	0.04	0.42
Vehicles	-	0.91	-	0.91	-	0.04	-	0.04	0.87
Miscellaneous Fixed Assets	0.17	16.86	-	17.03	-	0.52	-	0.52	16.51
	133.40	885.65	-	1,019.05	2.41	48.08	-	50.49	969.30
Land	-	0.69	-	0.69	-	-	-	-	0.69
Windmill	-	476.40	-	476.40	-	10.29	-	10.29	466.11
Electrical fittings	-	12.00	-	12.00	-	0.39	-	0.39	11.61
	-	489.09	-	489.09	-	10.68	-	10.68	478.41
Total	133.40	1,374.74	-	1,508.14	2.41	58.76	-	61.17	1,447.71

(Rs. in Million)

Particulars	GROSS BLOCK					DEPRECIATION				Net Block as on
	Cost as on 01.04.2005	Additions: On Amalgamation	Additions: Others	Deletion	Cost as on 31.03.2006	Upto 31.03.05	For the year	Withdrawn on deletions	31.03.2006	31.03.2006
Land	3.42	0.41	7.22	7.09	3.96	-	-	-	-	3.96
Buildings	184.10	250.47	92.91	-	527.48	3.88	13.18	-	17.06	510.42
Plant & Machinery	788.83	1,068.98	227.45	23.13	2,062.13	44.75	201.29	1.80	244.24	1,817.89
Electrical fittings	24.74	106.39	6.13	-	137.26	1.25	9.53	-	10.78	126.48
Furniture & Fixtures	0.30	8.04	8.57	-	16.91	0.01	0.76	-	0.77	16.14
Computers & Accessories	0.46	2.97	2.75	-	6.18	0.04	0.87	-	0.91	5.27
Vehicles	0.91	17.45	11.90	-	30.26	0.04	1.88	-	1.92	28.34
Miscellaneous Fixed Assets	17.03	2.22	9.01	-	28.26	0.52	1.56	-	2.08	26.18
	1,019.79	1,456.93	365.94	30.22	2,812.44	50.49	229.06	1.80	277.75	2,534.69
WINDMILL										
Land	0.69	9.45	2.18	-	12.32	-	-	-	-	12.32
Wind Mill	476.40	560.86	1,158.00	-	2,195.26	10.29	51.83	-	62.12	2,133.14
Electrical fittings	12.00	-	-	-	12.00	0.39	0.85	-	1.24	10.76
	489.09	570.31	1,160.18	-	2,219.58	10.68	52.68	-	63.36	2,156.22
TOTAL	**1,508.88**	**2,027.24**	**1,526.12**	**30.22**	**5,032.02**	**61.17**	**281.74**	**1.80**	**341.11**	**4,690.91**

(Rs. in Million)

Particulars	GROSS BLOCK				Depreciation				Net Block as on 31.03.2007
	Cost as on 01.04.2006	Additions	Deletion	Cost as on 31.03.2007	Upto 31.03.2006	For the year	Withdrawn on deletions	Upto 31.03.2007	
Land	3.96	1.88	-	5.84	-	-	-	-	5.84
Buildings	527.48	395.24	-	922.72	17.06	16.41	-	33.47	889.25
Plant & Machinery	2,062.13	477.84	43.63	2,496.34	244.24	222.12	5.41	460.95	2,035.39
Electrical fittings	137.26	125.21	-	262.47	10.78	12.07	-	22.85	239.62
Furniture & Fixtures	16.91	3.52	-	20.43	0.77	1.21	-	1.98	18.45
Computers & Accessories	6.18	5.15	-	11.33	0.91	1.41	-	2.32	9.01
Vehicles	30.26	4.96	0.30	34.92	1.92	3.08	0.05	4.95	29.97
Miscellaneous Fixed Assets	28.26	63.65	-	91.91	2.08	2.68	-	4.76	87.15
TOTAL (A)	2,812.44	1,077.45	43.93	3,845.96	277.75	258.99	5.46	531.28	3,314.68
WINDMILL									
Land	12.32	-	-	12.32	-	-	-	-	12.32
Windmill	2,195.26	2.36	14.40	2,183.22	62.12	103.69	1.00	164.81	2,018.41
Electrical fittings	12.00	-	-	12.00	1.24	0.85	-	2.09	9.91
	2,219.58	2.36	14.40	2,207.54	63.36	104.54	1.00	166.90	2,040.64
Total (B) captial work in progess & advances*									**1,328.07**
TOTAL	**5,032.02**	**1,079.81**	**58.33**	**6,053.50**	**341.11**	**363.53**	**6.46**	**698.18**	**6,683.39**

***** includes Rs.10.25 Million on account of foreign currency fluctuations.

Annexure 15 : Details of Investments of K.P.R. Mill Limited

(Rs. in Million)

Investment	March 31,2004	March 31,2005	March 31,2006	March 31, 2007
LONG TERM INVESTMENTS:				
Quoted, Non Trade				
47801147 Units of SBI Blue Chip fund	-	-	0.50	0.50
45042610 Units of HSBC Advantage India fund	-	-	0.50	0.50
23235280 Units of HDFC Core and Satelite fund	-	-	0.50	0.50
100000 Units of Reliance Equity fund	-	-	1.00	1.00
Total	**-**	**-**	**2.50**	**2.50**
Net Asset Value of investments	**-**	**-**	**2.57**	**2.58**

Annexure 16 : Details of Sundry Debtors of K.P.R.Mill Limited

(Rs. in Million)

Sundry Debtors	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Debts outstanding for a period exceeding six months				
- considered good	-	-	2.51	3.77
- considered doubtful	-	-	4.31	4.31
Other Debts				
- considered good	-	234.06	411.99	594.80
- considered doubtful	-	-	-	
Less: Provision	-	-	4.31	4.31
Total	**-**	**234.06**	**414.50**	**598.57**

Annexure 17 : Details of Loans and Advances of K.P.R.Mill Limited

(Rs. in Million)

Loans, Advance and Deposits	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Unsecured & Considered good				
Advance for Purchases and Expenses	0.27	15.98	82.96	133.38
Other Loans and advances	0.01	0.11	74.04	109.26
Prepaid expenses	0.07	7.86	18.28	18.28
Income Tax payments*	0.07	0.32	32.69	78.64
Deposits with Govt. Dept & Others	1.23	8.83	39.59	43.93
Interest receivable on bank deposits	-	-	0.18	4.81
Income receivable	-	48.36	95.99	128.54
Total	**1.65**	**81.46**	**343.73**	**516.84**

* includes fringe benefit tax of Rs. nil (previous year Rs 0.43 million).

The above includes the following advances due from promoter group companies

(Rs. in Million)

As at	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Sree Ramakrishna Textiles	-	-	45.68	55.97
Ramakrishna Dyeing Industry	-	-	-	-
Kannan Tex	-	-	3.36	-
Still Water	-	-	6.09	-
K.P.R. Design	-	-	-	-
K.P.R. Knits	0.60	-	-	-
K.P.R. Mill Private Limited	-	7.11	-	-
Total	**0.60**	**7.11**	**55.13**	**55.97**

Annexure 18 : Details of Secured Loans of K.P.R. Mill Limited

Details of Term Loans

(Rs. in Million)

Name of the Lender	Amount outstanding as of March 31, 2007	Interest Rate	Repayment	Security
Oriental Bank of Commerce, Tirupur	749.80	7.75% pa with monthly rests with reset option after 5 years	Repayable in 30 quarterly installments commencing on December 31, 2007	i) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of the new spinning mill, Processing unit, Garment Division and new windmills. iii) Residual charge on the fixed assets of spinning unit at sathyamangalam
Corporation Bank, Tirupur	743.35	8% pa with monthly rests with reset option after 5 years	Repayable in 30 quarterly installments commencing on December 31, 2007	i) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of the new spinning mill, Processing unit, Garment Division and new windmills. iii) Residual charge on the fixed assets of spinning unit at sathyamangalam
State Bank of Mysore, Coimbatore	199.27	3.25% pa below SBM PTLR, minimum of 7.75% pa with monthly rests	Repayable in 30 quarterly installments commencing on December 31, 2007	i) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of the new spinning mill, Processing unit, Garment Division and new windmills. iii) Residual charge on the fixed assets of spinning unit at sathyamangalam
Karnataka Bank Limited, Tirupur	38.96	3% pa below KB PLR, minimum of 9% pa, compounded monthly	Repayable in 30 quarterly installments commencing on December 31, 2007	i) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of the new spinning mill, Processing unit, Garment Division and new windmills. iii) Residual charge on the fixed assets of spinning unit at sathyamangalam
United Bank of India, Tirupur	106.29	2.25% pa below the BPLR (i.e., 11.25%) reset on the spread of the BPLR after	Repayable in 30 quarterly installments commencing on October 2007	i) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of the new spinning mill, Processing unit, Garment Division and new

Name of the Lender	Amount outstanding as of March 31, 2007	Interest Rate	Repayment	Security
		interval of every 2 years		windmills. iii) Residual charge on the fixed assets of spinning unit at sathyamangalam
Bank of Baroda, Tirupur	132.26	9% pa for the first two years and reset thereafter every three years. On the reset date, rate of interest will be 2% below the BPLR	Repayable in 39 quarterly installments commencing on December 31, 2007	Ii) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of the new spinning mill, Processing unit, Garment Division and new windmills. iii) Residual charge on the fixed assets of spinning unit at Sathyamangalam
State Bank of India, Coimbatore	15.49	2.25% over SBMTLR present effective rate 13.25% p.a. with monthly rests	Repayable in 22 quarterly installments commencing on June 30, 2002	I) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Karumathampatti unit iii) Personal guarantees of Sri. K.P. Ramasamy, Sri K.P. Deivasigamani and Sri. P. Nataraj
State Bank of India, Coimbatore	16.08	2% pa over SBMTLR (presently 13.25%) with monthly rests	Repayable in 21 quarters commencing on March 31, 2004	I) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Karumathampatti unit iii) Personal guarantees of Sri. K.P. Ramasamy, Sri K.P. Deivasigamani and Sri. P. Nataraj
Corporation Bank, Coimbatore	2.86	1% pa above CBMTLR (presently 13.25%)	Repayable in 22 quarterly installments commencing on June 30, 2002	I) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Karumathampatti unit iii) Personal guarantees of Sri. K.P. Ramasamy, Sri K.P. Deivasigamani and Sri. P. Nataraj
Corporation Bank, Coimbatore	-10.50	0.25% pa above CBMTLR (presently 12.50%) subject to revision at quarterly rests	Repayable in 20 quarterly installments commencing on March 31, 2004	I) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Karumathampatti unit iii) Personal guarantees of Sri. K.P. Ramasamy, Sri K.P. Deivasigamani and Sri. P. Nataraj
Corporation Bank, Coimbatore	102.74	1.50% pa below COBAR (presently 9%) with monthly rests	Repayable in 21 quarterly installments commencing 19 April 2005	i) Equitable Mortgage on windmill land ii) Paripassu first charge on the fixed assets of Windmills and related equipments iii) Personal guarantees of Sri. K.P. Ramasamy, Sri K.P. Deivasigamani and Sri. P. Nataraj
State Bank of Travancore, Coimbatore	4.60	1% pa above SBT PTLR plus term premia (effective rate is 12.50%)	Repayable in 21 quarterly installments from the quarter ending on June 2002	i) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Karumathampatti unit iii) Personal guarantees of Sri. K.P. Ramasamy, Sri K.P. Deivasigamani and Sri. P. Nataraj

Name of the Lender	Amount outstanding as of March 31, 2007	Interest Rate	Repayment	Security
State Bank of Hyderabad, Coimbatore	6.67	2.50% pa above SBH PLR (presently 14.50%) with quarterly rests	Repayable in 22 quarterly installments commencing on June 30, 2002	i) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Karumathampatti unit iii) Personal guarantees of Sri. K.P. Ramasamy, Sri K.P. Deivasigamani and Sri. P. Nataraj
United Bank of India, Tirupur	168.73	9% pa with monthly rests	Repayable in 26 quarterly installments commencing on October 7, 2005	i) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Neelambur Unit. iii) Personal guarantees of Sri. K.P.Ramasamy, Sri KPD. Sigamani and Sri. P.Nataraj
State Bank of India, Coimbatore	126.58	1.75% pa below SBAR (presently 8.50%)	Repayable in 25 quarterly installments commencing from May 2006	I) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Neelambur Unit. iii) Personal guarantees of Sri. K.P. Ramasamy, Sri KPD. Sigamani and Sri. P. Nataraj
Corporation Bank, Coimbatore.	108.60	9% pa i.e., 1.50% below COBAR	Repayable in 29 quarterly installments commencing on 16 June 2005	I) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Neelambur Unit. iii) Personal guarantees of Sri. K.P. Ramasamy, Sri KPD. Sigamani and Sri. P. Nataraj
State Bank of Travancore, Coimbatore	104.25	9% pa i.e., 3% below SBTPTLR	Repayable in 30 quarterly installments commencing on December 2004	I) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Neelambur Unit. iii) Personal guarantees of Sri. K.P. Ramasamy, Sri KPD. Sigamani and Sri. P. Nataraj
Bank of India, Tirupur	435.34	2.75% pa below BOIPLR minimum 8% with 3 year reset	Repayable in 28 quarterly installments commencing on 31 December 2005	I) Equitable Mortgage on immovable properties ii) Paripassu first charge on the fixed assets of Neelambur Unit. iii) Personal guarantees of Sri. K.P. Ramasamy, Sri KPD. Sigamani and Sri. P. Nataraj
Total	**3,072.38**			

Details of Cash Credit and Packing credit facilities

(Rs. in Million)

Name of the Lender	Amount outstanding as of March 31, 2007	Interest Rate	Security
Bank of Baroda			1) Hypothecation of Stocks & Book debts. 2) Second charge on fixed assets. 3) Personal guarantee of Sri K.P. Ramasamy Sri. KPD . Sigamani and Sri. P. Nataraj and Sri Ramakrishna Textiles. B.G : Counter guarantee signed by the company
- Cash credit	196.38	10.50%	
- FCNRB	50.09	8.36%	
IDBI Limited	35.98	11.75%	1) Hypothecation of Stocks & Book debts. 2) Second charge on fixed assets. 3) Personal guarantee of Sri K.P. Ramasamy Sri. KPD. Sigamani and Sri. P. Nataraj and Sri Ramakrishna Textiles. B.G: Counter guarantee signed by the company
		11.75%	1) Hypothecation of Stocks and Book debts of the company on pari passu basis with other consortium banks. 2) Second charge on Fixed assets of the company on pari passu basis with other consortium banks. 3) Personal guarantees of Directors K.P. Ramasamy, Sri. KPD .Sigamani and Sri. P. Nataraj
Corporation Bank	20.16	9.75%	1) Hypothecation of Stocks and Book debts of the company on pari passu basis with other consortium banks. 2) Second charge on Fixed assets of the company on pari passu basis with other consortium banks. 3) Personal guarantees of Directors K.P. Ramasamy, Sri. KPD .Sigamani and Sri. P. Nataraj
Bank of India	100.47	8.75%	1) Hypothecation of Stocks and Book debts of the company on pari passu basis with other consortium banks. 2) Second charge on Fixed assets of the company on pari passu basis with other consortium banks. 3) Personal guarantees of Directors K.P. Ramasamy, Sri. KPD .Sigamani and Sri. P. Nataraj
Oriental Bank of Commerce	285.44	7%	1) Hypothecation of stock, advances with garment suppliers/ processors on pari passu basis with other banks and packing material 2) Personal guarantees of directors Sri. K.P. Ramasamy, Sri. K.P. Deivasigamani and Sri. P. Nataraj.

State Bank of India	76.74	10.50%	1) Hypothecation of Stocks & Book debts. 2) Second charge on fixed assets . 3) Personal guarantee of Sri. K.P.Ramasamy, Sri. K.P.D. Sigamani and Sri. P.Nataraj
State Bank of Travancore	34.78	10.50%	1) Hypothecation of Stocks & Book debts. 2) Second charge on fixed assets . 3) Personal guarantee of Sri. K.P.Ramasamy, Sri. K.P.D. Sigamani and Sri. P.Nataraj
United Bank of India	58.63	9.00%	1) Hypothecation of Stocks & Book debts. 2) Second charge on fixed assets . 3) Personal guarantee of Sri. K.P.Ramasamy, Sri. K.P.D. Sigamani and Sri. P.Nataraj
Total	**865.67**		
Total Secured Loan	**3,938.05**		

Annexure 19: Details of Unsecured Loans of K.P.R. Mill Limited

(Rs. in Million)

Unsecured Loans	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Directors	0.92	5.62	0.42	-
Inter corporate Loans	84.94	225.58	-	-
Sales-tax Deferral Scheme	-	-	216.08	225.40
Convertible Warrants	18.25	18.25	-	-
Total	**104.11**	**249.45**	**216.50**	**225.40**

Annexure 20 : Details of Current liabilities and Provisions of K.P.R. Mill Limited, as restated

(Rs. in Million)

Particulars	March 31,2004	March 31,2005	March 31,2006	March 31, 2007
A) Current Liabilities:				
Sundry creditors - Small scale Industries*	-	-	-	-
Sundry creditors - Others	-	250.13	654.58	462.75
Creditors for Capital Expenditure	43.32	119.23	419.08	772.41
Liabilities for Expenses	0.41	20.54	68.70	97.52
Advance Received from Customers	-	0.99	4.20	5.57
Other Liabilities	0.18	98.27	32.93	26.76
	43.91	489.16	1,179.49	1,365.01
B) Provisions:				
Provision for Income Tax	-	-	75.00	90.00
Provision for Dividend	-	-	7.50	25.04
Provision for Tax on Dividend	-	-	1.05	4.25
Provision for Fringe Benefit Tax	-	-	0.86	1.63
	-	-	84.41	120.92
TOTAL	**43.91**	**489.16**	**1,263.90**	**1,485.93**

Notes

* refer Annexure 5(2)(7)

Annexure 21 : Details of Share Capital of K.P.R. Mill Limited

(Rs. in Million)

Share Capital	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Authorised Share Capital				
500,000 Equity Shares of Rs.100 each	50.00	-	-	
500,000 Equity Shares of Rs.100 each	-	50.00	-	
24,000,000 Equity Shares of Rs.10 each	-	-	240.00	
40,000,000 Equity Shares of Rs.10 each	-	-	-	
Issued, Subscribed and Paid up Capital				
3700 Equity Shares of Rs.100 each	0.37	-	-	
200,000 Equity Shares of Rs.100 each	-	20.00	-	
15,008,251 Equity Shares of Rs.10 each	-	-	150.08	
31,770,792Equity Shares of Rs.10 each	-	-	-	317.71
Total	**0.37**	**20.00**	**150.08**	**317.71**

Annexure 22 : Details of Reserves and Surplus of K.P.R. Mill Limited, as restated

(Rs. in Million)

Reserves and Surplus	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Securities Premium	-	29.45	37.41	395.78
General Reserve	-	-	1,318.66	,1,347.86
Restated Profit and Loss Account	(3.10)	117.12	739.63	1,265.34
Restated Reserves and Surplus	**(3.10)**	**146.57**	**2095.70**	**3,008.98**

Annexure 23 : Details of Dividend paid by K.P.R. Mill Limited

(Rs. in Million)

Class of Shares	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Equity Shares				
No. of Equity Shares	3,700.00	200,000.00	15,008,251.00	
Face Value per share (Rs.)	100.00	100.00	10.00	31,770,792.00
Paid up Value per share (Rs.)	100.00	100.00	10.00	10.00
Rate of Dividend (%)	-	-	5.00	10.00
Total Dividend (Rs. in Million)	-	-	7.50	15.00*
Corporate Dividend Tax on above (Rs. in Million)	-	-	1.05	25.04

Annexure 24: Accounting Ratios of K.P.R. Mill Limited, on restated amounts

(Rs. in Million)

PARTICULARS	March 31,2004	March 31,2005	March 31,2006	March 31, 2007
Earnings per Share				
- Basic and Diluted (Rs)	(0.02)	0.76	20.43	19.04
Net Assets Value per Share (Rs)	(0.03)	1.03	72.68	104.71
Return on Net Worth (%)	60.43%	72.40%	28.10%	17.56
Weighted Average number of equity	15,888,142	15,889,634	30,893,647	30,679,767.

PARTICULARS	March 31,2004	March 31,2005	March 31,2006	March 31, 2007
shares outstanding during the year				00
Total number of shares outstanding at the end of the Year	15,889,096	16,085,396	30,893,647	31,770,792. 00
Restated Net worth (Rs. in Million)	(5.13)	166.04	2,245.38	3,3,326.69
Net Profit as restated (Rs. in Million)	(3.10)	120.22	631.06	584.20

* Not Annualised

Notes

1. The ratios have been computed as below:

Earnings per share (Rs.)	Net profit attributable to equity shareholders as restated / Weighted average number of equity shares outstanding during the year.
Return on net worth (%)	Net profit after tax as restated / Net worth excluding revaluation reserve at the end of the year
Net asset value per equity share (Rs.)	Net worth excluding revaluation reserve and preference share capital at the end of the year / Number of equity shares outstanding at the end of the year

2. Net profit, as restated as appearing in the summary statement of profits and losses, of the Company has been considered for the purpose of computing the above ratios

3. Earnings per share is calculated in accordance with Accounting Standard 20 on 'Earnings Per Share', issued by the Institute of Chartered Accountants of India

4. Increase in Networth and Share Capital from November 14, 2006 due to private placement

5. Face value of the shares has been considered at Rs.10 for all the years for calculating the ratios on an uniform basis

6. The number of equity shares has been considered after giving effect to the bonus issue made by the company in the ratio of 1:1 on March 1, 2007

Annexure 25 : Capitalisation Statement of K.P.R. Mill Limited,

(Rs. in Million)

Particulars	Pre - Issue as at March 31, 2007	Post Issue
Borrowings		
Short-term Debt	862.15	-
Long-term Debt	3,301.30	-
Total Debt	**4,163.45**	-
Shareholders' Fund		
Share Capital	317.71	*
Reserves	3,008.98	*
Total Shareholders' Fund	**3,326.69**	*
Total Capitalization		

Particulars	Pre - Issue as at March 31, 2007	Post Issue
Long-Term Debt / Equity ratio	**0.99**	*
Total Debt / Equity ratio	**1.25**	*

Note:
* Share capital and reserves and surplus post issue can be calculated only on the conclusion of the book building process

Annexure 26 : Tax Shelter Statement of K.P.R. Mill Limited, as restated

(Rs. in Million)

Particulars	March 31, 2004	March 31, 2005*	March 31, 2006*	March 31, 2007
Net Profit for the year before extraordinary item taxation	(7.17)	0.22	924.84	802.48
MAT rate	-	7.84%	8.42%	11.22%
MAT (A)	-	0.02	77.82	90.00
Notional Rate of Tax	-	36.59%	33.66%	33.66%
Tax at Notional rate (B)	-	0.08	311.30	270.11
Adjustments:				
Permanent Difference				
Expenses disallowed	-	-	0.96	21.94
Timing Difference				
Difference between Tax Depreciation and				
Book Depreciation (incl. unabsorbed	-	4.02	(881.02)	(824.42)
depreciation)				
Disallowance under Section 43B	-	0.05	1.98	-
Claim made on payment basis	-	(0.01)	(0.33)	-
Replacement of machinery	-	-	(39.47)	-
Other Adjustments	-	(4.28)	(6.96)	-
Total Adjustments (C)	**-**	**(0.22)**	**(924.83)**	**(802.48)**
Tax Saving thereon	-	0.08	311.30	270.11
Total Tax provision at normal income tax	-	-	-	67.43
rates for the year (D)				90.00
Tax payable [higher of (A) or (D)]	-	0.02	77.82	90.00
Tax provision as per Books	-	0.02	75.00	
Short / (excess) provision	-	-	2.82	-

Notes
* Represents Minimum Alternate Tax (MAT) u/s 115JB of the Income Tax Act, 1961 provided in the Financial statements

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 the financial statements of the Company as restated for the years ended March 31, 2004, 2005, 2006 and 2007, including the notes thereto and reports thereon, prepared in accordance with Indian GAAP and the Companies Act, 1956.

Indian GAAP differs in certain significant respects from U.S. GAAP and IFRS. For more information on these differences, see the section titled "Summary of Significant Differences between Indian GAAP, US GAAP and IFRS" beginning on page157 of this Red Herring Prospectus.

Overview

We are a vertically integrated apparel company in India. For a further description, see "Our Key Strengths - We are a vertically integrated producer of readymade knitted apparel and cotton knitted fabric and yarn" beginning on page 56 of this Red Herring Prospectus. Our operations and facilities enable us to manufacture readymade knitted apparel by spanning various aspects of the apparel production chain, from producing carded and combed cotton yarn and knitted fabric to managing the design, delivery and quality assurance processes involved in producing readymade knitted apparel. During the year ended March 31, 2007, we exported 99.86% of our readymade knitted apparel directly to international clients, including, among others, Carrefour, Penneys (Primark), Pom-tex, C&A, Ethel Austin, Kiabi, Bandos AG, Mother Care, Innovations Club, and Grouppo Industry Moda SPA, and we have more than 1,000 regular domestic clients for yarn and fabric. Our high level of mechanization and focus on sourcing of high quality raw material enables us to command a premium on sales of yarn and fabric, as compared to other domestic suppliers.

Our operations are located in Coimbatore, Sathyamangalam and Tirupur in the southern state of Tamil Nadu in India. We produced 10.16 million and11.55 million pieces of readymade knitted apparel during the years ended March 31, 2006 and 2007, respectively. We have a cumulative capacity of 128,064 spindles in four mills, and we manufactured approximately 26,232 and28,346 metric tons of yarn during the years ended March 31, 2006 and 2007, respectively, which represented capacity utilization of approximately 98.0% and 98.2% during such periods. We produced 6,147 and 6,734 metric tons of fabric during the years ended March 31, 2006 and 2007, respectively, which represented capacity utilization of approximately 90.0% and 80.0% during such periods.

In August 2005, we commenced construction of a new manufacturing facility at Arasur, near Coimbatore, in order to expand our capacity and bring apparel manufacturing and upstream spinning and knitting operations in one campus of approximately 44 acres. In September 2006 and November 2006, respectively, we began the gradual implementation of apparel manufacturing and spinning at this new facility. We expect the Arasur facility to be fully operational by the end of fiscal 2008, which will enable us to significantly expand our apparel manufacturing business with an initial capacity of 25.90 million pieces per year. We also have installed printing and embroidery machines at the Arasur facility, which became fully operational in March 2007 and which will enable us to meet most of our printing and embroidery requirements in-house. The Arasur facility will also expand our upstream spinning and knitting operations by increasing our spinning capacity to 212,064 spindles and providing us with a cumulative manufacturing capacity of approximately 54,000 metric tons of yarn and 17,200 metric tons of fabric across all of our facilities.

In order to provide end-to-end apparel manufacturing services, as we believe is required by multi-national value retailers, we are constructing a new fabric processing facility at SIPCOT, Perundurai, which will give us the ability to handle all of our processing requirements, including dyeing, bleaching and compacting. We expect this processing facility to be fully operational by July 2007 with capacity to process 23 metric tons of fabric per day. In December 2005, we also implemented a project at our Sathyamangalam mill to modernize our spinning operations at that location.

In order to become more self-sufficient, support our expanding operations and reduce our reliance on the state electrical grid, which could subject us to increases in cost, we have installed windmill facilities in Tirunelveli, Thenkasi and Coimbatore. Through these facilities, we have the capacity to produce 39.07 mega watts of power, which as of April 30, 2007 met all of our energy needs, and which we expect will support approximately 75.0% of our energy needs once the Arasur mill is fully operational. Our wind generated power supply is supported by back-up diesel generators, as well as stand-by arrangements for electricity from the main electrical grid, as necessary. This power supply, together with related tax incentives, enables us to substantially improve our profitability. For the year ended March 31, 2007, our power cost per unit was Rs.0.53, which was approximately 84.9% lower than the per unit cost charged by the Tamil Nadu Electricity Board.

As of March 31, 2007, our workforce consisted of 5,438 full-time personnel. We believe our sophisticated equipment, mechanized processes and skilled workforce resources, together with our strong management, have enabled us to successfully implement and maintain modern manufacturing processes. We have received international accreditations in respect of production activities at our Sathyamangalam and Karumathampatti facilities, such as ISO 9001:2000, guaranteeing quality control norms; ISO 14001:2004, regarding environmental standards; and SA 8000:2001 certifying the social accountability of our management. Additionally, we have been certified as a One Star Export House by the Indian Ministry of Commerce and Industry in accordance with the provisions of the Foreign Trade Policy, 2004-09, and we have been certified by the Institute of the International Association for Research and Testing in the Field of Textile Ecology with respect to our apparel manufacturing operations.

In the years ended March 31, 2004, 2005, 2006 and 2007, our revenue was Rs.0.85 million, Rs.731.74 million, Rs.4,431.15 million and Rs.5,120.59 million, respectively. In the years ended March 31, 2004, 2005, 2006 and 2007, our restated net profit (loss) was Rs.(3.10) million, Rs.120.22 million, Rs.631.06 million, and Rs.584.20 million, respectively. As a result of the acquisition and merger of our operating companies discussed below, our results of operations for the years ended March 31, 2004 and 2005 do not include the consolidated results of our separate operating companies. The performance of all of the operating companies are fully reflected in our financial statements starting in fiscal 2006. Accordingly, the Company's results of operations for the years ended March 31, 2004 and 2005 are not directly comparable to our results of operations for the years ended March 31, 2006 and 2007.

Background and Basis of Presentation

The Company was incorporated on March 19, 2003; therefore, our fiscal 2004 financial statements include the period between March 19 and March 31, 2004. Additionally, prior to April 1, 2005, we conducted business as a group of separate operating companies. With effect from April 1, 2005, we purchased K.P.R. Knits as a going concern, and K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited were consolidated into our Company through a merger process. As a result of the acquisition and merger, the Company's statutory financial statements, including the notes thereto and the reports thereon, for the years ended March 31, 2004 and 2005 do not reflect the consolidated performance of all of the operating companies or what our financial condition, results of operations or cash flows would have been had the consolidation occurred at the beginning of the periods covered thereby. The performance of all of the operating companies are fully reflected in the financial statements starting fiscal 2006. Accordingly, the Company's financial statements, including the notes thereto and the reports thereon, for the years ended March 31, 2004 and 2005 are not directly comparable to the Company's consolidated financial statements, including the notes thereto and the reports thereon, for the years ended March 31, 2006 and 2007. Therefore, the discussion below under "Results of Operations" includes a comparison between the year ended March 31, 2007 and the year ended March 31, 2006, which years reflect our consolidation, and a comparison between the year ended March 31, 2005 and the year ended March 31, 2004, which years do not reflect our consolidation. For further details regarding the acquisition and merger, see the section titled "History and Certain Corporate Matters" beginning on page 80 of this Red Herring Prospectus.

This Red Herring Prospectus does not contain a pro forma balance sheet or a pro forma income statement prepared in accordance with applicable U.S. federal securities regulations or in accordance with common practices in other jurisdictions, which would have shown the historical results of operations of the Company assuming the acquisition and merger had occurred at the beginning of the relevant reporting period. Following the acquisition and merger, the Company integrated significant business operations, the results of which are not fully reflected in the Company's historical financial statements until fiscal 2006.

Factors Affecting Our Results of Operations

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

Demand and supply

Over the years North American and European retailers have increasingly moved their sourcing of apparel to lower cost developing nations, including China, India, Bangladesh and Indonesia. Until December 31, 2004, apparel sourcing was subject to quantitative quotas under bilateral agreements between certain countries. Although price was a consideration by a retailer to select the source country and vendor, the availability of quota was the more important factor. With the elimination of these quotas from January 1, 2005, retailers are able to source their requirements from the most competitive vendor and price, quality and delivery have become their key considerations to determine the source country and the vendor. Countries which offer competitive prices due to their low labor costs, such as India, Bangladesh, Indonesia and China, are experiencing a rapid growth in their business volumes. As a result, our business volumes are also growing, and we expect them to continue to grow as our apparel manufacturing capacity continues to increase at our Arasur facility, near Coimbatore.

The demand for and supply of international apparel manufacturing services is also significantly influenced by consumer demand and preferences in Europe and North America, as well as the economic situation and level of consumer spending, each of which has experienced significant growth in the recent past. During an economic slow down, we may continue to experience increased demand for our apparel products from value retailers, although our margins will be under pressure. Accordingly, economic conditions and growth in these markets will impact our operations, including the level of demand for our apparel products.

Our fabric and yarn sales volumes and prices are influenced by the demand for and supply of these products in the markets in and around Tirupur. Our principal manufacturing facilities are located within a 50 kilometer radius of Tirupur, and the majority of our revenues are derived from fabric and yarn sales to manufacturers in these markets. Tirupur apparel manufacturers mainly sell to international apparel exporters. Accordingly, international economic conditions and growth have a direct impact on our operations, including the level of demand for and supply of our apparel, fabric and yarn.

Demand for and supply of cotton apparel, fabric and yarn is also influenced by factors such as consumer preferences, perceptions of prospective demand, competition, fashion trends, tax and manufacturing incentives, the international macroeconomic and retail environment and the cost of raw materials, principally cotton. Our operating results also are affected by the level of business activity of our major customers.

Input costs

Other than raw materials, our principal expenses are related to our employee and workforce costs and manufacturing costs, which includes electricity. As a percentage of our total sales, employee and workforce costs constituted approximately 2.9% in fiscal 2006 and 3.3% in fiscal 2007. We believe that our low employee and workforce costs are a result of the three-year contract system that we use with our manufacturing workers, and we intend to continue operating in this manner in the future. Therefore, we expect that expenses related to our employees and workforce will remain relatively low compared to our competitors in the industry.

As a percentage of our total sales, electricity consumption constituted 3.2% in fiscal 2006 and 2.7% in fiscal 2007, which we believe is significantly less than our industry competitors. We operate 39 windmills with an aggregate capacity of 39.07 mega watts. As of April 30, 2007, our windmills met all of our energy needs, and we expect that they will support approximately 75.0% of our energy needs once the Arasur facility, near Coimbatore, is fully operational. In order to support our expanded operations, we plan to set up additional windmills by the end of fiscal 2009. With the additional windmills, we expect that we will be able to meet a substantial portion of our electricity requirements, thereby maintaining our electricity costs.

Raw material availability and cost

Cotton is the primary raw material that we use in producing yarn. We also purchase additional yarn and cloth for our knitting and apparel businesses. As a percentage of total sales, raw material costs accounted for 64.2% and 65.9% in fiscal 2006 and fiscal 2007, respectively. Cotton accounted for approximately 62.1% and 61.7% of our total consumption of raw materials, and yarn and cloth accounted for approximately 37.9% and 38.3% of our total consumption of raw materials in fiscal 2006 and fiscal 2007, respectively. Fluctuations in the prices of raw cotton therefore have a significant direct impact on our results of operations. We have successfully minimized the impact of seasonal fluctuations in cotton prices through our strategy of purchasing substantially all of our cotton requirements at the time of peak supply. Further, the introduction of BT cotton in India has had a positive impact on the supply and pricing of cotton in recent years, which has reduced our costs and provided a steady supply of cotton in the market. Our purchase of cotton in fiscal 2006 and fiscal 2007 amounted to Rs.1,926.08 million and Rs.2,231.66 million, respectively, representing 217,490 and 241,675 bales of cotton, respectively, during such periods. We expect such expenditure and volume to remain within that range going forward in proportion to our production capacity. We have covered our anticipated cotton requirements up to October 2007 for our existing capacity. However, any material shortage or interruption in the supply or decrease in the quality of cotton due to natural causes or other factors, including crop yields and weather patterns, could result in increased production costs that we may not successfully be able to pass on to our customers.

The purchase of additional fabric (including dyeing charges) for our apparel business typically accounts for approximately 60.0% of our total cost of production of apparel. We expect this expense to decrease once knitting machines are installed at our new Arasur mill, which we expect will be fully implemented by the end of fiscal 2008.

Growth in the textile industry

Our business is significantly dependent on general economic conditions and textile sector activity in India, and on the Indian and international regulatory environments for textile manufacturers and retailers. Our ability to capitalize on the expected rapid growth in the Indian and international apparel industry will be important as we strive to increase our revenues and profitability in the coming years. The Indian government has in recent years introduced a number of policies and incentives aimed at encouraging the domestic textile sector, many of which have benefited our Company. Further, the removal of textile quotas internationally has created potentially significant market opportunities for textile manufacturers from countries with relatively lower production costs. According to WTO statistics, the apparel manufacturing industry has, on a global scale, shifted its base several times over the last 50 years and has been concentrated in those countries which offer the most competitive labor costs. Beginning in the 1950s, the manufacture of apparel began shifting away from the western countries to eastern countries with lower labor costs, such as Korea and Taiwan. In the 1980s and 1990s, production began to shift to other countries in South-East Asia. In 2004, 55% of the U.S. textile imports and 17% of the EU textile imports came from Asia. According to the Ministry of Textile, Government of India, following the removal of quotas, India's textile and apparel exports are projected to increase from nearly US$13 billion in 2005 to over US$50 billion by 2010, representing a CAGR of 31% and a market share of 10% of global trade by 2010. We expect that we will continue to benefit from this macro shift in apparel sourcing.

Competition and pricing pressures

While the removal of quantitative restrictions has increased the market share of developing countries, such as India, Bangladesh, China and Indonesia, it has also resulted in significant price competition among suppliers from these countries. Furthermore, restrictions on imports from China imposed by the United States and the European Union in various garment categories may be removed after December 31, 2008, which may result in further competitive pressure on the prices and margins in the apparel industry. We benefit from our low input costs which aid us in responding to pricing pressures. However, our ability to continue to anticipate and respond to pricing pressures and increased competition in the apparel industry will be critical to our results of operations in the coming years.

Increases in production capacity

We are in the process of significantly increasing our production capacity. As of March 31, 2007, we had capacity to produce 23.52 million pieces of readymade knitted apparel, (including outsourced apparel manufacturing capacity of 12 million pieces), 10,170 metric tons of fabric and 32,174 metric tons of yarn per year, with spinning capacity of 113 knitting machines and 128,064 spindles.

In August 2005, we commenced construction of a new manufacturing facility at Arasur, near Coimbatore, which we expect will be fully operational by the end of fiscal 2008. We expect that we will increase our manufacturing capacity to approximately 37.9 million pieces of readymade knitted apparel, 17,200 metric tons of knitted fabric and 54,000 metric tons of yarn per year, with spinning capacity of 212,064 spindles. This represents an increase in apparel, fabric and yarn production capacity by more than 100.0% in each category. By 2009, we plan to operate double shifts at our apparel operations at Arasur, which will increase our total apparel capacity to 63.8 million pieces per year. We also have installed printing and embroidery machines at the Arasur facility, which became fully operational in March 2007, and which will enable us to meet most of our printing and embroidery requirements in-house. Additionally, we are constructing a new fabric processing facility at SIPCOT, Perundurai, which will give us the ability to handle all of our fabric processing requirements, which are currently outsourced. We expect this processing facility to be fully operational by July 2007 with capacity to process 23 metric tons of fabric per day.

Finally, we intend to further increase our production and processing capabilities following the Issue by expanding our existing apparel facility at Arasur, near Coimbatore; setting up a design studio at Arasur; construction of an additional hostel facility at Arasur; expanding our processing facility at SIPCOT, Perundurai; investing in a new knitting facility at Arasur and adding balancing equipment at our existing spinning facility at Sathyamangalam. For more information on our on-going and proposed plans to increase our production capacity and expand our operations, see the sections titled "Business – Facilities and Capacity Utilization" and "Objects of the Issue" beginning on page 62 and page 29, respectively, of this Red Herring Prospectus. We believe that our on-going and planned expansion and subsequent increase in our capabilities will enhance our business and, consequently, lead to an increase in our revenues and a concurrent increase in expenses, including non-operating expenses such as depreciation.

Regulatory Incentives

We benefit from a number of government-sponsored incentives that are available to us as a textile and/or export company. These incentives take the form of cash assistance or cash compensatory support on exports of certain items.

These incentives are subject to change as a result of changes in applicable tax laws or the actions of applicable income tax or other regulatory authorities. Changes have occurred in the past and are likely to occur in the future and any such changes could materially affect our profitability.

The following are the primary incentives and tax benefits, which have a material impact on our results of operations:

Technology Upgradation Fund Scheme ("TUFS")

The Ministry of Textiles, Government of India, launched TUFS for the textile and jute industry for a five year period from April 1, 1999 to March 31, 2004. It was extended until March 31, 2007. The union budget announced on February 28, 2007 has extended the TUFS to March 31, 2012. The TUFS provides for a reimbursement of 5% on the interest charged by a lending agency for financing of a project of technology upgrading in conformity with this scheme. As of March 31, 2007, we had term loans aggregating Rs.1,043.53 million availed out of Rs.2,562.60 million sanctioned under TUFS to help finance the construction of and machinery requirements for our new Arasur mill, near Coimbatore, new windmills at Thenkasi, construction of and equipment for our processing facility at SIPCOT, Perundurai, and the modernization of our spinning facilities at Sathyamangalam.

Export Promotion Capital Goods ("EPCG") Scheme

The EPCG scheme in India facilitates import of capital goods at a 5% concessional rate of duty (compared to the 31.05% standard rate) with an obligation to export an amount equal to eight times the duty saved. Importing second hand capital goods without any restriction on age is also allowed under the new Foreign Trade Policy announced on August 31, 2004. We have imported certain of our equipment under license pursuant to the EPCG scheme. Under this scheme we are required to refund an amount to the Government of India equivalent to the duty benefit enjoyed by us under this scheme, plus interest, if we fail to make the required exports within the required time period. Incentives to us from this scheme amounted to Rs.43.66 million in fiscal 2007.

Duty Drawback Scheme

Exporters are allowed a refund of the excise and customs duty payable on raw materials under the duty drawback scheme in order to make the products more competitive in the international market. The Department of Revenue, Government of India, announced a revision in the All Industry Drawback Rates on May 2, 2005 and the new rates became effective from May 5, 2005. Pursuant to this revision, the drawback rates on most export products have been expressed in ad valorem terms instead of the earlier system, which was based on the weight of the export product. The associated drawback caps have, however, been fixed on the basis of the weight or pieces of export products. The revised Drawback Schedule covers 2,620 product categories. With respect to apparel items, the drawback rates have also been given on the basis of the composition of textiles. Further, pursuant to a notification effective on July 15, 2006, revised drawback rates have been fixed for certain items. For example, the revised drawback rate for knitted blouses, shirts or tops made of cotton is 6.7% with a cap of Rs.29.0 per piece. For knitted blouses, shirts or tops made of cotton and man made fiber blend, the drawback rate is 7.2% with a cap of Rs.30.0 per piece and for knitted blouses, shirts or tops made of man made fiber, the drawback rate is 7.8% with a cap of Rs.32.0 per piece. Incentives to us from this scheme amounted to Rs. 85.32 million in fiscal 2007.

Capital Subsidy

In order to encourage investment in processing industries, the Indian government implemented a scheme whereby units investing in specified processing equipment during the period from April 20, 2005 to March 31, 2007 will be eligible for a capital subsidy of 10%. We expect to obtain significant benefits from this scheme commencing fiscal 2008 and onward.

Currency exchange rate

Significant portions of our revenues and expenses are denominated in currencies other than Indian rupees, most significantly the US dollar and the euro. To the extent that our income and expenditure are not denominated in the same currency, exchange rate fluctuations could cause some of our costs to grow higher than the proportionate revenues. Our future capital expenditure will likely include purchasing equipment and machinery denominated in currencies other than Indian rupees. Any decline in the value of the rupee against other currencies could increase the rupee cost of purchasing such equipment. To manage our foreign exchange risk arising from commercial transactions and recognized assets and liabilities, we use forward contracts and selectively enter into hedging transactions to reduce the risks of currency fluctuations, although we do not have a formal hedging policy.

Labor relations

We believe that we have very good labor relations with our workforce, and we have never experienced labor disruption or work stoppages in the past. We believe that our workforce programs and facilities, including on-site accommodation, subsidized nutritious meals, higher education programs, computer training and medical facilities, among others, have helped us to avoid labor disputes with our manufacturing workers since inception and retain and easily replenish a qualified and motivated workforce. Our activities are labor intensive, however, and strikes or other labor action could have an adverse impact on our operations. In addition, the third-party suppliers of raw materials or contract manufacturers that we use may experience strikes or other industrial action. For further details, see the section titled "Risk Factor - We may face labor disruptions and other planned and unplanned outages that would interfere with our operations" beginning on page xiii of this Red Herring Prospectus.

Critical Accounting Policies

The financial statements of the Company are prepared under the historical cost convention on an accrual basis and in accordance with the applicable mandatory accounting standards referred to in Section 209 and other provisions of the Companies Act. Our key accounting policies include:

Basis of Accounting. The financial statements have been prepared under the historical cost convention on an accrual basis, in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The said financial statements comply with the relevant provisions of the Companies Act and the mandatory Accounting Standards to the extent they are applicable.

Fixed Assets.

(i) Fixed assets are stated in Historical Cost (Net of CENVAT) less accumulated depreciation. Cost comprises of direct costs including interest on specific borrowing wherever applicable for new projects upto the stage of commissioning.

(ii) Capital Work-In-Progress includes cost of assets at sites, construction expenditure, and interest on the funds deployed.

(iii) Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act.

Cash Flow Statement. Cash flow statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3 – Cash Flow Statement (AS 3) issued by the Institute of Chartered Accountants of India.

Borrowing Costs. Borrowing costs are capitalised as part of qualifying fixed assets when it is possible that they will result in future economic benefits. Other borrowing costs are expensed.

Inventories.

(i) Raw Materials, Work-In-Process and Stock of Stores, Spares, Consumables, Packing and Others Materials are valued at lower of cost or net realizable value.

(ii) Finished goods are valued at lower of cost or net realizable value.

(iii) Cotton waste, yarn waste and scrap are valued at net realizable value.

Revenue Recognition.

(i) Sales includes sale of products, waste and windmill power. Revenue from sale of products and waste are recognized when goods are dispatched. Revenue from sale of windmill power is recognized when invoiced.

(ii) Refund of Terminal Excise Duty is treated as income linked to export benefits and is recognized on accrual basis.

Deferred Revenue Expenditure. Expenses, such as preliminary expenditure, share issue expenses, are written off over a period of five years.

Excise Duty. The Company has opted to adopt for Exempted Route under Central Excise for local sales. Accordingly, CENVAT credit on inputs is not available to the Company.

Retirement Benefits.

(i) Contribution to Recognized Provident Fund is made in accordance with the rules of the Company.

(ii) Expenses towards employee cost have also been accounted for on accrual basis.

(iii) There is no scheme for encashment of unavailed leave on retirement, since unavailed earned leave is paid at the end of each year.

(iv) Gratuity liability to the employees on actuarial basis as estimated by an insurance company has been provided for in the books of accounts of the Company.

Investments. Long term investments are stated at cost/valuation. The diminution, if any, in the value of investments, is not recognised unless such diminution is considered permanent in nature. Current investments are stated at lower of cost or market value.

Foreign Exchange Transactions. Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Current assets and liabilities in foreign currency outstanding at the close of financial year are stated at the appropriate exchange rates prevailing at the close of the year. The gains or loss due to decrease / increase in reporting currency due to fluctuations in rates of exchange are, recognized in the profit and loss account in the case of current assets and liabilities. Exchange differences relating to fixed assets are adjusted in the cost of the asset. The premium paid on forward contracts has been recognised in the year of payment.

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

Taxation. Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961. The deferred tax for timing difference between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is reasonable certainty that these would be realized in future. Deferred tax assets in case of unabsorbed losses are recognized only if there is virtual certainty that such deferred tax asset can be realized against future taxable profits. Fringe Benefit Tax is provided in accordance with the provisions of the Income Tax Act, 1961.

Impairment of Assets. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

Financial Operations Overview

The following descriptions set forth information with respect to key components of our statement of operations.

Income

Sales. Our sales comprise mainly sales of readymade knitted apparel and cotton fabric and yarn. Our sales of apparel are primarily to international customers; while our sales of fabric and yarn are primarily domestic. In fiscal 2007, approximately 99.9% of our apparel sales were international and approximately 99.4% of our fabric and yarn sales were domestic. We also sell waste produced in our apparel, fabric and yarn manufacturing operations and occasionally we sell extra cotton to buyers outside of India to take advantage of favorable price differentials.

We also recognize windmill receipts on our income statement, which reflect sales of electricity to the Tamil Nadu Electrical Board; however, this income is netted out and reflected as expenditure when we consume the electricity for use at our mills.

Our total sales for the years ended 2004, 2005, 2006 and 2007 are as follows:

(Rs. Million)

Sales	For The Year Ended March 31			
	2004	**2005**	**2006**	**2007**
Apparel	-	116.25	1,255.10	1,300.29
Fabric	-	95.78	735.69	810.03
Yarn	-	304.25	2,067.11	2,449.94
Waste sales	-	20.18	141.31	143.26
Cotton sales	-	51.58	12.48	-
Windmill receipts	-	12.44	139.35	297.46
	-	600.48	4,351.04	5,000.98
Less: Interdivision sales – wind power consumption	-	8.49	136.54	184.75
Total Sales	**-**	**591.99**	**4,214.50**	**4,816.23**

Other income. Other income consists primarily of refunds of duty drawback as described in "Factors Affecting our Results of Operations – Regulatory Incentives" above. As a percentage of sales, our export incentives constituted 3.9% in fiscal 2006 and 2.7% in fiscal 2007. We also recognize income from fabrication charges as a result of outsourcing the conversion of yarn into fabric, surplus on forward contracts and currency exchange fluctuations, and other miscellaneous receipts.

Increase/decrease in stocks. Increase/decrease in stocks refers to changes in our inventory of finished goods and work in progress compared across two accounting periods.

Expenditure

Consumption of materials. Cotton is our primary raw material, which is the most significant cost to our business. We have no long-term contracts with any of our suppliers and we purchase cotton on an order-by-order basis between November and March each year. We also purchase fabric and yarn for our apparel and knitting businesses. As a percentage of our sales, consumption of materials constituted 64.2% in fiscal 2006 and 65.9% in fiscal 2007.

Employee and workforce costs. Employee and workforce costs consist primarily of salary and wage expenses, provident fund contributions, bonus and gratuity payments and expenditure on staff welfare programs. As a percentage of our sales, salaries, wages and other workforce benefits constituted approximately 2.9% in fiscal 2006 and 3.3% in fiscal 2007. As a percentage of our sales, employee and workforce costs constituted 0.7% in fiscal 2006 and 0.9% in fiscal 2007.

Manufacturing costs. Our manufacturing expenses consist of expenditure on electricity and fuel and demand charges payable to the Tamil Nadu Electricity Board for our use of the state electrical grid. We also incur expenses in respect of machinery maintenance, packing material, stores and spares, and other miscellaneous costs. As a percentage of our sales, manufacturing costs constituted approximately 5.4% in fiscal 2006 and 4.7% in fiscal 2007. As a percentage of our sales, electricity constituted 3.2% in fiscal 2006 and 2.7% in fiscal 2007.

Administrative expenses. Administrative expenses include postage, telephone charges, printing and stationary, legal and professional charges and other day-to-day operating costs. As a percentage of our sales, administrative expenses constituted approximately 0.5% in fiscal 2006 and 1.1% in fiscal 2007.

Selling and distribution expenses. We incur selling and distribution expenses primarily in connection with commissions and incentives paid to agents for sales of fabric and yarn and to employees in our sales and marketing department. We do not pay commissions in respect of sales of apparel, as these are made directly by our merchandising teams. We incur freight expenses for delivery of fabric and yarn to customers in the Tirupur area, as well as clearing and forwarding and export expenses in connection with our sales of apparel to international customers. We also offer cash discounts and incur business promotion expenses and travel expenses as a normal part of our business. As a percentage of our sales, selling and distribution expenses constituted approximately 3.1% in fiscal 2006 and 2.7% in fiscal 2007.

Interest. Interest consists of borrowing costs, including interest payable on term loans and letters of credit, bill discounting and bank charges.

Depreciation. Depreciation relates principally to the machinery we use for the manufacture of apparel, fabric and yarn. As a percentage of our sales, depreciation constituted approximately 6.7% in fiscal 2006 and 7.5% in fiscal 2007.

Provision for Taxation. We provide for both current taxes and deferred taxes, as well as fringe benefit taxes. Tax on revenue for the current period is determined on the basis of estimated taxable revenue and tax credit computed in accordance with the provisions of applicable law. Deferred tax arises mainly due to the timing differences between accounting revenue and the estimated taxable revenue for the period and is quantified using the tax rates and laws enacted or subsequently enacted as on the balance sheet date. Deferred tax assets in case of unabsorbed losses are recognized only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Fringe benefit tax is provided in accordance with the provisions of applicable law.

Adjustments on Account of Restatement under SEBI Guidelines

For fiscal 2004 and 2005, the Company provided depreciation on its fixed assets on written down value method at the rates specified in Schedule XIV of the Companies Act. During and from the year ended March 31, 2006, the Company provided depreciation on straight line method at the rates specified in Schedule XIV of the Companies Act, which resulted in the write back of excess depreciation charted during the earlier years being made in the accounts for the year ended March 31, 2006 aggregating Rs.136.08 million, the effect of which has been given in the restated accounts. The Company recognized an amount of Rs.11.99 million as income receivable on account of terminal excise duty as at March 31, 2005 and has written off this amount as a prior period expense during the year ended March 31, 2006, the effect of which also has been given in the restated accounts.

Results of Operations

As a result of the various factors discussed above that affect our income and expenditure, our results of operations may vary from period to period. The following table sets forth certain information with respect to the results of operations of the Company as derived from our restated financial statements for the periods indicated:

(Rs. Million)

Particulars	For The Year Ended March 31							
	2004		2005		2006		2007	
	Rs. in millions	% of sales	Rs. in millions	% of sales	Rs. in millions	% of sales	Rs. in millions	% of sales
Income								
Net sales	-	-	591.99	100.0%	4,214.50	100.0%	4,816.23	100%
Other income	0.85	100.0%	101.77	17.2%	236.98	5.6%	172.14	3.6%
Increase/ (decrease) in stocks	-	-	37.98	6.4%	(20.33)	0.5%	132.22	2.7%
Total Income	0.85	100.0%	731.74	123.6%	4,431.15	105.1%	5,120.59	106.3%
Expenditure								
Consumption of materials	-	-	421.11	71.1%	2,704.29	64.2%	3,175.02	65.9%
Employee and workforce costs	0.69	-	18.36	3.1%	121.31	2.9%	160.50	3.3%
Manufacturing cost	0.50	-	54.39	9.2%	226.12	5.4%	228.38	4.7%
Administrative expenses	0.26	-	4.06	0.7%	22.58	0.5%	50.59	1.1%
Selling and distribution expenses	0.00	-	10.98	1.9%	130.31	3.1%	131.18	2.7%
Total Expenditure	1.45	-	508.90	86.0%	3,204.61	76.0%	3,745.67	77.8%
Interest	0.09	-	31.85	5.4%	144.04	3.4%	208.91	4.3%
Depreciation	6.48	-	190.77	32.2%	281.74	6.7%	363.53	7.5%
Net Profit Before Tax and Extraordinary Items	(7.17)	-	0.22	-	800.76	19.0%	802.48	16.7%
Extraordinary item	-	-	-	-	124.08	2.9%	-	-
Profit Before Taxation	(7.17)	-	0.22	-	924.84	21.9%	802.48	16.7%
Provision for current tax (including fringe benefit tax)	-	-	0.02	-	76.29	1.8%	91.63	1.9%
Provision for deferred tax liability	-	-	-	-	93.40	2.2%	126.65	2.6%
Net Profit after Tax and Extraordinary Items	(7.17)	-	0.20	-	755.15	17.9%	584.20	12.1%
Adjustment as per SEBI Clarification								
Prior Period Adjustment	-	-	(11.99)	-	11.99	-	-	-
Excess Provision for Depreciation Withdrawn	4.07	-	132.01	22.3%	(136.08)	3.2%	-	-
Adjusted Net Profit/Loss	(3.10)	-	120.20	20.3%	631.06	15.0%	584.20	12.1%
Balance Brought Forward from Previous Year	-	-	(3.10)	0.5%	117.12	2.8%	739.63	15.4%
Proposed Dividend	-	-	-	-	7.50	0.2%	25.05	0.5%
Tax on Dividend	-	-	-	-	1.05	-	4.25	-
Transfer to General Reserve	-	-	-	-	-	-	29.20	0.6%
Balance Carried to Balance Sheet	(3.10)	-	117.12	19.8%	739.63	17.5%	1,265.34	26.3%

Year ended March 31, 2007 Compared to Year Ended March 31, 2006

Income

Sales. Our net sales were Rs.4,816.23 million in fiscal 2007, compared to Rs.4,214.50 million in fiscal 2006, reflecting an increase of 14.3%. This increase was due primarily to expanded capacity at our Neelambur mill, which had a positive impact on our sales. Fabric and yarn sales increased by 10.10% and 18.5%, respectively. Our sales were also positively impacted in fiscal 2007 by windmill receipts amounting to Rs.112.71 million as a result of the sale of excess electricity generated by our new windmills installed during the period.

Other income. Other income decreased to Rs.172.14 million in fiscal 2007, compared to Rs.236.98 million in fiscal 2006, primarily as a result of Rs.129.74 million in non-recurring income recognized in fiscal 2006.

Increase/decrease in stocks. We recorded in increase in stock of Rs.132.22 million in fiscal 2007, compared to a decrease in stock of Rs.20.33 million in fiscal 2006, which was primarily due to higher production in our spinning division as a result of increased capacity.

Total income. Due to the reasons discussed above, total income for fiscal 2007 was Rs.5,120.59 million, compared to total income of Rs.4,431.15 million for fiscal 2006, an increase of 15.6%.

Expenditure

Consumption of materials. In fiscal 2007, we consumed raw materials worth Rs.3,175.02 million, or 65.9% of total sales, compared to Rs.2,704.29 million, or 64.2% of total sales, in fiscal 2006, reflecting an increase of 17.4%, primarily as a result of growth in business.

Employee and workforce costs. Personnel expenses increased to Rs.160.50 million, or 3.3% of total sales, in fiscal 2007, compared to Rs.121.31 million, or 2.9% of total sales, in fiscal 2006. The total year-on-year increase of 32.3% was due mainly to recruitment of experienced professionals and senior executives required for the implementation of our expansion projects, as well as an increased workforce at the spinning unit and garment unit at Arasur.

Manufacturing costs. Our manufacturing expenses stood at Rs.228.38 million in fiscal 2007, or 4.7% of total sales, compared to Rs.226.12 million in fiscal 2006, or 5.4% of total sales. This decrease was mainly due to increased consumption of wind-generated electricity as a result of our implementation of 12 new windmills, which was partially offset by a marginal increase in consumption of stores & packing materials and an increase in insurance costs as a result of growth of our business.

Administrative expenses. Administrative expenses increased to Rs.50.59 million in fiscal 2007, or 1.1% of total sales, from Rs.22.58 million in fiscal 2006, or 0.5% of total sales. This increase of 124.0% was primarily attributable to a Rs.19.06 million loss recognized on the sale of obsolete equipment replaced in connection with modernization of the Sathyamangalam spinning unit, as well as a 39.6% increase on other administrative expenses due to growth of our business.

Selling and distribution expenses. Selling and distribution expenses amounted to Rs.131.18 million, or 2.7% of total sales, in fiscal 2007, compared to Rs. 130.31 million, or 3.1% of total sales, in fiscal 2006.

Interest. Interest expenses amounted to Rs.208.91 million in fiscal 2007, compared to Rs.144.04 million in fiscal 2006. This increase of 45.0% was due mainly to interest charges in connection with the installation of 12 new windmills in March 2006 additional assets purchased for the modernization of our spinning mill at Sathyamangalam in fiscal 2006, as well as loans availed in connection with certain capital expenditure for ongoing projects in fiscal 2007, and an increase of Rs.18.09 million in interest and bank charges on working capital due to growth of our business. As a percentage of sales, financial expenses increased to 4.3% in fiscal 2007, from 3.4% in fiscal 2006.

Depreciation. Depreciation amounted to Rs.363.53 million in fiscal 2007, compared to Rs.281.74 million in fiscal 2006. This increase of 29.0% was due mainly to depreciation attributable to 12 new windmills installed at the end of fiscal 2006 and additional assets purchased for the modernization of our spinning mill at Sathyamangalam in fiscal 2006 and other assets for ongoing projects (such as new spinning mill and garment unit at Arasur and a processing unit at SIPCOT, Perundurai) as well as other capital expenditure for ongoing projects in fiscal 2007.

Net profit/loss before tax and extraordinary item. As a result of the foregoing, our net profit before tax and extraordinary item increased by Rs.1.72 million, or 0.2%, to Rs.802.48 million in fiscal 2007, compared to Rs.800.76 million in fiscal 2006.

Extraordinary item. We had an extraordinary item of Rs.124.08 million in fiscal 2006, which comprised Rs.136.08 million as reversal of excess provision due to a change in the method of depreciation and reversal of income of Rs.11.99 million relating to terminal excise duty recognized in an earlier year.

Provision for taxation. Our total tax liability for fiscal 2007 was Rs.218.28 million, representing an effective tax rate of 27.2%, compared to a total tax liability for fiscal 2006 of Rs.169.69 million, representing an effective tax rate of 18.35%. Our current tax and payments of or provisions for fringe benefit tax for fiscal 2007 was Rs. 91.63 million, compared to Rs.76.29 million for fiscal 2006. Our provision for deferred tax for fiscal 2007 was Rs. 126.65 million, compared to Rs.93.40 million for fiscal 2006. The increase in our tax expense and liability is as a result of higher provision for deferred taxes.

Net profit/loss after tax and extraordinary item. We recorded a net gain after tax and extraordinary item of Rs.584.20 million and Rs.755.15 million in fiscal 2007 and fiscal 2006, respectively.

Adjustment. Pursuant to SEBI Guidelines, in fiscal 2006, we have adjusted net profit to account for excess provision of depreciation to the extent of Rs.136.08 million as a result of changing to depreciation on straight line method from written down value method, and a write off of a terminal excise duty claim of Rs.11.99 million.

Profit/loss for the period. Our profit for the period stood at Rs.584.20 million for fiscal 2007, compared to Rs.631.06 million for fiscal 2006, primarily due to the factors discussed above.

Year Ended March 31, 2005 Compared to Year Ended March 31, 2004

Income

Sales. Our net sales were Rs.591.99 million in fiscal 2005, comprised mainly of Rs.116.25 million in sales of apparel, Rs.95.78 million in sales of fabric and Rs.304.25 million in sales of yarn. In fiscal 2004, we were in the process of setting up our spinning mill at Neelambur, near Coimbatore, which commenced production from July 2004. Therefore, the Company had no sales during fiscal 2004.

Other income. Other income increased to Rs.101.77 million in fiscal 2005, comprised mainly of export benefits of Rs.60.67 million and miscellaneous receipts aggregating Rs.29.16 million, compared to Rs.0.85 million in fiscal 2004, comprised mainly of interest receipts and fabrication charges. The year-on-year increase is due to the commencement of production at our Neelambur mill during fiscal 2005.

Increase/decrease in stocks. We recorded in increase in stock of Rs.37.98 million in fiscal 2005, from no stock in fiscal 2004. This increase in stock was due to commencement of production at our Neelambur mill during fiscal 2005.

Total income. Due to the reasons discussed above, total income for fiscal 2005 was Rs.731.74 million, compared to total income of Rs.0.85 million for fiscal 2004.

Expenditure

Consumption of materials. In fiscal 2005, we consumed raw materials worth Rs.421.11 million, or 71.1% of total sales, consisting mainly of cotton valued at Rs.320.50 million and fabric and yarn valued at Rs.100.61 million. In fiscal 2004, we were in the process of setting up our spinning mill at Neelambur, near Coimbatore, which commenced production from July 2004. Therefore, the Company did not consume raw materials during fiscal 2004.

Employee and workforce costs. Employee and workforce costs increased to Rs.18.36 million, or 3.1% of total sales in fiscal 2005, compared to Rs.0.69 million in fiscal 2004. The total year-on-year increase was due to commencement of production at our Neelambur mill during fiscal 2005.

Manufacturing costs. Our manufacturing expenses stood at Rs.54.39 million in fiscal 2005, or 9.2% of total sales, compared to Rs.0.50 million in fiscal 2004. The total year-on-year increase was due to commencement of production at our Neelambur mill during fiscal 2005.

Administrative expenses. Administrative expenses increased to Rs.4.06 million in fiscal 2005, or 0.7% of total sales, from Rs.0.26 million in fiscal 2004. This increase was due to commencement of production at our Neelambur mill during fiscal 2005.

Selling and distribution expenses. Selling and distribution expenses amounted to Rs.10.98 million, or 1.9% of total sales, in fiscal 2005. We did not commence production at our Neelambur mill until fiscal 2005; therefore, the Company had no selling and distribution expenses during fiscal 2004.

Interest. Interest expenses amounted to Rs.31.85 million in fiscal 2005, or 5.3% of total sales, compared to Rs.0.09 million in fiscal 2004.

Depreciation. Depreciation amounted to Rs.190.77 million in fiscal 2005, or 32.2% of total sales, compared to Rs.6.48 million in fiscal 2004. This increase was due to the purchase of additional assets for our Neelambur mill.

Net profit/loss before tax and extraordinary item. As a result of the foregoing, our net profit before tax and extraordinary item increased to Rs.0.22 million in fiscal 2005 from a net loss of Rs.7.17 million in fiscal 2004. As a percentage of sales, net profit before tax and extraordinary item was 0.03% in fiscal 2005.

Provision for Taxation. Our total tax liability for fiscal 2005 was Rs.0.02 million, representing an effective tax rate of 9.43%, compared to no tax liability for fiscal 2004. Our current tax and payments of or provisions for fringe benefit tax for fiscal 2005 was Rs.0.02 million. We did not have a provision for deferred tax in fiscal 2005 or 2004.

Net profit/loss after tax and extraordinary item. We recorded a net gain after tax and extraordinary item of Rs.0.20 million in fiscal 2005 and a net loss after tax and extraordinary item of Rs.7.17 million in fiscal 2004.

Adjustment. Pursuant to SEBI Guidelines, for fiscal 2005, we have adjusted excess provision of depreciation to the extent of Rs.132.01 million and written off a terminal excise duly claim of Rs.11.99 million. For fiscal 2004, we have adjusted excess provision of depreciation to the extent of Rs.4.07 million.

Profit/loss for the period. Our profit for the period increased to Rs.120.22 million for fiscal 2005, compared to a loss of Rs.3.10 million for fiscal 2004, primarily due to the factors discussed above.

Liquidity and Capital Resources

Liquidity

Our primary liquidity requirements are to finance our working capital needs and our capital expenditure. We require working capital to finance the purchase of raw materials, make necessary advances to suppliers and undertake our apparel, fabric and yarn production activities before full payment is received from our customers. To fund these costs, we have relied on short-term and long-term borrowings, including working capital financing and term loans and cash flows from operating activities.

Cash Flows

The following table summarizes our cash flows for each of the years ended March 31, 2004, 2005, 2006 and 2007:

(Rs. millions)

Particulars	For The Year Ended March 31			
	2004	**2005**	**2006**	**2007**
Net cash flow from operating activities	38.87	149.49	825.17	750.55
Net cash flow from investing activities	(201.35)	(1,317.45)	(3,881.21)	(1,990.53)
Net cash flow from financing activities	185.18	1,229.64	3,123.88	1,360.24
Cash and cash equivalents at the end of the period	22.70	84.38	152.22	272.48

Operating activities

Cash flow from operating activities mainly depends on our operating profits and changes in net working capital. The table below summarizes our cash flow from operations for each of the years ended March 31, 2004, 2005, 2006 and 2007:

(Rs. millions)

Particulars	For The Year Ended March 31			
	2004	**2005**	**2006**	**2007**
Net profit before tax and extraordinary items	(3.10)	120.20	631.06	584.20
Operating profit before working capital adjustments	(0.96)	209.67	1,221.60	1,383.9 0
Cash generated from operations	38.87	149.75	857.97	872.36

Net cash generated from our operating activities in fiscal 2007 was Rs.750.55 million, reflecting a net profit before tax and extraordinary items of Rs.584.20 million and income taxes paid of Rs.121.81 million, and adjusted for depreciation of Rs.363.53 million, loss on sale of assets of Rs.19.06 million, interest expenses of Rs.208.91 million and interest income of Rs.10.01 million and dividend income of Rs.0.07. Working capital adjustments included, among others, an increase in loans and advances amounting to Rs.127.16 million, reflecting realization of debt for the purchase of equipment and machinery ordered during the relevant period, an increase in receivables of Rs.184.08 million and an increase in inventories of Rs.386.23 million, reflecting an increase in sales volume, and a decrease in current liabilities and provisions amounting to Rs.185.53 million.

Net cash generated from our operating activities in fiscal 2006 was Rs.825.17 million, reflecting a net profit before tax and extraordinary items of Rs.631.06 million and income taxes paid of Rs.32.80 million, and adjusted for depreciation of Rs.281.74 million, interest expenses of Rs.144.04 million, interest income of Rs.5.60 million and profit from the sale of assets of Rs.3.64 million, among others. Working capital adjustments included, among others, an increase in current liabilities and provisions of Rs.690.32 million and an increase in inventories amounting to Rs.639.43 million, reflecting the consolidation of our operating companies, and an increase in loans and advances amounting to Rs.229.91 million, reflecting realization of debt for our expansion projects. The increase in current liabilities and provisions was offset, in part, by an increase in receivables of Rs.184.74 million, reflecting growth in business.

Net cash generated from our operating activities in fiscal 2005 was Rs.149.49 million, reflecting a net profit before tax and extraordinary items of Rs.120.22 million and income taxes paid of Rs.0.26 million, and adjusted for depreciation of Rs.58.77 million, interest expenses of Rs.31.85 million and interest income of Rs.1.19 million. Working capital adjustments included, among others, an increase in current liabilities and provisions amounting to Rs.445.26 million, offset in part by an increase in receivables of Rs.234.06 million and an increase in inventories amounting to Rs.193.43 million, reflecting commencement of production at our Neelambur mill. Adjustments also included an increase in loans and advances amounting to Rs.79.55 million, reflecting realization of debt for continued development of our Neelambur mill.

Net cash generated from our operating activities in fiscal 2004 was Rs.38.87 million, reflecting a net loss before tax and extraordinary items of Rs.3.10 million and adjusted for depreciation of Rs.2.41 million, interest expenses of Rs.0.09 million and interest income of Rs.0.36 million. Working capital adjustments included, among others, an increase in loans and advances amounting to Rs.1.65 million and an increase in current liabilities and provisions amounting to Rs.43.91 million.

Investing activities

(Rs. millions)

Particulars	For The Year Ended March 31			
	2004	2005	2006	2007
Purchase of fixed assets	(201.71)	(1,318.64)	(3,916.37)	(2,033.43)
Proceeds from sale of fixed assets	-	-	32.06	32.82
Purchase of investments	-	-	(2.50)	-
Interest receipts	0.36	1.19	5.60	10.01
Dividend	-	-	-	0.07
Net cash from (used in) investing activities	(201.35)	(1,317.45)	(3,881.21)	(1,990.53)

Net cash flow used in investing activities in fiscal 2007 was Rs.1,990.53 million, which was primarily a result of the purchase of fixed assets of Rs.2,033.43 million and partially offset by proceeds from the sale of fixed assets of Rs.32.82 million and income from investments to the extent of Rs.0.07 million. The purchase of fixed assets included capital expenditure aggregating Rs.1,951.67 million related to the construction of and purchase of machinery and equipment for the Arasur unit, near Coimbatore, and the construction of and purchase of machinery and equipment for the SIPCOT, Perundurai processing facility, as well as normal capital expenditure to the extent of Rs.81.76 million.

Net cash flow used in investing activities in the fiscal year 2006 was Rs.3,881.21 million, which was primarily a result of the purchase of fixed assets of Rs.3,916.37 million and partially offset by proceeds from the sale of fixed assets of Rs.32.06 million. The purchase of fixed assets included the construction of and purchase of machinery and equipment for, the Arasur mill and the Perundurai processing facility, the purchase of machinery for the modernization project at our Sathyamangalam mill, implementation of 12 windmills at Thenkasi and the purchase of additional spindles for our mill at Neelambur. We also expended Rs.2,026.51 million on assets acquired pursuant to the consolidation of our operating companies.

Net cash flow used in investing activities in fiscal 2005 was Rs.1,317.45 million, which was primarily a result of the purchase of fixed assets of Rs.1,318.64 million for our Neelambur mill.

Net cash flow used in investing activities in fiscal 2004 was Rs.201.35 million, which was primarily a result of the purchase of fixed assets of Rs.201.71 million for our Neelambur mill.

Financing activities

(Rs. millions)

Particulars	For The Year Ended March 31			
	2004	2005	2006	2007
Proceeds from share capital	0.37	19.63	130.08	8.77
Proceeds from share premium	-	29.45	7.96	517.23
Proceeds (repayment) of secured loan	80.79	1,067.07	1,747.37	1,042.81
Proceeds (repayment) of unsecured loan	104.11	145.34	(32.95)	8.90
Interest paid	(0.09)	(31.85)	(144.04)	(208.91)
Dividend paid	-	-	-	(8.56)
Adjustment on account of amalgamation	-	-	1,415.46	-
Net cash generated (used in) financing activities	185.18	1,229.64	3,123.88	1,360.24

Net cash from financing activities in fiscal 2007 was Rs.1,360.24 million, comprised primarily of Rs.8.77 million in share capital proceeds and Rs.517.23 million in share premium proceeds raised through a preferential issue of our Equity shares to private equity investors, a Rs.1,042.81 million increase in secured loans and a Rs.8.90 million increase in unsecured loans, partially offset by interest paid of Rs.208.91 million and a dividend paid of Rs.8.56 million.

Net cash from financing activities in fiscal 2006 was Rs.3,123.88 million, comprised primarily of Rs.130.08 million in share capital proceeds and Rs.7.96 million in share premium proceeds received in connection with the consolidation of our operating companies and a Rs.1,747.37 million increase in secured loans, partially offset by repayment of an unsecured loan of Rs.32.95 million and interested paid of Rs.144.04 million. Cash flow from financing activities was also adjusted by 1,415.46 million in connection with the consolidation of our operating companies.

Net cash from financing activities in fiscal 2005 was Rs.1,229.64 million, comprised primarily of Rs.49.08 million in share application money received from certain of our Promoters for the purchase of our Equity Shares, a Rs.1,067.07 million increase in secured loans and a Rs.145.34 million increase in unsecured loans, partially offset by interest paid of Rs.31.85 million.

Net cash from financing activities in fiscal 2004 was Rs.185.18 million, comprised primarily of a Rs.80.79 million increase in secured loans and a Rs.104.11 million increase in unsecured loans, partially offset by interest paid of Rs.0.09 million.

Indebtedness

The following table and description summarizes our secured and unsecured long-term indebtedness as of March 31, 2007:

(Rs. millions)

	Outstanding amount as on March 31,	**Payment due by March 31,**		**After March 31,**
Indebtedness	**2007**	**2009**	**2011**	**2013**
Secured Long Term Debt				
Under TUFS				
Fixed Interest	699.01	126.01	178.42	451.61
Variable Interest	1,446.97	361.71	365.12	428.89
Secured Long Term Debt				
Under Non TUFS				
Fixed Interest	926.40	88.19	124.88	316.09
Variable Interest				
Working Capital	865.67	0	0	0
	3,938.05	**575.91**	**668.42**	**1,196.59**
Unsecured Debt				
Interest Free Sales tax	225.40	25.64	35.43	64.66

Historical and Planned Capital Expenditure

Our capital expenditure in fiscal 2007 was Rs.2,033.43 million. Our capital expenditure in the year ended March 31, 2006 was Rs.1,889.88 million. Our capital expenditure in each of the years ended March 31, 2005 and 2004 was Rs.1,318.60 million and Rs.201.71 million, respectively.

Our capital expenditure in fiscal 2004 and fiscal 2005 related to installation of 50,784 spindles and 62 knitting machines at our spinning and knitting mill at Neelambur, near Coimbatore, which commenced production in July of fiscal 2005.

In fiscal 2006 and 2007, we initiated capital expenditure projects aggregating Rs.4,716.70 million comprising (i) a 100,800 spindle spinning mill at Arasur, near Coimbatore; (ii) a modern apparel unit with 1,440 sewing machines at Arasur; (iii) a fabric processing unit with capacity to process 23 metric tons of fabric per day at SIPCOT, Perundurai; (iv) implementation of 12 windmills with aggregate capacity of 19.8 mega watts; and (v) modernization of our spinning facility at Sathyamangalam. The outlay in respect of each of these projects is set forth in the following table:

Particulars	Amount (Rs. Millions)
100,800 spindles spinning mill at Arasur	2,392.00
Windmills from NEG Micon	1,158.00
Processing unit at SIPCOT, Perundurai	565.00
Apparel unit at Arasur	515.00
Modernization of spinning mill at Sathyamangalam	86.70
	4,716.70

These capital expenditure projects have been financed by a combination of internal accruals amounting to Rs.701.70 million, capital raised through a preferential issue amounting to Rs.526.00 million, and term loans aggregating Rs.3,489.00 million, out of which Rs.2,562.60 million is eligible for a 5% interest subsidy under the TUF scheme. Further, term loans aggregating Rs.2,250.00 million carry a net fixed interest rate at an average of 3.25% (after adjusting for the TUF subsidy), which insulates the Company from rising interest rates.

We plan to undertake further capital expenditure projects following the Issue, including (i) expansion of our existing apparel facility at Arasur, near Coimbatore; (ii) setting up a design studio at Arasur; (iii) construction of an additional hostel facility at Arasur; (iv) expansion of our processing facility at SIPCOT, Perundurai; (v) investment in a new knitting facility at Arasur and (vi) adding balancing equipment at our existing spinning facility at Sathyamangalam. The estimated aggregate cost of these initiatives is Rs. 977.51 million, which we intend to fund, in part, through the proceeds of this Issue. For details, see the section titled "Objects of the Issue" beginning on page 29 of this Red Herring Prospectus.

Related Party Transactions

For details, please refer to the discussion in the section "Related Party Transactions" beginning on page 107 in this Red Herring Prospectus.

Market Risks

Our exposure to market risks derives primarily from changes in interest rates and foreign exchange rates. Generally, our objective is to ensure that we understand, measure and monitor these risks and take appropriate actions to minimize our exposure to such risks. Our policies for managing these risks are described below.

Foreign exchange risk. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro. Foreign exchange risk arises when commercial transactions, recognized assets and liabilities are denominated in a currency that is not our functional currency. To manage our foreign exchange risk arising from commercial transactions and recognized assets and liabilities, we use forward contracts and selectively enter into hedging transactions to reduce the risks of currency fluctuations, although we do not have a formal hedging policy.

Interest rate risk. Our interest rate risk arises from short-term and long-term borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings issued at fixed rates expose us to fair value interest rate risk. We seek to negotiate the terms of our borrowings with lenders to convert high interest bearing borrowings into lower interest bearing borrowings.

Inflation

In recent years, although India has experienced fluctuation in inflation rates, inflation has not had a material impact on our business and results of operations.

Unusual or Infrequent Events or Transactions

Except as described in this Red Herring Prospectus, there have been no events or transactions to our knowledge which may be described as "unusual" or "infrequent".

Known trends or uncertainties

Other than as described in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages xi and 139, respectively of this Red Herring Prospectus, and elsewhere in this Red Herring Prospectus, there are to our knowledge no known trends or uncertainties that have had or are expected to have a material adverse impact on our revenues or income from continuing operations.

Future relationship between costs and income

Other than as described in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages xi and 139, respectively of this Red Herring Prospectus and elsewhere in this Red Herring Prospectus, there are to our knowledge no known factors which would have a material adverse impact on the relationship between costs and income of our Company.

Competitive conditions

For details of the competitive conditions we face, please refer to the discussions in the sections titled "Risk Factors" and "Our Business" beginning on pages xi and139, respectively, in this Red Herring Prospectus.

Significant developments after March 31, 2007 that may affect our future results of operations

Except as described in 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 so affect, the operations or profitability of our Company, the value of our assets or our ability to pay our material liabilities within the next twelve months.

Except as described in this Red Herring Prospectus, there are no subsequent developments after the date of the Auditor's Report which we believe are expected to have a material adverse impact on the reserves, profits, earnings per share and book value of our Company.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP, U.S. GAAP (UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES) AND IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)

Our financial statements are prepared in conformity with Indian GAAP, which differs in certain significant respects from U.S. GAAP and IFRS. Such differences involve methods for measuring the amounts shown in the financial statements of the Issuer, as well as additional disclosures required by U.S. GAAP and IFRS, which we have not made.

The following is a general summary of certain significant differences between Indian GAAP, U.S. GAAP and IFRS. The differences identified below are limited to those significant differences that are appropriate to our financial statements. However, they should not be construed as exhaustive as no attempt has been made by our management to quantify the effects of those differences, nor has a complete reconciliation of Indian GAAP to U.S. GAAP or Indian GAAP to IFRS been undertaken by our management. Had any such quantification or reconciliation been undertaken by our management, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements and the notes thereto.

We have not prepared financial statements in accordance with U.S.GAAP or IFRS. Therefore, the Company cannot presently estimate the net effect of applying U.S. GAAP or IFRS on its results of operations or financial position.

Further, no attempt has been made to identify future differences between Indian GAAP, U.S. GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate Indian GAAP, U.S. GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between Indian GAAP, U.S. GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future.

Potential investors should consult their own potential advisors for an understanding of the principal differences between Indian GAAP, U.S. GAAP and IFRS and how these differences might affect the financial statements appearing in the section "Financial Statements" beginning on page 110 of this Red Herring Prospectus.

S. No.	Particulars	Indian GAAP	US GAAP	IFRS
1	Contents of financial statements	Balance sheet, profit and loss account, cash flow statement, accounting policies and notes are presented for the current year, with comparatives for the previous year.	Balance sheet, income statement, cash flow statement, changes in stockholders' equity and accounting policies and notes.	Balance sheet, income statement, cash flow statement, changes in shareholders' equity and accounting policies and notes.
2	Changes in accounting policies	Include effect in the income statement for the period in which the change is made except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact needs to be disclosed.	Effective fiscal year beginning after December 15, 2005, change in accounting policy is recorded through retrospective application of the new accounting principle to all prior periods, unless it is impracticable to do so.	Restate comparatives and prior-year opening retained earnings unless impracticable.
3	Revenue recognition	Revenue are recognized when all significant risks	US GAAP has extensive literature on revenue	Similar to Indian GAAP. However,

S. No.	Particulars	Indian GAAP	US GAAP	IFRS
		and rewards of ownership are transferred.	recognition topics and application of these guidelines could result in a different measurement of revenues across accounting periods.	specific guidance is there for accounting for specific transactions.
4	Business Combinations	Restricts the use of pooling of interest method to circumstances which meet the criteria listed for an amalgamation in the nature of a merger. In all other cases, the purchase method is used.	Business combinations are accounted for by the purchase method only (except as discussed below). Several differences can arise in terms of date of combination, calculation of share value to use for purchase price, especially if the Indian GAAP method is 'amalgamation' or pooling. In the event of combinations of entities under common control, the accounting for the combination is done on a historical cost basis in a manner similar to a pooling of interests for all periods presented.	IFRS 3 requires all Business combinations to be accounted for on the basis of the purchase method. It however scopes out business combinations involving businesses or entities under common control and business combinations in which separate entities or businesses are brought together to form a reporting entity by contract alone without obtaining an ownership interest. The use of pooling of interest method is prohibited.
5	Goodwill	Goodwill is computed as the excess of the purchase price over the carrying value of the net assets acquired only on application of the purchase method. Carrying value can be substituted by fair value at the option of the Company. Goodwill arising on amalgamation in the nature of purchase is to be amortised over a period not exceeding five years unless a somewhat longer period can be justified. Further, goodwill is assessed for impairment at each balance sheet date, for listed entities and other specified categories of entities. Where a scheme of amalgamation/merger sanctioned by the Court specifies a different accounting treatment for goodwill, that treatment is followed and disclosures made for	Goodwill is computed as the excess of the purchase price over the fair value of the net assets acquired. Goodwill is not amortized but, tested for impairment at least annually.	Goodwill shall be recognized as an asset on the acquisition date by the acquirer. Goodwill is computed at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. After the initial recognition, the goodwill acquired in a business combination shall be measured at cost less any accumulated impairment loss. Goodwill is not required to be amortized.

S. No.	Particulars	Indian GAAP	US GAAP	IFRS
		impact of deviation from the treatment specified under the relevant accounting standard.		
6	Intangible assets	Intangible assets are capitalized if specific criteria are met and are amortized over their useful life, generally not exceeding 10 years. If an intangible asset is amortized over more than ten years, the financials statements should disclose the reasons why it is presumed that the useful life of an intangible asset will exceed ten years from the date when the asset is available for use.	When allocating purchase price of a business combination, companies need to identify and allocate such purchase price to intangible assets, based on specific criteria. Intangibles that have an indefinite useful life are required to be tested, at least annually, for impairment. Intangible assets that have finite useful life are required to be amortized over their estimated useful lives.	Intangible assets are recognized if the specific criteria are met. Assets with a finite useful life are amortized on a systematic basis over their useful life. An asset with an indefinite useful life and which is not yet available for use should be tested for impairment annually.
7	Dividends	Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.	Dividends are accounted for when approved by the board/shareholders. If the approval is after year end, the dividend is not considered to be a subsequent event that needs to be reflected in the financial statements.	Dividends to holders of equity instruments, when proposed or declared after the balance sheet date, should not be recognized as a liability on the balance sheet date. The Company however is required to disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorized for issue.
8	Property, Plant and Equipment	Fixed assets are recorded at the historical costs or revalued amounts. Foreign exchange gains or losses relating to liabilities incurred in the procurement of property, plant and equipment from outside India are required to be adjusted to the cost of the asset. Depreciation is recorded over the asset's useful life. Schedule XIV of the Companies Act prescribes minimum rates of depreciation and typically companies use these as the basis for useful life. Interest cost	Revaluation of fixed assets is not permitted under US GAAP. All foreign exchange gains or losses relating to the payables for the procurement of property, plant and equipment are recorded in the income statement. Depreciation is recorded over the asset's estimated useful life which may be different from the useful life based on Schedule XIV. An entity must capitalize borrowing costs attributable to the acquisition, construction or production of a	Fixed assets are recorded at cost or revalued amounts. If carried at revalued amount, assets should be frequently revalued to match their carrying amount with their fair values. Foreign exchange gains or losses relating to the procurement of property, plant and equipment, under very restrictive conditions, can be capitalized as part of the asset. Depreciation is recorded over the asset's estimated useful life.

S. No.	Particulars	Indian GAAP	US GAAP	IFRS
		on assets is capitalized to during their construction period.	qualifying asset.	The residual value and the useful life of an asset and the depreciation method shall be reviewed at least at each financial year end. An entity has the option of capitalizing borrowing costs incurred during the period that the asset is getting ready for its intended use.
9	Investment in Securities	Investments are categorized into- • Current investments are carried at cost or market price whichever is lower. • Long term investments are carried at cost unless there is a permanent diminution in value, in which case, a provision for diminution is required to be made by the entity.	Investment are categorized into- • Held to maturity (measured at amortized cost using effective interest method) • Trading (where changes in fair value, regardless of whether they are realized for unrealized are recognized as profit or loss) • Available for sale (where unrealized gains or losses are accounted as a component of equity and recognized as profit or loss when realized)	Investments are categorized into- Held to maturity investments (measured at amortized cost sing effective interest method) Financial assets at fair value through profit or loss (where changes in fair value are taken directly to profit or loss) Available for sale investments where changes in fair value are accounted in equity and recycled to the profit or loss when realized)
10	Leases	Leases are classified as finance or operating in accordance with specific criteria. Judgment is required to determine if the criteria are met or not.	The criteria to classify leases as capital or operating include specific quantitative thresholds.	Leases are classified as finance or operating in accordance with specific criteria. Judgment is required to determine if the criteria are met or not.
11	Deferred taxes	Deferred taxes are accounted for using the income statement approach, which focuses on timing differences. The tax rate applied on deferred tax items is the substantively enacted tax rate as on the balance sheet date.	Deferred taxes are accounted for using the balance sheet method. Deferred tax asset/liability is classified as current and long term depending upon the timing difference and the nature of the underlying asset or liability. The tax rate applied on deferred tax	Deferred taxes are accounted for using the balance sheet method, which focuses on temporary differences. Deferred tax assets/liabilities should be measured based on enacted or substantively enacted tax laws and tax rates that are expected to apply in the period

S. No.	Particulars	Indian GAAP	US GAAP	IFRS
			items is the enacted tax rate. Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.	they are realized/settled. Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different periods.
12	Contingent liabilities	A contingent liability is A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; A present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or a reliable estimate of the amount of the obligation cannot be made.	An accrual for a loss contingency is recognized if it is probable (defined as likely) that there is a present obligation resulting from a past event and an outflow of economic resources is reasonably estimable. If a loss is probable but the amount is not estimable, the low end of a range of estimates is recorded. Contingent liabilities are disclosed unless the probability of outflows is remote.	A possible obligation whose outcome will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control. It can also be a present obligation that is not recognized because it is not probable that there will be an outflow of economic benefits, or the amount of the outflow cannot be reliably measured. Contingent liabilities are disclosed unless the probability of outflow is remote.
13	Related parties disclosures	The nature and extent of any transactions with all related parties and the nature of the relationship must be disclosed, together with the amounts involved.	The nature and extent of any transactions with all related parties and the nature of the relationship must be disclosed, together with the amounts involved. Scope of related party is wider than the scope defined in Indian GAAP.	There is no specific requirement in IFRS to disclose the name of the related party (other than the ultimate parent entity). There is a requirement to disclose the amounts involved in a transaction, as well as the balances for each major category of related parties. However, these disclosures could be required in order to present meaningfully the "elements" of the transaction, which is a disclosure requirement.
14	Post balance sheet events	Adjust the financial statements for subsequent events, providing evidence of conditions at balance sheet date and materially	Adjust the financial statements for subsequent events, providing evidence of conditions at balance sheet date and materially	Similar to US GAAP

S. No.	Particulars	Indian GAAP	US GAAP	IFRS
		affecting amounts in financial statements (adjusting events). Non-adjusting events to be disclosed in the report of approving authority e.g. Directors' Report.	affecting amounts in financial statements (adjusting events). Disclosing non-adjusting events.	
15	Segment reporting	Report primary and secondary (business and geographic) segments based on risks and returns and internal reporting structure. Use group accounting policies or entity accounting policy.	Report based on operating segments and the way the chief operating decision maker evaluates financial information for purposes of allocating resources and assessing performance. Use internal financial reporting policies (even if accounting policies differ from group accounting policy).	Similar to Indian GAAP.
16	Provisions	Record the provisions relating to present obligations from past events if outflow of resources is probable and can be reliably estimated. Discounting is not permitted.	Similar to Indian GAAP. Rules for specific situations (including employee termination costs, environmental liabilities and loss contingencies). Discounting required only when timing of cash flows is fixed.	Similar to Indian GAAP. However, discounting is required. Further, IAS 39 requires an entity to provide for constructive obligations.
17	Correction of error/omissions	Include effect in the current year income statement. The nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on current profit or loss can be perceived.	Restatement of comparatives is mandatory.	Restatement of comparatives is mandatory.

FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of the secured borrowings of the Company as of April 30, 2007:

Name of the Lender	Name of Borrower	Loan Documentation	Amount outstanding as of April 30, 2007 (Rs. in Million)	Interest Rate	Repayment Schedule
Oriental Bank of Commerce, Tirupur (1) (10)	K.P.R. Mill Limited	Sanction letter dated September 16, 2005 and Agreement for Term Loan dated September 21, 2005	749.80	7.75% pa with monthly rests with reset option after 5 years	Repayable in 30 quarterly instalments commencing on December 31, 2007
Corporation Bank, Tirupur(1) (2) (7)	K.P.R. Mill Limited	Sanction letter dated September 23, 2005 and Agreement for Term Loan dated December 29, 2005	743.35	8% pa with monthly rests with reset option after 5 years	Repayable in 30 quarterly instalments commencing on December 31, 2007
State Bank of Mysore, Coimbatore(1) (6) (11)	K.P.R. Mill Limited	Sanction letter dated October 1, 2005 and Term Loan Agreement for High Value Advances dated January 23, 2006	199.27	3.25% pa below SBM PTLR, minimum of 7.75% pa with monthly rests	Repayable in 30 quarterly instalments commencing on December 31, 2007
Karnataka Bank Limited, Tirupur(4)	K.P.R. Mill Limited	Sanction letter dated May 3, 2006 and Term Loan Agreement dated June 1, 2006	76.63	3% pa below KB PLR, minimum of 9% pa, compounded monthly	Repayable in 30 quarterly instalments commencing on December 31, 2007
United Bank of India, Tirupur(1)	K.P.R. Mill Limited	Sanction letter dated August 3, 2006 and loan agreement dated August 28, 2006	111.00	2.25% pa below the BPLR (i.e., 11.25%) reset on the spread of the BPLR after interval of every 2 years	Repayable in 30 quarterly instalments commencing on October 2007
Bank of Baroda, Tirupur(2)	K.P.R. Mill Limited	Sanction letter dated December 18, 2006 and Composite hypothecation Agreement dated December 20, 2006	133.02	9% pa for the first two years and reset thereafter every three years. On the reset date, rate of interest will be 2% below the BPLR.	Repayable in 39 quarterly instalments commencing on December 31, 2007
State Bank of India, Coimbatore(1) (3)	K.P.R. Mill Limited	Sanction letters dated July 9, 2001 and January 13, 2003	10.49	2.25% over SBMTLR present effective rate 13.35% p.a. with monthly rests	Repayable in 22 quarterly instalments commencing on June 30, 2002

Name of the Lender	Name of Borrower	Loan Documentation	Amount outstanding as of April 30, 2007 (Rs. in Million)	Interest Rate	Repayment Schedule
State Bank of India, Coimbatore(1) (8)	K.P.R. Mill Limited	Sanction letter dated October 27, 2003	14.83	2% pa over SBMTLR (presently 13%) with monthly rests	Repayable in 21 quarters commencing on March 31, 2004
Corporation Bank, Coimbatore(3)	K.P.R. Mill Limited	Sanction letter dated December 2, 2002	2.86	1% pa above CBMTLR (presently 13.25%)	Repayable in 22 quarterly instalments commencing on June 30, 2002
Corporation Bank, Coimbatore(3) (2)	K.P.R. Mill Limited	Sanction letter dated October 27, 2003	10.50	0.25% pa above CBMTLR (presently 12.50%) subject to revision at quarterly rests	Repayable in 20 quarterly instalments commencing on March 31, 2004
Corporation Bank, Coimbatore(1) (2)	K.P.R. Mill Limited	Credit Sanction Intimation dated March 9, 2004 and sanction letter dated December 30, 2003	93.89	1.50% pa below COBAR (presently 9%) with monthly rests	Repayable in 21 quarterly instalments commencing 19 April 2005
State Bank of Travancore, Coimbatore (1)	K.P.R. Mill Limited	Sanction letters dated December 4, 2002 and February 9, 2004	3.00	1% pa above SBT PTLR plus term premia (effective rate is 12.50%)	Repayable in 21 quarterly instalments from the quarter ending on June 2002
State Bank of Hyderabad, Coimbatore (1) (5)	K.P.R. Mill Limited	Sanction letters dated March 23, 2005, July 30, 2001 and August 3, 2001	6.69	2.50% pa above SBH PLR (presently 14.50%) with quarterly rests	Repayable in 22 quarterly instalments commencing on June 30, 2002
United Bank of India, Tirupur(1) (6)	K.P.R. Mill Limited	Sanction letter dated September 27, 2003 and February 17, 2005	163.53	9% pa with monthly rests	Repayable in 26 quarterly installments commencing on October 7, 2005
State Bank of India, Coimbatore(1) (6)	K.P.R. Mill Limited	Sanction letter dated December 16, 2004	123.40	1.75% pa below SBAR (presently 8.50%)	Repayable in 25 quarterly instalments commencing from May 2006
Corporation Bank, Coimbatore(1) (9)	K.P.R. Mill Limited	Sanction letters dated March 11, 2006 and March 12, 2005	108.60	9% pa i.e., 1.50% below COBAR	Repayable in 29 quarterly instalments commencing on 16 June 2005

Name of the Lender	Name of Borrower	Loan Documentation	Amount outstanding as of April 30, 2007 (Rs. in Million)	Interest Rate	Repayment Schedule
State Bank of Travancore, Coimbatore[(1)]	K.P.R. Mill Limited	Sanction letter dated November 27, 2003	99.00	9% pa i.e., 3% below SBTPTLR	Repayable in 30 quarterly instalments commencing on December 2004
Bank of India, Tirupur	K.P.R. Mill Limited	Sanction letter dated September 3, 2005	435.20	2.75% pa below BOIPLR minimum 8% with 3 year reset	Repayable in 28 quarterly instalments commencing on 31 December 2005

1 Under the terms of the loan documentation, during the currency of the bank's credit facilities, the Company shall not, among other things, without the prior consent in writing of the bank:
   a) Effect any change in the Company's capital structure.
   b) Formulate any scheme of amalgamation or reconstruction.
   c) Implement any scheme of expansion or acquire fixed assets other than those shown in the cash flow statements.
   d) Undertake guarantee obligations on behalf of any other company.
   e) Declare dividends over and above the percentage indicated in the Fund Flow Statement for any year, in any case dividend shall not be declared except out of profits relating to that year after making all due and necessary provisions and provided further that no default has occurred in any term repayment obligations and that the Company are able to maintain adequate working capital margin.

2 Under the terms of the loan documentation, the Company shall not undertake any reconstitution/expansion/modernization plans of business without the bank's prior consent.

3 Under the terms of the loan documentation, no change will be effected in the Company's capital and management structure without the Bank's permission.

4 Under the terms of the sanction letter, the Company can not divert the funds to its group companies.

5 Under the terms of the loan documentation, the Company shall not make any drastic change in its management set up without the prior consent of the bank.

6 Under the terms of the loan documentation, the bank has the right to appoint its nominee on the board of directors of the Company.

7 Under the terms of the loan documentation, the Company shall not make any change in the scope of the project, equipment or any other aspect which will render the project ineligible for assistance under the TUF Scheme.

8 Under the terms of the loan documentation, acquisition of fixed assets on a lease basis should be made only with the prior approval of the bank.

9 Under the terms of the loan documentation, prior permission of the bank is required if the Company wishes to provide a loan to group concerns.

10 Under the terms of the loan documentation, the bank has the absolute discretion to enhance, reduce, stop, cancel the loan without notice.

11 Under the terms of the loan documentation, the Company has to obtain concurrence of the bank for the appointment (including terms of such appointment) of the Managing Director or any other person holding substantial powers of management of the affairs of the Company.

We have received consent from our lenders for the Issue and the transaction contemplated under the Issue. Further, we also have certain working capital facilities from several banks and financial institutions. For further information on working capital facilities, see the section titled "Financial Statements" beginning on page 110 of the Red Herring Prospectus.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there is no outstanding material litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against the Company, and there are no material defaults, non payment of statutory dues, over-dues to banks or financial institutions, defaults against banks or financial institutions, defaults in dues payable to holders of any debenture, bonds or fixed deposits or arrears of preference shares issued by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic, civil or any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Promoters or Directors, that may have a material adverse effect on the consolidated financial position of the Company, nor, so far as the Company is aware, are there any such proceedings pending or threatened. Except as disclosed in this Red Herring Prospectus, no additional litigation has arisen after the date of filing the Draft Red Herring Prospectus with SEBI on March 30, 2007.

Neither the Company nor its Promoters, Promoter Group companies and Directors have been declared as willful defaulters by the Reserve Bank of India or any other Governmental authority and, as disclosed in this section in relation to litigation, there are no violations of securities laws committed by them in the past or are pending against them.

Contingent liabilities of the Company as of March 31, 2007:

The Company has contingent liabilities in an amount of Rs.2,978.98 million that are not provided for, as set forth in its restated consolidated balance sheet as of March 31, 2007. For further information, please see note 2(4) of Annexure 5 of the restated consolidated financial statements as of March 31, 2007, in the section titled “Financial Statements” beginning on page 110 of this Red Herring Prospectus.

I. Outstanding Litigation and Material Developments/Proceedings involving the Company

Cases against the Company

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Brief Description of Case	Status
1.	SLP (Civil) 1937 of 2006	March 20, 2006	Tamil Nadu Electricity Board (“TNEB”)	K.P.R. Mill Private Limited and others	Supreme Court of India	Rs.13,653,000	K.P.R. Mill Private Limited had availed of a concession in the rate of electricity charges by providing a bank guarantee for the amount representing the concession for the years 1997-98 to 1998-99. Pursuant to a notification of the Government of Tamil Nadu Energy Department dated February 14, 199, new high tension industries set up after February 15, 1997 were declared ineligible for any tariff concession. Relying on this notification, the TNEB subsequently	The state government has filed a special leave petition before the Supreme Court, which is pending and the next date of hearing is yet to be notified.

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Brief Description of Case	Status
							sought to revoke the concession and to enforce the bank guarantee and several companies filed a claim before the High Court of Judicature at Madras. Upon an appeal by the respondent companies, a division bench of the High Court pursuant to an order dated July 19, 2005 decided in favour of the Company and held that the notification shall not apply to industries that had been established prior to February 15, 1997 even though electricity connection may not have been given to it prior to February 15, 1997.	
2.	E/737/06	May 16, 2007	Commissioner of Central Excise, Salem	K.P.R. Mill Limited	Customs, Excise and Service Tax Appellate Tribunal, Chennai	Rs.215,106	The Company had sold certain used and depreciated cone winding machines. The Assistant Commissioner of Central Excise, Erode-II Division, has imposed a duty on the Company in respect of such sale of used machinery. The Company appealed to Commissioner (Appeals) who decided the matter in favour of the Company. The Commissioner of Central Excise has appealed against this order before the Appellate Tribunal.	The matter is yet to be taken up for hearing.

Cases by the Company (including appeals from adverse decisions)

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration (Rs.)	Brief Description of Case	Status
1.	W.P. Miscellaneous Petition No. 9917 of 2006 in WP. 8961/2006	March 31, 2006	K.P.R.Mill Private Limited	The Commercial Tax Officer, Coimbatore, the Assistant Commissioner (CT), Coimbatore and the State Industries Promotion Corporation of Tamil Nadu	High Court of Judicature at Madras	32,372,000	The Company obtained eligibility certificate from SIPCOT to take advantage of interest free sales tax loans for its new unit as well as for the expansion undertaken by it at the Company's Sathyamangalam unit. Consequently, the Company utilized the eligible amount under the said eligibility certificates. Pursuant to a show cause notice dated February 24, 2006, and a subsequent order dated March 23, 2006, the Sales Tax Department through the Commercial Tax Officer raised a demand for the payment of tax due for the assessment years 2003-2006 on the ground that the Company had availed the sales tax deferral without correlating the deferral to the base volume for the expansion undertaken by it. The Company has appealed to the High Court on the ground that since the Company had been issued three separate eligibility certificates for each new unit and the two expansions, the contention of the tax department that the Company had not complied with the terms related to its tax deferral to the	An interim stay has been ordered by the High Court pursuant to an order dated March 31, 2006 staying the demand. The matter is pending and the next date of hearing is yet to be notified.

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration (Rs.)	Brief Description of Case	Status
							base volume for the expansion undertaken by it is incorrect.	
2.	WPMP 9024 in WP 8087 of 2006	March 23, 2006	K.P.R. Cotton Mills Private Limited	Indian Bank, Coimbatore and Bank of India, Tirupur	High Court of Judicature at Madras	8,150,000	Indian Bank had sanctioned certain credit facilities to K.P.R. Cotton Mills Private Limited which K.P.R. Cotton Mills Private Limited then pre-paid using the credit facilities sanctioned by the Bank of India at lesser interest rates. Indian Bank subsequently raised a demand for payment for prepayment charges at the rate of 2% even though such a term was not stipulated in the sanction letter. The Company filed a petition before the High Court against this demand and also sought an injunction against Indian Bank from appropriating the subsidy under TUFS that is reimbursed through the bank.	An interim stay has been issued by the High Court pursuant to an order dated March 23, 2006 restraining Indian Bank from appropriating the TUF subsidy against the prepayment charges raised by them. The matter is pending and the next date of hearing is yet to be notified.
3.	WPMP 4897 & 4898 of 2004 in WP. Nos. 4160 & 4161 of 2004	February 26, 2004	K.P.R. Mill Private Limited and K.P.R. Spinning Mill Private Limited	The State of Tamil Nadu represented by Secretary to Government, Department of Commercial Taxes and Religious Endowments; The Commercial Tax Officer, Coimbatore	High Court of Judicature at Madras	8,184,000	The rate of entry tax and central sales tax levied on High Speed Oil ("HSD") and Super Kerosene Oil ("SKO") from other states is 22% and 4% respectively while the rate of sales tax levied for purchases within the State of Tamil Nadu is 3% only. The Company has challenged this disproportionate rate of tax imposed on purchases of HSD and SKO and has sought an alternate effective	An interim injunction dated February 26, 2004 has been issued by the High Court restraining the respondents from imposing tax over and above 3% in respect of the HSD oil purchased by the petitioner from other states for self-consumption. On March 23, 2007, the High Court of Judicature at Madras, in another matter, held that the Tamil Nadu Tax

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration (Rs.)	Brief Description of Case	Status
							remedy.	on Entry of Goods into Local Areas Act, 2001, pursuant to which the disproportionate tax was being levied, was unconstitutional. The Company intends to file a withdrawal petition in light of this development.
4.	1010/2003	October 16, 2003	K.P.R. Mill Private Limited	Smt. T. Latha w/o Jaganathan, Sole Proprietrix Sun Mark Impex	Judicial Magistrate Court-1, Tirupur	243,600	A cheque issued in favour of the Company was returned unpaid, therefore the Company filed a criminal complaint under sections 138 and 142 of the Negotiable Instruments Act (the "Negotiable Instruments Act").	The respondent has partly paid Rs.100,000 on December 2005. The case is pending before the court and the next date of hearing is yet to be notified.
5.	283/2005/284/2005 and 285/2005	August 29, 2005	K.P.R. Mill Private Limited, K.P.R. Spinning Mills Private Limited and K.P.R. Cotton Mills Private Limited	M/s Shrie Sastha Textiles, Mr. P. Vijaykumar and Mr. M. Senthil	Judicial Magistrate Court-1, Palladam	4,460,160	A cheque issued in favour of the Company was returned unpaid, therefore the Company filed a criminal complaint under sections 138 and 142 of the Negotiable Instruments Act.	The case is pending before the court and the next date of hearing for these matters is yet to be notified.
6.	299/03 and 300/3	November 12, 2003	K.P.R. Mill Private Limited	Knit Win Impex	Sessions Court, Tirupur	1,163,980	The cheque issued in favour of the Company was returned unpaid, therefore the Company filed a criminal complaint in the Judicial Magistrate Court-1, Tirupur under sections 138 and 142 of the Negotiable Instruments Act. The case was decided in favour of the Company at the Junior Magistrate's court. The other party subsequently filed an appeal before the Sessions Court.	The Sessions Court (Fast Track Court) has decided in favour of the Company and the Company is awaiting copies of the order. The respondent has paid an amount of Rs.125,000 in September 2004.
7.	60/2004	April 1, 2004	K.P.R. Mill Private	M/s Aarco Garments,	Sessions Court,	587,700	The cheque issued in favour	Hearing has been completed

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration (Rs.)	Brief Description of Case	Status
			Limited	Mr.T.R. Mohan and Mr. K.P. Kandasamy	Tirupur		of the Company was returned unpaid, therefore the Company filed a criminal complaint in the Judicial Magistrate Court-1, Tirupur under sections 138 and 142 of the Negotiable Instruments Act. The case was decided in favour of the Company at the Junior Magistrate's court. The other party subsequently filed an appeal before the Sessions Court.	and orders of the court are awaited.

Income Tax cases involving the Company

The Company had been disallowed depreciation by adjusting book profit while computing the income tax payable by it for the assessment year 1998-99. In addition, the valuation of stocks for the assessment year 1998-99 has been disputed by the Assessing Officer on account of mismatch in quantitative details. The Company had challenged such adjustment of book profit and valuation of stock before the Commissioner of Income Tax (Appeals), Coimbatore ("CIT (A)") and won the case. The income tax department filed an appeal before the ITAT. Pursuant to an order of the Income Tax Appellate Tribunal, Chennai ("ITAT") dated August 18, 2005, the matter has been remanded to the CIT (A). The total tax effect of this dispute is Rs. 1,053,486. In the event, the matter is decided against the Company, then the depreciation disallowed for the assessment year 1998-99 will be claimed/allowed for the subsequent assessment years whereby the income tax due for such years will be reduced.

The Deputy Commissioner of Income Tax had recomputed the book profit by disallowing depreciation charged on the windmills to the extent of Rs.21,387,392 for the assessment year 2001-2002 to arrive at the profits of the business under Section 115JB of the IT Act. The tax effect of this dispute amounts to Rs.2,860,289. The Company's appeal against the order of the Deputy Commissioner of Income Tax was dismissed by the CIT (A) pursuant to an order dated April 9, 2007. The Company has submitted an application for rectification and review of the order dated April 9, 2007.

The Deputy Commissioner of Income Tax had added the sum of Rs.1,508,102 to the depreciation reserve of the Company and altered the book profit computed under the Companies Act and recomputed the book profit under Section 115JB of the IT Act. The CIT(A) pursuant to an order dated September 23, 2005 dismissed our appeal against the order of the lower authorities. The Company has filed an appeal before the ITAT. The total tax effect of this dispute amounts to Rs.508,171.

The assessing officer had disallowed Rs.774,168 towards foreign travel expenses incurred by the Company in respect of foreign travel undertaken by Mr. P. Nataraj, the Managing Director of the Company along with his spouse. The Company filed an appeal before the CIT (A) and got relief for 50% of the disputed amount. The Company has filed a further appeal before ITAT seeking relief for the balance 50%. In the event, the matter is decided against the Company, then the carry over loss will be reduced to that extent.

Proceedings initiated against the Company for economic offences

There are no proceedings against the Company for economic offences.

Details of past penalties imposed on the Company

There have been no past penalties imposed on the Company.

II. Litigation/Proceedings involving the Directors of the Company

Except in relation to the Promoters who are also Directors, as described below, there is no outstanding material litigation, suits or criminal prosecutions or civil proceedings, and there are no material defaults, non-payment of statutory dues, over dues to banks/financial institutions or defaults against banks/financial institutions by the Directors (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).

Outstanding Litigation and Material Developments/Proceedings against the Directors

Except in relation to the Promoters who are also Directors as disclosed in this Red Herring Prospectus, there are no outstanding litigation and material developments/proceeding against the Directors.

Outstanding Litigation and Material Developments/Proceedings filed by the Directors

Except in relation to the Promoters who are also Directors as disclosed in this Red Herring Prospectus, there are no outstanding litigation and material developments/proceeding filed by the Directors.

Proceedings initiated against the Directors for economic offences

There are no proceedings initiated against the Directors for economic offences.

Details of past penalties imposed on the Directors

There have been no past penalties imposed on the Directors.

III. Litigation involving Promoters

(A) By the Promoters

There are no proceedings initiated by the Promoters.

(B) Against the Promoters

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondents/ Defendants	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Brief Description of Case	Status
1	O.S.No. 245/06	September 6, 2006	Mr. R. Ganesamoorthy, Mr. M. Ramkutty Gounder, D. Nandhini (Minor) and D. Sampath (Minor)	Mr. K.P. Ramasamy, Mr. K.P.D. Sigamani, Mr. P. Nataraj	Court of the Sub-ordinate Judge of Tirupur	-	The Plaintiffs have filed a plaint under Order VII Rule 1 of the Civil Procedure Code, 1908, seeking a decree against the Promoters to divide the suit property into four equal shares and to allot 2/12th share to both the minor plaintiffs jointly in respect of the property	The matter is under adjudication and the next date of hearing isJuly 25, 2007.

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondents/ Defendants	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Brief Description of Case	Status
							situated at Neelambur village in S.F.No.138/1, 138/2 and 136/8.	
2	O.S.No. 7/2007	January 5, 2007	X.S. Real Properties Private Limited	Mr. S. Sashi Kumar, Mr. K.P. Ramasamy, Mr. K.P.D. Sigamani, Mr. P. Nataraj, and Mr. C.R. Anandakrishnan	Court of the Principal District Judge, Coimbatore	-	The Plaintiffs have filed a suit for specific performance against the defendants and in addition have filed an application for interim injunction seeking to restrain the defendants from altering the physical features of the property located at Neelambur village in S.F. Nos.672/1A, 706/2B, 719/1, 720, 722, 723 and 724.	The matter is at an enquiry stage and the next date of hearing is yet to be notified.

Litigation/Defaults in respect of companies/firms/ventures with which the Promoters were associated in the Past

There are no litigation/defaults in respect of companies/firms/ventures with which the Promoters were associated in the past.

IV. Litigation involving Promoter Group

Except as described below, there is no outstanding material litigation, suits or criminal proceedings or civil prosecutions or tax liabilities against companies promoted by the Promoters, and there are no material defaults, non-payment of statutory dues, over dues to banks/ financial institutions, defaults in dues payable to holders of any debentures, bond or fixed deposits and arrears on preference shares issued by the group companies (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).

S.No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents/ Defendants	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Brief Description of Case	Status
Sree Ramakrishna Textiles								
1.	C.C.No. 2612/006 of 2006	January 12, 2007	Sree Ramakrishna Textiles	M/s Emeet Enterprises, New Delhi	Court of Judicial Magistrate 1, Coimbatore	Rs.4,700,000	The cheque issued in favour of the Applicant firm was returned unpaid, therefore the Respondent firm filed a criminal complaint under sections 138 and 142 of the	Attachment before judgment on the property of the respondent has been obtained. The matter is under

S.No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents/ Defendants	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Brief Description of Case	Status
							Negotiable Instruments Act.	adjudication and the next date of hearing is yet to be notified
2.	O.S. No. 857/2001	April 25, 2006	Sree Ramakrishna Textiles	M/s In Fashion, New Delhi	Court of Sub-ordinate Judge, Coimbatore	Rs.335,251	The Applicant firm filed the suit for the non-payment of dues together with a claim for interest in relation to the supply of dyed textiles to the Respondent firm.	The suit has been decreed. Execution proceedings have been initiated.
Ramakrishna Dyeing Industry								
3.	Appeal no. E/1103/05, E/1104/05	August 25, 2006	Joint Commissioner of Central Excise (Review), Coimbatore	Ramakrishna Dyeing Industry and Mr. K. P. Murugasamy	Customs, Excise and Service Tax Appellate Tribunal (South Zonal Branch), Chennai	Rs.1,463,571	The case relates to a dispute in classification of their business whereby the officers have alleged that the proprietorship has not paid the appropriate central excise duty leviable on their business. The Commissioner (Appeals), Coimbatore pursuant to its order dated August 31, 2005 decided in favour of the firm. The Appellant has sought setting aside of this order and restoration of the original order dated May 25, 2005.	The next date of hearing is yet to be notified.
K.P.R. Sugar Mills Private Limited								
5.	W.P. No. 1102 of 2007 *GM)	January 19, 2007	Shree Renuka Sugars Limited, Belgaum	The Union of India and others including K.P.R. Sugar Mills Private Limited	High Court of Karnataka, Bangalore	-	K.P.R. Sugar Mills Private Limited (the respondent company) is establishing a sugar factory together with co-generation facility at Almel Village, Bijapur District in the State of Karnataka in terms of an IEM filed with the Government of Karnataka and a license issued by the state government allocating sugarcane areas. The Applicant has filed this writ petition before the	The High Court of Karnataka had issued an interim order staying the operation of the Government of Karnataka's license allocating sugarcane areas until the case was disposed off. The respondent company had filed a

S.No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents/ Defendants	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Brief Description of Case	Status
							court seeking an injunction in respect of the license issued by the state government on the ground that the Applicant had filed an IEM on an earlier date to that of the date of filing of IEM by the respondent company and that they are entitled to a valuable right over the place at which the respondent company is establishing a sugar factory.	statement of objection seeking dismissal of the petition filed by the Applicant on the ground that filing of IEM alone does not vest any right and that effective steps are required to be taken for establishing a sugar factory including seeking a license from the state government for allocation of cane areas. On March 28, 2007, the High Court dismissed the petition filed by the Applicant based on the statement of objections filed by the Respondent Company. The Applicant has preferred an appeal against this dismissal before a division bench of the High Court of Karnataka through writ petition no. 743/2007. The division bench has issued an interim order dated April 16, 2007 staying the operation of

S.No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents/ Defendants	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Brief Description of Case	Status
								the order of the single judge. The Respondent Company intends to file an objection petition before the division bench.

Past Penalties paid by the Promoter Group Companies

There have been no past penalties paid by the Promoter Group Companies.

V. Material Developments since the Last Balance Sheet Date

In the opinion of the Board, other than as disclosed in this Red Herring Prospectus, there has not arisen, since the date of the last financial statements set out herein, any circumstance that materially or adversely affects the profitability taken as a whole or the value of the Company's consolidated assets or the Company's ability to pay its material liabilities over the next twelve months.

GOVERNMENT AND OTHER APPROVALS

On the basis of the indicative list of approvals provided below, the Company can undertake this Issue and its current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue these business activities. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

Approvals related to the Issue

The following approvals have been obtained or will be obtained in connection with the Issue:

1. The Board of Directors has, pursuant to a resolution passed at its meeting held on February 21, 2007, authorized the Issue subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.

2. The shareholders of the Company have, pursuant to a special resolution dated March 1, 2007, under Section 81(1A) of the Companies Act, authorized the Issue.

3. The Company has obtained in-principle listing approvals dated April 25, 2007 and May 7, 2007 from the BSE and the NSE, respectively.

4. The Company has also obtained all necessary contractual approvals required for the Issue.

Approvals for the Business

The Company requires various approvals to carry on its business in India. The approvals that the Company requires include the following:

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
General Approvals				
1.	Certificate of Incorporation bearing company identification number as U17111TZ2003PTC010518	Registrar of Companies, Coimbatore, Tamil Nadu	March 19, 2003	-
2.	Fresh Certificates of Incorporation pursuant to change in name of the Company from K.P.R. Cotton Mills Private Limited to K.P.R. Mill Limited	Registrar of Companies, Coimbatore, Tamil Nadu	October 5, 2006	-
3.	PAN No. AACCK0893N under the I.T. Act	Income Tax PAN Services Unit, Government of India	Nil	Valid until cancelled
4.	TIN No.33731961515 under the Tamil Nadu Value Added Tax Act, 2006	Commercial Tax Officer (FAC), R.S.Puram (West) Circle, Coimbatore	January 1, 2007	Valid until cancelled
5.	TAN No. CMBK04050E under the I.T. Act	Income Tax Department, Tamil Nadu	December 20, 2006	Valid until cancelled
6.	CST RC 714528 under the Central Sales Tax (Registration and Turnover) Rules, 1956	Commercial Tax Officer, R.S.Puram (West) Circle, Coimbatore	April 16, 2003	Valid until cancelled
7.	TNGST No. IAC 103 1961515 under the Tamil Nadu General Sales Tax Act, 1959	Commercial Tax Officer, R.S.Puram (West) Circle, Coimbatore	April 16, 2003	Valid until cancelled
8.	Certificate of Importer Exporter Code No. 3203001225	Ministry of Commerce, Government of India	October 19, 2006	Valid until cancelled
9.	Certificate of registration cum membership number 202772	Apparel Export Promotion Council, Ministry of Textiles	April 5, 2006	Valid until April 19, 2009
10.	Certificate of recognition as a "One Star Export House"	Joint Director General of Foreign Trade, Ministry of Commerce and Industry	September 23, 2005	Valid until March 31, 2009
11.	Registration no. 91/07 under the Tamil Nadu Shops and Establishments Act, 1974	Municipality, Tirupur	February 14, 2007	Valid until cancelled.
Approvals for operations located at Kollupalayam, Arasur				
12.	Central Excise Registration Certificate No. AACCK0893NXM002	Deputy Commissioner of Central Excise, Coimbatore	November 6, 2006	Valid until cancelled

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
Approvals for operations located at Kittampalayam, Karumathampatti				
13.	Central Excise Registration Certificate No. AACCK0893NXM003	Deputy Commissioner of Central Excise, Coimbatore	November 6, 2006	Valid until cancelled
14.	License No. P/HQ/TN/15/1977(P15663)	Petroleum and Explosives Safety Organisation, Government of India	January 24, 2002	Renewed on January 31, 2006. Valid until December 31, 2008
15.	Service Tax Registration No. AABCK5208NST001under Section 69 of the Finance Act, 1994	Superintendent of Central Excise, Service Tax Cell, Coimbatore	February 22, 2005	Valid until cancelled
16.	Consent for existing discharge of sewage under Section 25 of the Water Act	Tamil Nadu Pollution Control Board	May 6, 2006	Valid until March 31, 2008
17.	Consent for existing operation of the plant under Section 21 of the Air Act	Tamil Nadu Pollution Control Board	May 6, 2006	Valid until March 31, 2008
18.	Registration no. TN/CB/56196 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Regional Provident Fund Commissioner, Coimbatore	August 27, 2002	Valid until cancelled
19.	Code no. 56-104970-11 under the Employees State Insurance Act, 1948	Sub Regional Office (Coimbatore), Employees' State Insurance Corporation	March 10, 2006	Valid until cancelled
20.	Factories license no. CB-10069	Deputy Chief Inspector of Factories	November 12, 2006	Valid until December 31, 2007
21.	Registration no. 117/2003/CBE for captive power plant under Tamil Nadu Tax on Consumption or Sale of Electricity Rules 2003	Department of Electrical Inspectorate and Electricity Tax	May 3, 2003	Valid until cancelled.
22.	Registration no. 1760/HT/CBE/O5 CBE for captive power plant under Tamil Nadu Tax on Consumption or Sale of Electricity Rules 2003	Department of Electrical Inspectorate and Electricity Tax	January 1, 2006	Valid until cancelled.
Approvals for operations located at Neelambur				
23.	Central Excise Registration Certificate No. AACCK0893NXM001	Deputy Commissioner of Central Excise, Coimbatore	November 6, 2006	Valid until cancelled.
24.	Service Tax Registration No. AACCK0893NST001 under Section 69 of the Finance Act, 1994	Superintendent of Central Excise, Service Tax Cell, Coimbatore	March 1, 2005	Valid until cancelled.
25.	Registration no. TN/CB/56576 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Regional Provident Fund Commissioner, Coimbatore	November 3, 2003	Valid until cancelled
26.	Registration no. 28619 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 (for K.P.R. Knits whose business was purchased by the Company with effect from April 1, 2005)	Regional Provident Fund Commissioner, Coimbatore	October 16, 2003	Valid until cancelled
27.	Code no. 56-60244-16 A under the Employees State Insurance Act, 1948 (for K.P.R. Knits whose business was purchased by the Company with effect from April 1, 2005)	Sub Regional Office (Coimbatore), Employees' State Insurance Corporation	November 4, 2003	Valid until cancelled
28.	Code no. 56-101670-11 under the Employees State Insurance Act, 1948	Sub Regional Office (Coimbatore), Employees' State Insurance Corporation	October 31, 2003	Valid until cancelled
29.	Factory license no. CB-10932	Deputy Chief Inspector of Factories	November 12, 2006	Valid until December 31, 2007
30.	License No. P/HQ/TN/15/4415(P55756)	Department of Explosives, Ministry of Commerce and Industry	April 16, 2004	Renewed on December 1, 2006. Valid until December 31, 2009
31.	Letter no. PYK.1323/CEIG/D5/2004-2 under Indian Electricity Act, 2003 and Indian Electricity Rules, 1956	Electrical Inspectorate, Government of Tamil Nadu	September 9, 2004	
32.	Industrial Licence No. DIL: 3(2006) under Rule 7 of the Registration and Licensing of Industrial Undertaking Rules, 1952	Secretariat of Industrial Assistance, Department of Industrial Policy and	February 14, 2006	Valid until February 14, 2008. The license requires that the following be inserted in the

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
		Promotion, Ministry of Commerce & Industry, Government of India		offering document in the event the Company proposes to raise money from the public: "A licence has been obtained from the Central Government for the manufacture of items mentioned below, of which a copy is open to public inspection at the Head Office of the Company. It must be distinctly understood that, in granting this licence, the Government of India does not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it. Items of manufacture: 1. Cotton Yarn 2. Knitted Fabric 3. Knitted Garments 4. Woven Fabrics"
Approvals for operations located at Indiampalayam village, Sathyamangalam				
33.	Central Excise Registration Certificate No. AACCK0893NXM005	Assistant Commissioner of Central Excise, Erode	January 4, 2007	Valid until cancelled
34.	Service Tax Registration No. AACCK0893NST002 under Section 69 of the Finance Act, 1994	Superintendent of Central Excise, Erode	January 17, 2007	Valid until cancelled
35.	Registration no. TN/SL/35115 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Regional Provident Fund Commissioner, Salem	December 26, 1997	Valid until cancelled
36.	Licence no. P/HQ/TN/15/1710(P15381)	Petroleum and Explosive Safety Organisation, Government of India	September 30, 1996	Renewed on February 28, 2007. Valid until December 31, 2007.
37.	Letter no. EDE.337/SEI/CBE/E1/2004 approving electrical installations under Electricity Act, 2003 and Indian Electricity Rules, 1956	Electrical Inspectorate, Government of Tamil Nadu	August 30, 2004	Valid until cancelled.
Approvals for the processing unit at SIPCOT Industrial Growth Centre, Perundurai				
38.	Central Excise Registration Certificate No. AACCK0893NXM004	Assistant Commissioner of Central Excise, Erode	November 9, 2006	Valid until cancelled.
Approvals for the windmill business				
39.	Commissioning certificate Letter number ACE/TEDC/TIN/AEE/DVT/AE.1/F.WEG. HT.SC No. 855/ D. 5221/2004	Tamil Nadu Electricity Board	September 27, 2003	Valid until cancelled
40.	Commissioning Certificate Letter number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG. HT.SC No. 1533/ R.320/06	Tamil Nadu Electricity Board	January 25, 2006	Valid until cancelled
41.	Commissioning Certificate: Letter number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG. HT.SC No. 1534/ R.451/06	Tamil Nadu Electricity Board	January 28, 2006	Valid until cancelled
42.	Commissioning Certificate: Letter number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG. HT.SC No. 1543/ R.324/06	Tamil Nadu Electricity Board	January 25, 2006	Valid until cancelled
43.	Commissioning Certificate: Letter number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG. HT.SC No. 1546/ R.577/06	Tamil Nadu Electricity Board	February 10, 2006	Valid until cancelled
44.	Commissioning Certificate: Letter number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG. HT.SC No. 1548/ R.662/06	Tamil Nadu Electricity Board	February 20, 2006	Valid until cancelled
45.	Commissioning Certificate: Letter number SE/TEDC/TIN/AEE/DVT/AE.2/F.WEG. HT.SC No. 1552/ R.1000/06	Tamil Nadu Electricity Board	March 15, 2006	Valid until cancelled
46.	Commissioning Certificate: Letter number SE/TEDC/TIN/AEE/DVT/AE.2/F.WEG.	Tamil Nadu Electricity	March 15, 2006	Valid until cancelled

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
	HT.SC No. 1555/ R.1001/06	Board		
47.	Commissioning Certificate: Letter number SE/TIN/AEE/DVT/AE.2/F.WEG.HT.SC No. 1692/ R.1771/06	Tamil Nadu Electricity Board	April 17, 2006	Valid until cancelled
48.	Commissioning Certificate: Letter number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG.HT.SC No. 1549/ R.663/06	Tamil Nadu Electricity Board	February 20, 2006	Valid until cancelled
49.	Commissioning Certificate: Letter number SE/TIN/AEE/DVT/AE.2/F.WEG.HT.SC No. 1695/ R.1770/06	Tamil Nadu Electricity Board	April 17, 2006	Valid until cancelled
50.	Commissioning Certificate: Letter number SE/TIN/AEE/DVT/AE.1/F.WEG.HT.SC No. 916/ D.5750/2004	Tamil Nadu Electricity Board	October 18, 2004	Valid until cancelled
51.	Commissioning Certificate: Letter number SE/TIN/AEE/DVT/AE.1/F.WEG.HT.SC No. 913/ D.5747/2004	Tamil Nadu Electricity Board	October 18, 2004	Valid until cancelled
52.	Commissioning Certificate: Letter number SE/TIN/AEE/DVT/AE.1/F.WEG.HT.SC No. 914/ D.5748/2004	Tamil Nadu Electricity Board	October 18, 2004	Valid until cancelled
53.	Commissioning Certificate: Letter number AEE/DVT/AE.1/F.WEG.HT.SC No. 809/ R.2165/2003 -04	Tamil Nadu Electricity Board	April 23, 2004	Valid until cancelled
54.	Commissioning Certificate Letter Number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG HT.SC NO.1532/R.319/06	Tamil Nadu Electricity Board	January 25, 2006	Valid until cancelled
55.	Commissioning Certificate Letter Number SE/TEDC/TIN/AEE/DVT/AE.2/F.WEG HT.SC NO.1696/R.1762/06	Tamil Nadu Electricity Board	April 17, 2006	Valid until cancelled
56.	Commissioning Certificate Letter Number SE/TEDC/TIN/AEE/DVT/AE1/F.WEG HT.SC NO.941/R.1221/05	Tamil Nadu Electricity Board	March 8, 2005	Valid until cancelled
57.	Commissioning Certificate Letter Number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG HT.SC NO.942/D.6280/04	Tamil Nadu Electricity Board	November 19, 2004	Valid until cancelled
58.	Commissioning Certificate Letter Number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG HT.SC NO.943/D.5778/04	Tamil Nadu Electricity Board	October 18, 2004	Valid until cancelled
59.	Commissioning Certificate Letter Number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG HT.SC NO.939/D.5774/04	Tamil Nadu Electricity Board	October 18, 2004	Valid until cancelled
60.	Commissioning Certificate Letter Number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG HT.SC NO.940/D.5775/04	Tamil Nadu Electricity Board	October 18, 2004	Valid until cancelled
61.	Commissioning Certificate Letter Number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG HT.SC NO.1037/D.6281/04	Tamil Nadu Electricity Board	November 19, 2004	Valid until cancelled
62.	Commissioning Certificate Letter Number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG HT.SC NO.1039/D.6283/04	Tamil Nadu Electricity Board	November 19, 2004	Valid until cancelled
63.	Commissioning Certificate Letter Number SE/TEDC/TIN/AEE/DVT/AE.1/F.WEG HT.SC NO.1038/D.6283/04	Tamil Nadu Electricity Board	November 19, 2004	Valid until cancelled
64.	Commissioning Certificate Letter Number AEE/DVT/AE.1/F.WEG HT.SC.495/ R.No.1362/2002-03	Tamil Nadu Electricity Board	April 5, 2003	Valid until cancelled
65.	Safety Certificate: Letter number TIN.4200/CEIG/D5/2005-2 and 2005-1	Tamil Nadu Electrical Inspectorate	December 29, 2005	Valid until cancelled
66.	Safety Certificate: Letter number TIN.4193/CEIG/D5/2005-2 and 2005-1	Tamil Nadu Electrical Inspectorate	December 23, 2005	Valid until cancelled
67.	Safety Certificate: Letter number TIN.4199/CEIG/D5/2005-2 and 2005-1	Tamil Nadu Electrical Inspectorate	December 29, 2005	Valid until cancelled

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
68.	Safety Certificate: Letter number TIN.4201/CEIG/D5/2005-2 and 2005-1	Tamil Nadu Electrical Inspectorate	December 29, 2005	Valid until cancelled
69.	Safety Certificate: Letter number TIN.4216/CEIG/D5/2006-2 and 2006-1	Tamil Nadu Electrical Inspectorate	January 16, 2006	Valid until cancelled
70.	Safety Certificate: Letter number TIN.4224/CEIG/D5/2006-2 and 2006-1	Tamil Nadu Electrical Inspectorate	January 27, 2006	Valid until cancelled
71.	Safety Certificate: Letter number TIN.4232/CEIG/D5/2006-2 and 2006-1	Tamil Nadu Electrical Inspectorate	February 2, 2006	Valid until cancelled
72.	Safety Certificate: Letter number TIN.4250/CEIG/D5/2006-2 and 2006-1	Tamil Nadu Electrical Inspectorate	February 15, 2006	Valid until cancelled
73.	Safety Certificate: Letter number TIN.4213/CEIG/D5/2006-2 and 2006-1	Tamil Nadu Electrical Inspectorate	January 16, 2006	Valid until cancelled
74.	Safety Certificate: Letter number TIN.4249/CEIG/D5/2006-2 and 2006-1	Tamil Nadu Electrical Inspectorate	February 15, 2006	Valid until cancelled
75.	Safety Certificate Letter Number SEI/CBE/PYK./1177/E1/2001-1	Tamil Nadu Electrical Inspectorate	March 28, 2001	Valid until cancelled
76.	Safety Certificate Letter Number SEI/CBE/PYK./1176/E1/2001	Tamil Nadu Electrical Inspectorate	March 28, 2001	Valid until cancelled
77.	Safety Certificate Letter Number TIN.4198/CEIG/D5/2005-2	Tamil Nadu Electrical Inspectorate	December 29, 2005	Valid until cancelled
78.	Safety Certificate Letter Number TIN.4225/CEIG/D5/2006-2	Tamil Nadu Electrical Inspectorate	January 27, 2006	Valid until cancelled
79.	Safety Certificate Letter Number TIN.3525/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	August 27, 2004	Valid until cancelled
80.	Safety Certificate Letter Number TIN.3473/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	July 15, 2004	Valid until cancelled
81.	Safety Certificate Letter Number TIN.3474/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	July 15, 2004	Valid until cancelled
82.	Safety Certificate Letter Number TIN.3479/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	July 15, 2004	Valid until cancelled
83.	Safety Certificate Letter Number TIN.3600/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	September 27, 2004	Valid until cancelled
84.	Safety Certificate Letter Number TIN.3570/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	September 24, 2004	Valid until cancelled
85.	Safety Certificate Letter Number TIN.3659/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	September 28, 2004	Valid until cancelled
86.	Safety Certificate Letter Number TIN.3586/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	September 24, 2004	Valid until cancelled
87.	Safety Certificate Letter Number TIN.3660/CEIG/D5/2004-22	Tamil Nadu Electrical Inspectorate	September 28, 2004	Valid until cancelled
88.	Safety Certificate Letter Number TIN.3589/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	September 24, 2004	Valid until cancelled
89.	Safety Certificate Letter Number TIN.3592/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	September 24, 2004	Valid until cancelled
90.	Safety Certificate Letter Number TIN.3567/CEIG/D5/2004-2	Tamil Nadu Electrical Inspectorate	September 24, 2004	Valid until cancelled

Pending Approvals

1. Application dated July 27, 2006 to the Tamil Nadu Pollution Control Board for consents under Air Act and Water Act for the Company's operation located at Arasur.

2. Application dated December 15, 2006 to the Tamil Nadu Pollution Control Board for consents under Air Act and Water Act for the Company's processing unit located at SIPCOT, Perundurai.

3. Application dated February 10, 2007 for conversion of land use from agricultural to industrial for the Company's unit located at Sathyamangalam.

4. Application dated March 19, 2007 to the Tamil Nadu Pollution Control Board for renewal of consents under Air Act and Water Act for the operations located at Neelambur.

5. Application dated March 19, 2007 to the Tamil Nadu Pollution Control Board for renewal of consents under Air Act and Water Act for the operations located at Sathyamangalam.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized by a resolution of our Board dated February 21, 2007 and by a special resolution passed pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on March 1, 2007.

Prohibition by SEBI, RBI or governmental authorities

Our Company, our Directors, our Promoters, the directors or person(s) in control of the Promoter Group and the companies in which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

None of us, our Promoters, associates, Promoter Group companies and relatives of our Promoters, our Directors and the companies in which our Directors are associated as directors, have been declared as willful defaulters by the RBI or any other governmental authority and there has been no violation of any securities law committed by any of them in the past and no such proceedings are pending against any of them.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.2 of the SEBI Guidelines as determined on the date of the Draft Red Herring Prospectus.

Clause 2.2.2 of the SEBI Guidelines states as follows:

"*2.2.2 An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:*

(a) (i) *The issue is made through the book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.*

OR

(a)(ii) *The "project" has at least 15% participation by Financial Institutions/ Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded*

AND

(b) (i) *The minimum post-issue face value capital of the company shall be Rs. 10 crores.*

OR

(b) (ii) *There shall be a compulsory market-making for at least 2 years from the date of listing of the share, subject to the following:*

(a) *Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;*

(b) *Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;*

(c) *The inventory of the market makers on each of such stock exchanges, as of the date of allotment of securities, shall be at least 5% of the proposed issue of the company.*"

We are an unlisted company not complying with the conditions specified in Clause 2.2.1 of the SEBI Guidelines as determined on the date of the Draft Red Herring Prospectus and are therefore required to meet both the conditions detailed in clause 2.2.2(a) and Clause 2.2.2(b) of the SEBI Guidelines.

- We are complying with Clause 2.2.2(a)(i) of the SEBI Guidelines and at least 60% of the Issue is proposed to be Allotted to QIBs and in addition the Issue relates to a minimum of two million Equity Shares being offered to the public and the minimum issue size being at least Rs. 100 crore (Rs. 1,000 million) (in order to comply with the requirements of Rule 19(2)(b) of the SCRR) and in the event we fail to do so, the full subscription monies shall be refunded to the Bidders.

- We are complying with the second proviso to Clause 11.3.5(i) of the SEBI Guidelines, accordingly, not less than 10% and 30% of the Issue shall be available for allocation to Non-Institutional Bidders and Retail Individual Bidders, respectively subject to valid Bids being received.

- We are also complying with Clause 2.2.2(b)(i) of the SEBI Guidelines and the post-issue face value capital of the Company shall be Rs.376,828,920, which is more than the minimum requirement of Rs.10 crores (Rs. 100 million).

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 failing which the entire application monies will be refunded forthwith. In the event that there is any delay in refunding application monies, the Company shall pay interest on the application monies at the rate of 15% per annum for the period of delay.

Accordingly, we are eligible for the Issue under Clause 2.2.2 of the SEBI Guidelines.

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 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, KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 30, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

“(I) 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 FINALIZATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER

PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPER RELEVANT TO THE ISSUE;

B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

C) 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.

(III) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

(IV) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

(V) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE 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 THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS."

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS."

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the RoC, in terms of Section 60 of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Disclaimer from the Company and the BRLM

Investors who 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 offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under 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.

Our Company, 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 and anyone placing reliance on any other source of information, including our web site, would be doing so at his or her own risk.

The BRLM and the CBRLM accepts no responsibility, save to the limited extent as provided in the MOU entered into among the BRLM, the CBRLM and our Company dated March 14, 2007, and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by us. the BRLM and the CBRLM 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, at bidding centers or elsewhere.

Neither our Company nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and 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), or trusts under applicable trust law and who are authorized under their constitution to hold and invest in shares, Public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, 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, and to permitted non-residents including FVCIs, multilateral and bilateral development financial institutions, FIIs registered with SEBI, Eligible NRIs and eligible foreign investors provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Coimbatore, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been file with the SEBI for its observations. Accordingly, the Equity Shares represented hereby 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 the affairs of our Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account 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 will be offered and sold only (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 of the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been, and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Further, each Bidder where required agrees that such Bidder will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

Disclaimer clause of the BSE

Bombay Stock Exchange Limited has pursuant to its letter dated April 25, 2007 granted permission to the Company to use the BSE's name in this Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The BSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The BSE does not in any manner:

i. warrant, certify or endorse the correctness of completeness of any of the contents of this Red Herring Prospectus;

ii. warrant that the Company's securities will be listed or will continue to be listed on the BSE;

iii. take any responsibility for the financial or other soundness of the Company, its Promoters, its management, or any scheme or project of the Company;

and it should not for any reason be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer clause of the NSE

As required, a copy of this Red Herring Prospectus has been submitted to National Stock Exchange of India Limited. NSE has pursuant to its letter dated May 7, 2007 granted permission to the Company to use the NSE's name in this Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The NSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus, nor does it warrant that the Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer in respect of Industrial License

A licence has been obtained from the Central Government for the manufacture of items mentioned below, of which a copy is open to public inspection at the Head Office of the Company. It must be distinctly understood that, in granting this licence, the Government of India does not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it. The items of manufacture are as set forth below:

1. Cotton Yarn
2. Knitted Fabric
3. Knitted Garments
4. Woven Fabrics

Filing

A copy of the Draft Red Herring Prospectus dated March 30, 2007 has been filed with SEBI at the Securities and Exchange Board of India, SEBI Bhavan, G Block, 3rd Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India.

A copy of this Red Herring Prospectus, along with the other documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration to the RoC at Stock Exchange Building, 2nd Floor, 683, Trichy Road, Singanallur, Coimbatore – 641 005.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares being offered and sold in the Issue. The BSE will be the Designated Stock Exchange with which the basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company shall forthwith repay, without interest, all monies received from applicants in reliance on this Red Herring Prospectus. If such money is not repaid within 8 days after our Company has become liable to repay it in accordance with Section 73 of the Companies Act, then the Company and every Director of the Company who is an officer in default shall be liable to repay the monies, with interest at the rate of 15% per annum on the application monies, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within 7 working days of finalization of the basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) Otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name

shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditor, the advisors to the Company, the legal advisors, the Bankers to the Company, the Bankers to the Issue; and (b) the BRLM, the CBRLM, the Syndicate Members, the Refund Banker, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI Guidelines, Deloitte Haskins & Sells, Chartered Accountants, the Company's Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus to the RoC.

As the offered Equity Shares have not been and will not be registered under the US Securities Act of 1933, Deloitte Haskins & Sells has not issued and the Company has not filed consent under the US Securities Act of 1933.

Expert Opinion

We have not obtained any expert opinions.

Expenses of the Issue

The Issue related expenses include, among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar and depository expenses and listing fees.

The estimated Issue expenses are as under:

(Rs. in Million)

Activity	Expenses * (Rs. in Million)	% of Issue size	% of Issue Expense
Lead management fee and underwriting commissions	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and stationery	[•]	[•]	[•]
Others (Registrar's fee, legal fee, etc.)	[•]	[•]	[•]
TOTAL	**[•]**	**[•]**	**[•]**

* *Will be completed after finalisation of the Issue Price*

Fees Payable to the BRLM, CBRLM and the other Syndicate Members

The total fees payable to the Book Running Lead Manager, the Co-Book Running Lead Manager and the other Syndicate Members (including underwriting commission and selling commission and reimbursement of their out-of-pocket expenses) will be as per their engagement letter dated February 20, 2007 with the BRLM and March 1, 2007 with the CBRLM, a copy of which is available for inspection at our Registered Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of applications, data entry, printing of CANs/refund orders (or revised CANs, if required),, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the memorandum of understanding among our Company and the Registrar to the Issue dated March 17, 2007 a copy of which is available for inspection at our Registered Office.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to make refunds in any of the modes described in this Red Herring Prospectus or send allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the Last Five Years

We have not made any public or rights issues during the last five years preceding the date of this Red Herring Prospectus.

Previous issues of Equity Shares otherwise than for Cash

Except as stated in the sections titled "Capital Structure" and "History and Certain Corporate Matters" beginning on pages 19 and 80, respectively, of this Red Herring Prospectus, our Company has not made any previous issues of shares for consideration other than cash.

Underwriting commission, brokerage and selling commission on Previous Issues

Since, there has been no public issue in the past of our Company's Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company's inception.

Companies under the Same Management

We do not have any listed companies under the same management within the meaning of Section 370(1)(B) of the Companies Act.

Promise Vs performance

Our Company or any member of our Promoter Group or associate companies have not made any previous public or rights issues.

Outstanding Debentures or Bond Issues

Our Company does not have any outstanding debentures or bonds as of the date of this Red Herring Prospectus.

Outstanding Preference Shares

Our Company does not have any outstanding preference shares as of the date of this Red Herring Prospectus.

Stock Market Data of our Equity Shares

This being an initial public offering of the Equity Shares of the Company, the Equity Shares are not listed on any stock exchange.

Purchase of Property

There is no property which has been purchased or acquired or is proposed to be purchased or acquired which is to be paid for wholly or partly from the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property, in respect of which:

- The contract for the purchase or acquisition was entered into in the ordinary course of business, nor was the contract entered into in contemplation of the Issue, nor is the issue contemplated in consequence of the contract; or
- The amount of the purchase money is not material.

Except as stated in this Red Herring Prospectus, the Company has not purchased any property in which any of its Promoter and/or Directors, have any direct or indirect interest in any payment made thereunder.

Mechanism for Redressal of Investor Grievances

The memorandum of understanding between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of the letters of allotment, refund orders, demat credit or where refunds are being made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances by the Company

We estimate that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be ten working days from the date of receipt of the complaint. In case of complaints that are not routine or where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Govind M. Joshi, our Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. Govind M. Joshi
270 J, Periyar Colony, Anupparpalayam,
Tirupur - 641 652
Tamil Nadu, India
Tel: +91 421 248 7051
Fax: +91 421 247 7254
Email: govindjoshi@kprmill.com

Other Disclosures

Except as disclosed in "Capital Structure" beginning on page 19 of this Red Herring Prospectus, the Promoter Group, the directors of the Promoter Group companies or the Directors of the Company have not purchased or sold any securities of the Company during a period of six months preceding the date of this Red Herring Prospectus.

Disposal of investor grievances by listed companies under the same management as the Company

There is no listed company under the same management as the Company.

Change in Auditors

There have been no changes in the Company's auditors in the last three years, except as described below:

Name of Auditor	Date of Appointment	Date of resignation	Reasons for change
A.Vetrivel, Chartered Accountant	March 19, 2003	October 6, 2006	Resignation.
Deloitte Haskins & Sells, Chartered Accountants	October 6, 2006	-	Appointment as Auditors.

Capitalization of Reserves or Profits

Apart from the 1:1 bonus issue dated March 1, 2007, pursuant to which a total of 15,885,396 Equity Shares of Rs.10 each were allotted to the shareholders, our Company has not capitalized its reserves or profits at any time during the last five years. For details of the bonus issue, see the section titled "Capital Structure" beginning on page 19 of this Red Herring Prospectus.

Tax Implications

Investors that are allotted Equity Shares in the Issue will be subject to capital gains tax on any resale of the Equity Shares at applicable rates, depending on the duration for which the investors have held the Equity Shares prior to such resale and whether the Equity Shares are sold on the stock exchanges. For details, see the section titled "Statement of Tax Benefits" beginning on page 41 of this Red Herring Prospectus.

Revaluation of Assets

The Company has not revalued its assets in the last five years.

Interest of Promoters and Directors

Promoters

Our Promoters, Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj are interested parties in any dividend and distributions made by the Company or to the extent of their shareholding in the Company.

Our Promoters will also be interested in any future contracts that the Company may enter into with any of the Promoter Group companies.

Our Promoters have granted leases over four properties to the Company, comprising the following: a lease for a property located at 270 J Periyar Colony, Anupparpalayam, Tirupur, Tamil Nadu, India, measuring 1 acre which is also the administrative office of the Company; a lease for a property located at 252 Periyar Colony, Anupparpalayam, Tirupur, Tamil Nadu, India, measuring 0.40 acre on which the Company's staff quarters and other amenities are located; a lease for a property located at Periyar Colony, Anupparpalayam, Tirupur, Tamil Nadu, India, measuring 1.88 acres on which the apparel manufacturing unit of the Company is located; and a lease for a property located at Indiampalayam, Arasur post, Sathyamangalam Taluk, Erode District, Tamil Nadu, India, measuring 13.99 acres on which the Sathyamangalam unit of the Company is located. The four lease agreements dated December 7, 2006 are valid for a period of ten years from the date of the agreements. The rent payable by the Company to our Promoters for two of the properties is Rs.300,000 per annum for the first five years of the agreement which shall be fixed at the fair market value thereafter. The rent payable for the other two properties leased by the Company our Promoters is Rs.500,000 per annum for the first five years of the agreement which shall be fixed at the fair market value thereafter. The lease may be terminated by our Promoters upon a 30-day notice for (a) failure by the Company to pay rent; (b) winding-up of the Company; (c) existing shareholders of the Company ceasing to hold at least 51% of the issued share capital of the Company; or (d) breach by the Company of any covenant or representation in the agreement. Except as disclosed in this Red Herring Prospectus, our Promoters have no interest in any property acquired by the Company or proposed to be acquired by the Company.

In addition, our Promoters are also partners of K.P.R Enterprises, a member of our Promoter Group, which has applied to the appropriate authorities for the registration of “K.P.R.” as a trademark. The Company has entered into a license agreement dated November 14, 2006 for use of the “K.P.R.” trademark. The license agreement grants an exclusive irrevocable and perpetual license to the Company to access, use, modify and/or display the “K.P.R” name in the Company’s corporate name and for its business (which has been specifically defined to include all activities carried out by the licensee in the textile and/or garment manufacturing industries) in India and abroad for a one time consideration of Rs.100.

Directors

All the Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or any committee thereof. The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trusts, in which they are interested as directors, members, partners and/or trustees.

Except for the interests of our Promoter who are also Directors, as disclosed in this Red Herring Prospectus, the Directors are not interested in any contracts/relationship with the Company. For details, see the section “Related Party Transaction” beginning on page 107 of the Red Herring Prospectus.

Payment or benefit to officers of our Company

Except as stated otherwise in this Red Herring Prospectus, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of the Company’s officers except the normal remuneration rendered as Directors, officers or employees. Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

Except as disclosed in this Red Herring Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, this Red Herring Prospectus and the Prospectus, Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advice and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to all applicable laws, rules, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the GoI, Stock Exchanges, RoC, RBI, the FIPB 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 by a resolution of our Board dated February 21, 2007 and by a special resolution passed pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on March 1, 2007.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividends. The Allottees of Equity Shares in this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For further details, see the section titled "Main Provisions of the Articles of Association" beginning on page 223 of this Red Herring Prospectus.

Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs.10 each and the Issue Price is Rs.[•] per Equity Share. At any given point of time there shall be only one denomination of Equity Shares.

Compliance with SEBI Guidelines

We shall comply with applicable disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders of the Company shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive any surplus on liquidation, subject to statutory and other preferential claims being satisfied;
- Right to freely transfer their Equity Shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreements executed with the Stock Exchanges, and our Company's Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, see the section titled "Main Provisions of the Articles of Association" beginning on page 223.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialized form. Since trading of our Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of 25 Equity Shares subject to a minimum Allotment of 25 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Coimbatore, Tamil Nadu, India.

Nomination Facility to 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, the 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 in accordance with Section 109A of the Companies Act, be entitled to the same benefits 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 the Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or with the Registrar and transfer agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors wish to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvement to the Underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Further, in terms of Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of Allottees to whom Equity Shares will be Allotted will not be less than 1,000.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be

offered or sold within the United States or to, or for the account 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 being offered and sold only (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 of the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. See "Main Provisions of our Articles of Association" beginning on page 223 of this Red Herring Prospectus.

ISSUE STRUCTURE

The present Issue is comprised of a public issue of 5,912,100 Equity Shares, at a price of Rs.[•] for cash aggregating Rs.[•] million, is being made through the 100% Book Building Process. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	At least 3,547,260 Equity Shares.	Not less than 591,210 Equity Shares or the Issue less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation.	Not less than 1,773,630 Equity Shares or the Issue less allocation to QIB Bidders and Non-Institutional Bidders shall be available for allocation.
Percentage of Issue size available for allotment/allocation	At least 60% of the Issue shall be allotted to QIB Bidders. However, 5% of the QIB Portion shall be available for allocation proportionately 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. The unsubscribed portion in the Mutual Fund reservation will be available to QIBs.	Not less than 10% of the Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation.	Not less than 30% of the Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders shall be available for allocation.
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: (a) 177,363 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and (b) 3,369,897 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 so that the Bid Amount exceeds Rs.100,000 and in multiples of 25 Equity Shares.	Such number of Equity Shares so that the Bid Amount exceeds Rs.100,000 and in multiples of 25 Equity Shares.	25 Equity Shares and in multiples of 25 Equity Shares thereafter.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Maximum Bid	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs.100,000.
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Bid Lot	25 Equity Shares in multiples of 25 Equity Shares	25 Equity Shares in multiples of 25 Equity Shares	25 Equity Shares in multiples of 25 Equity Shares
Trading Lot	One Equity Share.	One Equity Share.	One Equity Share.
Who can Apply **	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with 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.	Eligible NRIs, Resident Indian individuals, HUF (in the name of the *Karta*), companies, corporate bodies, scientific institutions, societies and trusts.	Individuals (including HUF in the name of the *Karta* and Eligible NRIs) applying for Equity Shares such that the Bid Amount per individual Bidder does not exceed Rs.100,000 in value.
Terms of Payment	Margin Amount applicable to QIBs shall be payable at the time of submission of the Bid-cum-Application Form to the BRLM or its Syndicate Member.	Margin Amount applicable to Non-Institutional Bidders shall be payable at the time of submission of the Bid-cum-Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of the Bid-cum-Application Form to the members of the Syndicate.
Margin amount	At least 10% of Bid Amount.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.

* Subject to valid Bids being received at or above the Issue Price. In terms of Rule 19(2)(b) of the SCRR, this is an issue for less than 25% of the post-Issue capital, therefore, the Issue is being made through a 100% Book Building Process wherein at least 60% of the Issue shall be allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs,

subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Under-subscription, if any, in the Non-Institutional and Retail categories, 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. See "Issue Procedure" beginning on page 199 of this Red Herring Prospectus.

** 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 the names are in the same sequence in which they appear in the Bid-cum-Application Form.

Bidding/ Issue Programme

BID/ISSUE OPENS ON	**AUGUST 2, 2007**
BID/ISSUE CLOSES ON	**AUGUST 7, 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 centres mentioned on the Bid-cum-Application Form except that on the Bid/ Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded until (i) 5 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders; and (ii) such time as permitted by the BSE and the NSE on the Bid/ Issue Closing Date, in case of Bids by Retail Individual Bidders. Due to the limited time available for uploading Bids on the Bid/Issue Closing Date, Bidders may consider submitting their Bids one day prior to the Bid/Issue Closing Date. Bidders are advised that if a large number of Bids are received on the Bid/Issue Closing Date, it may not be possible to upload all the Bids received on that day during the time available for uploading. Bids that are not uploaded on the Bid/Issue Closing Date will not be considered for allocation under the Issue. Bids will be accepted only on Business Days.

The Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap should not be more than 20% of the floor of the Price Band. The floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding Period will be extended for three additional working days after revision of Price Band subject to the Bidding Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding 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, the CBRLM and at the terminals of the members of Syndicate.

ISSUE PROCEDURE

Book Building Procedure

In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital of the Company, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis, including 5% of the QIB Portion which shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue 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.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through the BRLM and/or its affiliates. In case of QIB Bidders, the Company in consultation with the BRLM, may reject Bids at the time of acceptance of the Bid-cum-Application Form provided that the reasons for such rejection shall be disclosed to such Bidder in writing. In the cases of Non-Institutional Bidders and Retail Individual Bidders our Company would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid. The Bidders shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs applying on a repatriation basis, FVCIs, FIIs, registered multilateral and bilateral development financial institutions and other Non-Residents applying on a repatriation basis	Blue

Who can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines.
- Indian nationals resident in India who are not minors in single or joint names (not more than three);
- 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;
- Companies, corporate bodies and societies registered under the applicable laws in India and

authorized to invest in equity shares;

- Indian Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non-repatriation basis subject to compliance with applicable laws. NRIs other than eligible NRIs are not eligible to participate in this Issue;
- Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI Guidelines and regulations, as applicable).;
- FIIs registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- Venture Capital Funds registered with SEBI;
- State Industrial Development Corporations;
- Multilateral and bilateral development financial institutions;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
- Scientific and/or Industrial Research Organisations authorized to invest in equity shares;
- Insurance companies registered with Insurance Regulatory and Development Authority, India;
- Subject to the applicable law, Provident Funds with minimum corpus of Rs.250 million and who are authorized under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs.250 million and who are authorized under their constitution to hold and invest in equity shares; and

Note: The BRLM, the CBRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the Book Running Lead Managers, Co Book Running Lead Managers and Syndicate Members may subscribe for Equity Shares in the Issue including in the QIB Portion and Non Institutional Portion where the allocation is on a proportionate basis.

The information below is given for the benefit of the Bidders. The Company, the BRLM and the CBRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur 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.

Bids 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 177,363 Equity Shares, allocation shall be made to Mutual Funds on a proportionate basis, to the extent of the Mutual Funds Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds 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 equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

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.

Bids by Eligible NRIs

1. Bid-cum-Application Forms have been made available for Eligible NRIs at our registered /corporate office, members of the Syndicate.

2. NRI applicants should note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the Eligible NRI Category. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) account shall use the application form meant for Resident Indians (white form).

Bids by FIIs

As per the current regulations, 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 (i.e. 10% of 37,682,892 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. In accordance with the foreign investment limits applicable to us, the aggregate FII investment in us cannot exceed 24% of our total issued capital. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company. The Company has not obtained board or shareholders approval to increase the FII limit to more than 24% of its outstanding equity capital.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities and 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 on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Associates and affiliates of the Underwriters, including the BRLM and the CBRLM, that are FIIs or its sub-account may issue offshore derivative instruments against Equity Shares allocated to them in the Issue.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996, as amended, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, as amended, prescribe investment restrictions on Venture Capital Funds and Foreign Venture Capital Investors registered with SEBI. Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

Pursuant to the SEBI Guidelines, the shareholding of SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft prospectus with SEBI.

Information for the Bidders:

(a) The Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) 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 the RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and Tamil). 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 DIP guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 date January 25, 2005.

(c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.

(d) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus along with the Bid-cum-Application Form can obtain the same from our registered office or from any of the members of the Syndicate and should approach any of the BRLM, the CBRLM or Syndicate Members or their authorized agent(s) to register their Bids.

(e) The members of the Syndicate shall accept Bids from the Bidder during the Bidding Period in accordance with the terms of the Syndicate Agreement.

(f) 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.

(g) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case of revision in the Price Band, the Bidding Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Tamil newspaper, and also by indicating the change on the websites of the BRLM, the CBRLM and at the terminals of the Syndicate Members.

(h) The Price Band has been fixed at Rs.225 to Rs.265 per Equity Share of Rs.10 each, Rs.225 being the lower end of the Price Band and Rs.265 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of 25 Equity Shares

(i) The Company in consultation with the BRLM reserves the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

(j) The Company in consultation with the BRLM can finalize the Issue Price within the Price Band, without the prior approval of, or intimation, to the Bidders.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs.100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.100,000. In case the Bid Amount is over Rs.100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off Price option is given only to the Retail Individual Bidders indicating their agreement to the Bid and to purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIBs:** 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 25 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under the existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB Margin Amount upon submission of the Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs.100,000 for being considered for allocation in the Non-

Institutional Portion. In case the Bid Amount reduces to Rs.100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at the 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.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under paragraph "Payment of Refund" beginning on page 203.

Method and Process of Bidding

(a) Each Bid-cum-Application Form will give the Bidder the choice to Bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" beginning on page 203) 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/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(b) The Bidder cannot Bid on another Bid-cum-Application Form after Bid(s) 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 bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point in time before the Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Bids at Different Price Levels and Revision of Bids" beginning on page 203.

(c) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.

(d) 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, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(e) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" beginning on page 209.

Bids at Different Price Levels and Revision of Bids

(a) 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 applying for a maximum Bid in any of the bidding options not exceeding Rs.100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders bidding in excess of Rs.100,000 and such Bids shall be rejected.

(b) 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 at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders, the Retail Individual Bidders who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(c) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at the Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the revised Price Band (such that the total amount i.e., the original Bid Amount plus additional payment does not exceed Rs.1,00,000 if the Bidder wants to continue to Bid at the Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs.100,000 the Bid will be considered for allocation under the Non-Institutional Portion in terms of the 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 the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(d) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at the Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(e) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 25 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs.5,000 to Rs. 7,000.

(f) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

(g) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(h) 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.

(i) 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.

(j) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the BRLM and/or their affiliates shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(k) 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.**

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRIs and FIIs applying on a repatriation).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares, thereafter subject to a maximum Bid Amount of Rs.100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs.100,000 and in multiples of 25 Equity

Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) NRIs for a Bid Amount of up to Rs.100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs.100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 25 Equity Shares thereafter that the Bid Price exceeds Rs.100,000.

(f) Bids by Non Residents, NRIs, FVCIs, FIIs etc. on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

(g) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(h) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Electronic Registration of Bids

(a) The members of the Syndicate 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.

(b) The 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 Members of the Syndicate and their authorized agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/ Issue Closing Date, the members of the Syndicate shall upload the Bids until such time as may be permitted by the Stock Exchanges. This information will be available with the BRLM on a regular basis.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the Bidder(s). Bidders should ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depositary Account is held. In case the Bid-cum-Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.
- Investor Category – Individual, Corporate, QIB, Eligible NRI, FII, FVCI or Mutual Fund.
- Numbers of Equity Shares bid for.
- Bid price.
- Bid-cum-Application Form number.
- Whether Margin Amount has been paid upon submission of Bid-cum-Application Form.
- Depository participant identification number and client identification number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotment either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, the BRLM and/or their affiliates have the right to accept the Bid or reject the Bids. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders would not be rejected except on the technical grounds listed on page 212.

(h) 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 our Company and/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 Promoter, our management or any scheme or project of our Company.

(i) 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.

(j) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;

b) Ensure that you Bid within the Price Band;

c) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour);

d) Ensure that the details about your Depository Participant and beneficiary account are correct and your beneficiary account is activated as Equity Shares will be Allotted in dematerialized form only;

e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

f) Ensure that you have collected a TRS for all your Bid options;

g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

h) 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. **Pursuant to a recent SEBI circular No. MRD/DOP/Cir-05/2007 dated April 27, 2007, with effect from July 2, 2007, the PAN is the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction.** In case the PAN has not been allotted, mention "Applied for" or "Not Applicable" in the appropriate places and submit Form 60 or Form 61 as the case may be together with permissible documents as proof of address. (See the section titled, "Issue Procedure—PAN Number" beginning on page 211 of this Red Herring Prospectus);

i) Ensure that the demographic details are updated, true and correct in all respects; and

j) Ensure that the name(s) given in the Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid-cum-Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid-cum-Application Form.

Don’ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid amount to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash or by postal order or by stockinvest;

(e) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at the Cut Off Price (for QIB Bidders and Non-Institutional Bidders);

(g) Do not complete the Bid-cum-Application Form such that the Equity Shares Bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of this Red Herring Prospectus;

(h) Do not bid at Bid Amount exceeding Rs.100,000 for in case of a Bid by a Retail Individual Bidder;

(i) Do not submit the Bid without the QIB Margin Amount, in the case of a Bid by a QIB;

(j) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and/or Revision Forms from the members of the Syndicate.

Bidder’s Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the demographic details of the Bidders such as their address, bank account details for printing on refund orders or giving credit through ECS or Direct Credit, MICR code and occupation (hereinafter referred to as ‘Demographic Details’). These bank account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the 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 despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM, the CBRLM nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED 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 SUCH JOINT NAMES ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR ON THE BID-CUM-APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ECS credit for refund/direct credit of refund/CANs/Allocation Advice/NEFT or RTGS for refunds and printing of Company particulars on the refund order. The Demographic Details given by

Bidders in the Bid-cum-Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid-cum-Application Form, the Bidder would be deemed to have authorized the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advice/CAN would be mailed to the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, nor the Registrar, Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case 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 Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company in its 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/ refunds through electronic transfer of funds, 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.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into 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 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.

As per the RBI regulations, OCBs are not permitted to participate in the Issue.

All applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

a. 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 of association and articles of association and/or bye laws must be submitted along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

b. 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 therefor.

c. 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 therefor.

d. In case of Bids made by provident funds (subject to applicable law) 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.

e. In the case of Bids made by Mutual Funds, venture capital funds registered with the SEBI and FVCIs registered with the SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

f. Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application form, subject to such terms and conditions that our Company and the BRLM may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism

The Company shall open Escrow Accounts 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 allocation in the Issue.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. 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 Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. Payments of refund to the Bidders shall also be made from the Refund 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 the Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms.

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form, draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph titled "Terms of Payment and Payments into the Escrow Account" beginning on page 209) 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 Margin Amount payable by each category of Bidders is mentioned under "Issue Structure" beginning on Page 196. 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.

2. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM, and the CBRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   - In case of resident QIB Bidders: "Escrow Account–KPR Public Issue – QIB – R"

- In case of Non Resident QIB Bidders: “Escrow Account– KPR Public Issue – QIB – NR”
- In case of Resident Retail and Non-Institutional Bidders: “Escrow Account– KPR Public Issue –R”
- In case of Non Resident Retail and Non-Institutional Bidders: “Escrow Account– KPR Public Issue –NR”

4. In case of Bids by Eligible NRIs applying on a repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by draft should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

5. In the case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made by 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 NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or a FCNR or an NRO Account.

6. In case of Bids by FIIs, FVCIs the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

7. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated will be refunded to the Bidder from the Refund Account.

8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement into the Public Issue Account.

9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

10. 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/ Stockinvest/Money Orders/ Postal orders will not be accepted.

11. Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid-cum-Application Form.

12. Incase clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all refund payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form. 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 the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications are electronically strung on first name, address and applicants status. These applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/husbands name to determine if they are multiple applications.

2. Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/beneficiary ID. Applications with common DP ID/ beneficiary ID are manually checked to eliminate possibility of data entry error to determine if they are multiple applications.

3. Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked

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 Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

In cases where there are more than 20 valid applicants having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of KYC norms by the depositories.

Permanent Account Number or PAN

The Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **Pursuant to a recent SEBI circular No. MRD/DOP/Cir-05/2007 dated April 27, 2007, with effect from July 2, 2007, the PAN is the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a PAN 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.**

GROUNDS FOR REJECTIONS

In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids 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 who bid, the Company has a right to reject Bids based on technical grounds only. Consequent refunds shall be made as described in this Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Age of First Bidder not given;
- 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;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN not stated or copy of Form 60 or 61 as applicable or GIR number given instead of PAN and proof of PAN is not attached to the Bid-cum-Application Form;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders bidding in excess of Rs. 100,000;
- Bids for number of Equity Shares which are not in multiples of 25;
- Category not ticked;
- Multiple Bids;
- In case of Bids under power of attorney or by limited companies, corporates, trusts etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid-cum-Application Forms does not have the stamp of the BRLM, CBRLM or Syndicate Members;
- Bid-cum-Application Forms does not have Bidder’s depository account details;
- 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;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant’s identity (DP ID) and the beneficiary’s account number;

- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect where the Bid-cum-Application form do not reach the Registrar prior to the finalisation of the basis of allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by QIBs not submitted through members of the Syndicate;
- Bids by Non-residents such as OCBs;
- Bids by US residents or US persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act or other than in reliance of Regulation S under the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels.

(b) The Company in consultation with the BRLM shall finalize the "Issue Price".

(c) The allotment to QIBs will be at least 60% of the Issue and allocation to Non-Institutional and Retail Individual Bidders will be not less than 10% and 30% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs then the entire application money will be refunded.

(d) In case of over-subscription in all categories, at least 60% of the Issue shall be allotted on a proportionate basis to QIBs, out of which 5% shall be reserved for Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 5% of the QIB Portion, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIBs in proportion to their Bids. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, will be met with spill-over from any other category or combination of categories at the discretion of the Company, in consultation with the BRLM and the Designated Stock Exchange.

Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 177,363 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM, and the Designated Stock Exchange.

(e) Allocation to Eligible NRIs, FVCIs, FIIs etc. applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the RBI and other applicable laws, rules, and regulations, while granting permission for allotment of Equity Shares to them in this Issue.

(f) The Company reserves the right to cancel the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment without assigning any reasons whatsoever.

(g) In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

(h) The Company, in consultation with the BRLM, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the BRLM, the CBRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/ Allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

(c) The Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

(d) The Company will issue an advertisement after the filing of the Prospectus with the RoC in three widely circulated newspapers (one each in English, Hindi and Tamil). This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM, or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment 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, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLM or the members of the Syndicate would then dispatch a 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 entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is subject to "Notice to QIBs: Allotment Reconciliation and Revised CANs" as set forth herein.

Notice to QIBs: Allotment Reconciliation and Revised CANs

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 will be sent a CAN on or prior to [•], 2007, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical 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 and specified in the physical book. 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. It is not necessary that a revised CAN will be sent. 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 its entirety the earlier CAN.

Designated Date and allotment of Equity Shares

(a) The Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the valid Bids in this portion are less than or equal to 1,773,630 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the valid Bids in this portion are greater than 1,773,630 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 25 Equity Shares. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the valid Bids in this portion are less than or equal to 591,210 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

- In case the valid Bids in this portion are greater than 591,210 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of 25 Equity Shares. For the method of proportionate basis of Allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.

- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, and not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance Allotment to all QIBs shall be determined as follows:

    (i) In the event 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.

- The aggregate Allotment to QIB Bidders shall not be less than 3,547,260 Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

S. No.	Particulars	Issue details
1	Issue size	200 million equity shares
2	Allocation to QIB (60%)	120 million equity shares
	Of which:	
	a. Allocation to MF (5%)	6 million equity shares
	b. Balance for all QIBs including MFs	114 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

S.No.	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20

S.No.	Type of QIB bidders#	No. of shares bid for (in million)
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 6 million Equity Shares to MF proportionately (see note 2 below)	Allocation of balance 114 million Equity Shares to QIBs proportionately (see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	11.40	0
A2	20	0	4.56	0
A3	130	0	29.64	0
A4	50	0	11.40	0
A5	50	0	11.40	0
MF1	40	1.2	9.12	10.32
MF2	40	1.2	9.12	10.32
MF3	80	2.4	18.24	20.64
MF4	20	0.6	4.56	5.16
MF5	20	0.6	4.56	5.16
	500	**6**	**114**	**51.64**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in "Issue Structure" beginning on page 196 of this Red Herring Prospectus.

2. Out of 120 million Equity Shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 million shares in QIB category.

3. The balance 114 million Equity Shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million Equity Shares (including 5 MF applicants who applied for 200 million Equity Shares).

4. The figures in the fourth column titled "Allocation of balance 114 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:

   - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 114 / 494

   - 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 114/494

- The numerator and denominator for arriving at allocation of 114 million shares to the 10 QIBs are reduced by 6 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate basis of allocation in the Issue

In the event of the Issue being over-subscribed, the Company shall finalize the basis of allocation in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the BSE along with the Book Runners, and the Registrar to the Issue shall be responsible for ensuring that the basis of allocation is finalized in a fair and proper manner.

Bidders will be categorized according to the number of Equity Shares applied for by them and the allotment shall be made on a proportionate basis as explained below.

(a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the oversubscription ratio.

(b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

(c) In all Bids where the proportionate allotment is less than 25 Equity Shares per Bidder, the allotment shall be made as follows:
  - Each successful Bidder shall be allotted a minimum of 10 Equity Shares; and
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

(d) If the proportionate allotment to a Bidder is a number that is more than 25 Equity Shares but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

(e) 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.

PAYMENT OF REFUNDS

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them 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 despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Syndicate Members, the Escrow Collection Banks, the Registrar, the BRLM nor the CBRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refunds would be mandatorily done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bengaluru, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna

and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds through ECS is mandatory for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker, as mentioned in the Bid-cum-Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose Bid Amount exceeds Rs.5 million, shall have the option to receive refunds, if any, through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. 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. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. 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 upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs.1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Letters of Allotment or Refund Orders

The Company shall give credit to the beneficiary account with depository participants within two working days from the date of the finalization of basis of allocations. Applicants residing at fifteen centers where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure dispatch of refund orders, if any, of value up to Rs.1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within fifteen days of closure of Bid / Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date; and

- 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 within the 15 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the

Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Disposal of applications and application moneys and interest in case of delay

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 two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 (fifteen) days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- 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 or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

UNDERTAKINGS BY OUR COMPANY

We undertake the following:

- That the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- That the refund orders or Allotment advice to the non-resident Indians shall be dispatched within specified time; and
- No further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus and the Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of proceeds of Issue

Our Board of Directors certify that:

- All monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

- Details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;

- Details of all unutilized monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilized monies have been invested;

- Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilization of the proceeds of the Issue.

Withdrawal of the Issue

The Company in consultation with the BRLM reserves the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

EQUITY SHARES IN DEMATERIALIZED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a de-materialized 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 the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated May 16, 2007 with NSDL, the Company and the Registrar to the Issue.

b) Agreement dated April 25, 2007 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialized mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant’s identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading ‘Bidders Depository Account Details’ in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

f) 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.

g) 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.

h) The trading of the Equity Shares of the Company would be in dematerialized form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

2. The regulations contained in Table A of the First Schedule to the Act shall apply to this Company except so far as the Articles herein contained modify the same or provide otherwise. Whenever any of these Articles come into conflict with the provisions of the Act, the provisions of the Act shall prevail.

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. The share capital of the Company shall comprise of equity shares and/or preference shares of such amount as may be determined by the Company, from time to time. The Company shall have the power to increase, reduce, sub-divide or to repay the capital or 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.

4. Subject to the provisions of the Act, the Company shall have the power to issue or re-issue preference shares in one or more series which are, at the option of the Company, liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such redemption.

5. Subject to Applicable Law, the shares in the capital of the Company for the time being (including any shares forming part of any increased capital of the Company) and depository receipts or debentures or other Securities that the Company may propose to issue from time to time shall be under the control of the Board of Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, on such terms and conditions, in such proportion and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as the Board may, from time to time, think fit and with sanction of the Company in a General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that an 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. Whether a particular issue of shares or other Securities should be on rights basis or by way of a preferential allotment or by private placement or through an issue of shares or Securities to the public or by way of a bonus issue shall be decided by the Board of Directors at its absolute discretion and subject to provisions of Applicable Laws. Shares and Securities may be in dematerialized form.

6. 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 certificate, dividends or bonus or service of notice and all or any other matters provided to the Shareholders of the Company, except, the transfer of shares. No more than three persons shall be registered jointly as Members in respect of any share.

7. Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears in the Register of Members as the absolute owner of the shares held by him. The Company shall not (except as required by Applicable Law) be under any obligation to recognize any benami, trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof.

8. Where the shares in question are not dematerialized, every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so 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 two months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares, as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the Directors may prescribe and approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holder.

9. (1) If any share certificate is worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer or in case of sub-division or consolidation of shares, then upon production and surrender of the relevant share certificates to the Company, new certificates may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on the provision of such indemnity as the Company deems adequate, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under this Article shall be issued without payment of fees if the Board so decides, or on payment of such fees (not exceeding Rs.2 (Rupees Two) for each certificate) as the Board 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 or in case of sub-division or consolidation of shares.

(2) Notwithstanding Article 9(1) above, the Board shall comply with provisions of all Applicable Laws including the rules, regulations or requirements of any stock exchange, the rules made under the Act and the rules made under Securities Contracts (Regulation) Act, 1956, as amended.

(3) The provisions of this Article shall apply mutatis mutandis to any Securities of the Company.

10. Shares may be registered in the name of any person, joint holders, Hindu undivided family, minors, societies registered under the Societies Registration Act, Trusts registered under the Indian Trusts Act and / or any limited company. Provided that only fully paid up shares shall be registered in the names of minors.

11. The Company may after giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated, close the Register of Members or the register of debenture holders for any period or periods not exceeding in the aggregate forty five (45) days in each year but not exceeding thirty (30) days at any one time.

12. The Company may, from time to time, by resolution, increase its share capital by such sum to be divided into shares of such amounts, as the resolution may prescribe. Unless otherwise stated, all new shares of the same class shall rank pari passu with the existing shares of the same class.

13. (a) Where it is proposed to increase the subscribed capital of the Company by the allotment of further shares either out of the unissued capital or out of the increased share capital then subject to Article 13(b) below, the procedure set forth below shall be followed:

(i) 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 circumstances admit, to the capital paid up on those shares at the date.

(ii) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty (30) days from the date of the offer, and the offer if not accepted, will be deemed to have been declined.

(iii) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to such person in favour of any other person, and the notice referred to in clause (ii) above shall contain a statement of this right, provided that, the Board may decline to allot any shares to any person in whose favour any Shareholder may renounce the shares offered to such Shareholder, including, without limitation, due to any restriction under Applicable Law.

(iv) Upon the 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 such person declines to accept the shares offered, the Board may dispose off such shares in such manner as they think most beneficial to the Company.

(b) Notwithstanding anything contained in Article 13(a) above, the further shares aforesaid may be offered to any person in any manner whatsoever:

(i) if such offer is authorised by a special resolution passed by the Company in a General Meeting; or

(ii) where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting including the casting vote, if any, of the Chairman) by the Shareholders 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 Shareholders, 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.

(c) Nothing in Article 13(a)(iii) above shall be deemed:

(i) to extend the time within which the offer should be accepted; or

(ii) to authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the relevant shares.

(d) Nothing in Article 13(a) shall apply to the increase in the subscribed capital of the Company caused by the exercise of an option attached to any debentures issued or loans raised by the Company:

(i) to convert such debentures or loans into shares; or

(ii) to subscribe for shares (whether such option is conferred in these Articles or otherwise).

Provided that the terms of the issue of such debentures or the terms of such loans include a term providing for such option and such terms:

(a) have either been approved by the Central Government before the issue of the debentures or the raising of the loans, or is in conformity with the rules, if any, made by the Central Government in this behalf; and

(b) in the case of debentures or loans other than debentures issued to, or loans obtained from, the Central Government or any institution specified by the Central Government in this behalf, have also been approved by a special resolution passed by the Company in a General Meeting before the issue of the debentures or the raising of the loans.

14. If, owing to any inequality in the number of new shares to be issued, and the number of shares held by Shareholders entitled to receive an offer of such new shares, any difficulty arises in apportionment of such new shares or any of them, among the Shareholders, such difficulty shall, in the absence of any direction in the resolution creating or issuing the shares of the Company in the General Meeting, be determined by the Board.

15. The Company in a 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;

(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;

(c) sub-divide its existing shares or any of them into shares of smaller amount than is fixed in the Memorandum subject to the provisions of clause (d) of sub-section (1) of the Section 94 of the Act; and

(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 reduction in share capital.

16. The Company may, by special resolution, reduce its share capital, capital redemption reserve, or share premium, in any manner in accordance with and subject to requirements of Applicable Laws.

17. Subject to such provisions of the Act and provisions of Applicable Law, as may be in force for the time being, the Company may, on such terms and conditions as deemed fit by the Board, at any time and from time to time, buy back its own shares and / or any other Securities.

CALLS ON SHARES

18. (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.

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.

iii. A call may be revoked or postponed at the discretion of the Board.

(b) A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed.

(c) The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

(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 such rate as the Board may determine.

ii. The Board shall be at liberty to waive payment of any such interest wholly or in part.

(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.

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.

(f) i. The Board may, if it deems fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the Member paying such sum in advance and the Board agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Board may at any time repay the amount so advanced.

ii. The concerned Member shall not be entitled to any voting rights in respect of the moneys so paid by such Member until the same would but for such payment, become presently payable.

The provisions of this Article shall apply mutatis mutandis to the calls on any Securities of the Company.

FORFEITURE OF SHARES

19. (a) If a Member fails to pay any call, or instalment 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 instalment 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.

(b) The notice aforesaid shall –

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

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 will be liable to be forfeited.

(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.

(d) i. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as 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.

(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.

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.

(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.

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.

iii. The transferee shall thereupon be registered as the holder of the share.

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.

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.

h. 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.

NOMINATION

20. (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.

(b) Such nomination may be revoked at any time and the Member may make fresh nomination if he so desires.

(c) The nomination must be made in accordance with the provisions of the Act.

(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.

(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:

i. to be registered himself as the 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.

21. The transferor and transferee or their duly constituted agents, by submitting to the registered office of the Company, duly executed prescribed instrument for share transfer, may apply to register the transfer of shares. The instrument of transfer shall be in writing and the provisions of Section 108 of the Act in respect of transfer of shares and registration shall be duly complied with.

22. Subject to the provisions of Section 111A of the Act and any listing agreement entered into with recognized stock exchanges, the Board may, at its absolute 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, but in such cases, the Board shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal to register such transfer, provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person(s) indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares or debentures shall not be refused solely for the reason that the relevant shares are not in marketable lots.

23. The Board shall register the transfer or transmission of shares within one month from the date of lodgment of relevant documents with the Company.

24. No fees shall be charged for registration of transfers or for effecting transmission or for registering any letters of probate, letters of administration, succession certificate, certificate of death or marriage, power of attorney and similar other documents. When a Shareholder changes his name or if a lady marries, such Shareholder may give notice to the Company of the change of name or of marriage, along with the requisite proof thereof, so that such change may be registered with the Company.

25. Subject to the provisions 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.

LIEN

26. (a) The Company shall have a first and paramount lien upon all the shares (other than fully paid shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be recognised. Such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares will operate as a waiver of the Company's lien, if any, on such shares. The Directors may, at any time, declare any share to be wholly or in part to be exempt from the provisions of this Article.

(b) The Company may sell, in such a manner as the Board thinks fit, any shares on which the Company has a lien, provided that no sale shall be made:

i. unless a sum in respect of which the lien exists is presently payable, and

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 share or the person entitled thereto by reason of his death or insolvency.

(c) i. To give effect to any such sale, the Board may authorize some person to transfer the shares sold to the purchaser thereof.

ii. The purchaser shall be registered as the Shareholder of the shares comprised in any such transfer.

iii. The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

(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.

ii. The residue if any, shall subject to a like lien for sums not presently payable as existed up to the date of sale, be paid to the person entitled to the shares at the date of the sale.

(e) No member shall exercise any voting rights in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.

TRANSMISSION OF SHARES

27. Where no nomination has been made as provided in Article 20, on the death of a Member, the survivor or survivors, where the Member was a joint holder, and the legal heirs, 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.

28. All the provisions herein contained as to the transfer and transmission of shares shall apply mutatis mutandis to the transfer and transmission of the debentures of the Company.

GENERAL POWERS OF THE COMPANY

29. (a) In the making of contracts with any individual, firm or body corporate, the Company shall comply with the various provisions of the Act.

(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.

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.

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 for 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 a General Meeting by a special resolution.

GENERAL MEETINGS

30. (a) All General Meetings other than the Annual General Meetings shall be called Extra-ordinary General Meetings.

(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.

(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.

(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 a dividend;

iii. the appointment of Directors in the place of those retiring, and

iv. the appointment of, and fixing of the remuneration of the Auditors.

(e) In the case of any other General Meeting all business transacted thereat shall be deemed special.

(f) For all items of business deemed to be special as aforesaid the provisions of Section 173 (2) of the Act shall be complied with.

NOTICE

31. (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.

(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.

(c) Every notice of Meeting of the Company shall contain the following:-

i. it shall specify the place, date and time of the General Meeting,

ii. it shall contain a statement of the business to be transacted thereat.

(d) In every notice calling a General 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 a proxy need not be a member.

(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 General Meeting.

REPRESENTATION AT MEETINGS

32. (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, authorize 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.

(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.

PROXIES

33. (a) Any Member of the Company entitled to attend and vote at a General Meeting of the Company shall also be entitled to appoint as his proxy another person or persons, who may or may not be Members of the Company, to attend and vote instead of himself. The instrument appointing a proxy shall be deemed to confer on the proxy a right to demand or join in demanding a poll.

(b) But a proxy shall have no right to speak at the General Meeting.

(c) 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 default the instrument of proxy shall not be treated as valid.

(d) 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.

(e) 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 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.

(f) Every Member entitled to vote at a General Meeting of the Company, or on any resolution to be moved thereat shall be entitled during the period beginning 24 hours before the time fixed for the commencement of the General Meeting and ending with the conclusion of the General 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.

QUORUM

34. (a) No business shall be transacted at any General Meeting unless a quorum of Members is present at the time when the General Meeting proceeds to transact business. Five (5) Members present in person shall be the quorum.

(b) If within half an hour from the time appointed for holding a General Meeting of the Company, a quorum is not present, the General Meeting, if called upon the requisition of Members, shall stand dissolved.

35. (a) All General Meetings of the Company shall be presided over by the Chairman, if any, of the Board or in his absence or unwillingness, the Vice-Chairman, if any of the Board, or in his absence or unwillingness, the Managing Director, if any, for the time being of the Company.

(b) If neither the Chairman nor the Vice-Chairman nor the Managing Director, as the case may be, is present, within fifteen minutes after the time appointed for holding the General Meeting or if neither of them is willing to act as Chairman of the General Meeting, the Directors present shall elect another Director to be the Chairman of the General Meeting.

(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 General 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 General Meeting in accordance with the provisions of Section 175 of the Act.

(d) i. The Chairman may, with the consent of the General Meeting at which a quorum is present, and the Chairman shall, if so directed by the General Meeting, adjourn the General Meeting from time to time and from place to place. Provided that the Chairman shall have absolute authority to adjourn the General Meeting, if the situation is chaotic or unruly.

ii. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which adjournment took place.

iii. When a General 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 General Meeting.

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.

(e) In the case of any equality of votes, whether on a show of hands or on a poll, the Chairman of the General Meeting at which the voting by show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote, provided he is a member entitled to vote, at the General Meeting and on the resolution.

(f) The demand for a poll on any business other than that for election of Chairman of the General Meeting or for the adjournment of the General Meeting shall not prevent the continuance of a General Meeting for the transaction of other business for which no poll has been demanded.

(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.

(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 General 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.

VOTING RIGHTS

36. (a) On show of hands, each Member shall have one vote and on a poll, the voting rights shall be in proportion to the number of shares held by the Member.

(b) In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the others. Where in a General Meeting one of the joint holders is only present, such person shall be entitled to exercise voting rights of the shares held by those joint holders. However if more than one of them is present, the senior of those present shall alone be entitled to exercise voting rights. For this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

(c) A member who is a minor or who is of unsound mind, or in respect of whom an order has been made by any competent court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, or other legal guardian and any such committee or guardian may, on a poll, vote by proxy, 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.

(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.

(e) i. No objection shall be made to the validity or qualification of any voter, except at any General Meeting or poll at which such vote shall be tendered and every vote whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

ii. Any such objection made in due time shall be referred to the Chairman of the General Meeting, whose decision shall be final and conclusive.

(f) Where by law, the resolution for any proposal, is required to be passed through Postal Ballot, such item of business shall be transacted only by Postal Ballot. Where law confers discretion to the Board of Directors of the Company to decide to transact any business through Postal Ballot or physical meetings, the discretion of the Board in that regard shall be final and binding.

POST MEETING FORMALITIES

37. (a) After passing resolutions in a General Meeting, the Directors shall comply with applicable provisions of the Act.

(b) 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 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.

(c) 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 a meeting.

(d) The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this Article.

DIRECTORS

38. Unless otherwise decided by the General Meeting, the Company shall not have less than three or more than twelve Directors. Provided that the Company may, in a General Meeting by ordinary resolution, increase or reduce the number of its directors within the said maximum limit of Twelve (12).

39. A Director shall not be required to hold any qualification shares in the Company.

40. (a) The First Directors of the Company are:

1. Mr. K.P.Ramasamy
2. Mr. KPD. Sigamani
3. Mr. P.Nataraj

(b) Mr. K.P.Ramasamy shall be a Director for his lifetime and he shall not be liable to retire by rotation.

(c) 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.

41. 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.

42. The Board may subject to the provisions of Section 262 of the Act fill any casual vacancy arising in the Board.

43. (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.

(b) An original Director shall not be liable for the acts and defaults of any Alternate Director appointed in his place.

44. Ares Investments shall have the right

i. to nominate one (1) Director to the Board and such Director shall be a member of any one committee of the Board chosen by Ares Investments in its discretion;

ii. to appoint a director on the board of any subsidiary or any entity (including joint venture) under the control of the Company; and

iii. to be furnished with quarterly unaudited financial statements, half yearly financial statements and audited annual accounts of the Company

provided that Ares Investments, Brandot Investments Limited and Argonaut Ventures individually or jointly hold at least 60% of the shares that were allotted to or acquired by them in November 2006 together with any bonus shares that have been or may be issued in relation to the shares that were allotted to or acquired by them in November 2006.

For the purposes of this Article 44, "control" shall mean:

(A) when used with respect to a person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of securities, by contract or otherwise; and

(B) when used with respect to any security, the possession, directly or indirectly, or the power to vote, or to direct the voting of, such security or the power to dispose of, or direct the disposition of, such security.

45. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to any financial institution or banks, the financial institution or bank shall have the right to appoint from time to time, any person or persons as a Director or Directors, whole time or non-whole time, (which Director or Directors is / are hereinafter referred to as "Nominee Directors") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their places.

The nominee directors shall not be liable for retirement by rotation and need not hold any qualification shares. However, he shall be entitled to such sitting fees or other remuneration as the Board may, subject to the provisions of the Act, resolve as payable to the other Directors of the Company.

RETIREMENT OF DIRECTORS BY ROTATION

46. (a) i. Notwithstanding anything contained in Articles 60 (b) and (d), not less than two thirds of the total number of Directors of the Company shall be persons whose period of office is liable to determination by retirement of Directors by rotation and such directors shall, save as otherwise expressly provided in the Act or these Articles, be appointed by the Company in General Meeting.

ii. Save as aforesaid, the remaining Directors may be directors who need not 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.

(c) Retirement and re-appointment of a Director at an annual General Meeting shall not constitute any break in the service of such Director.

(d) A retiring Director who has not been re-appointed shall not be inducted as a Director by the Board.

47. 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 14 (fourteen) days before the General 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), (or such amount as the law for the time being in force may provide). This deposit shall be refunded to such person or as the case may be to such member, if the person or the member succeeds in getting elected as a Director.

48. Any person who is a Director or who is about to be appointed as a director of the Company shall be liable to disclose disqualifications and infirmities if any he or she may be suffering.

49. (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 have terminated.

(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.

50. The office of a Director shall become vacant on the happening of any of the matters provided for in Section 283 of the Act.

51. 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.

COMMITTEE

52. (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 the exercise of the powers so delegated, abide by any regulations that may be imposed on it by the Board.

(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 numbers to be chairman of the meeting.

(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.

(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.

GENERAL POWERS AND DUTIES OF THE BOARD

53. (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 other provisions of Applicable Law or by the Memorandum of Association of the Company or by these Articles, to be exercised or done by Company in a 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 other provisions of Applicable 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 a General Meeting.

(b) No regulation made by the Company in a General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

(c) The Directors shall be duty bound to act in good faith and for bonafide purposes of the Company and they shall be bound to comply with the provisions of Applicable Laws.

(d) The Directors, unless one or more Directors or other responsible officers have been specifically entrusted with such duties, shall be duty bound to comply with the provisions of Applicable Laws.

(e) The Directors, unless one or more Directors or other responsible officers have been specifically entrusted with such duties, shall ensure the proper keeping and maintenance of all registers, records and documents and title deeds of the Company.

(f) The records and registers of the Company may be kept and maintained electronically as electronic records in digitized forms.

SPECIFIC POWERS OF THE BOARD

54. 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.

(b) To have the superintendence, control and direction over Managers, Managing Directors, Whole-time Directors and all other officers of the Company.

(c) To carry on the business on the vacation of office by the Managerial Personnel of the Company.

(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, and

(iii) the power to make loans.

Provided however that every resolution delegating the power in clause (i) shall, specify the total amount up to which moneys may be borrowed by the delegate; every resolution delegating the power in clause (ii) shall specify the total amount up to 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 up to 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 a 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 capable of being delegated by the Directors under these Articles).

(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 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 consideration 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.

(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.

(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.

(j) To sanction, pay and reimburse officers of the Company in respect of any expenses incurred by them on behalf of the Company.

(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 Section 42, 49, 292, 295 and 372A of the Act.

(l) To refer claims or demands by or against the Company to arbitration and observe and perform any awards made thereon.

(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.

(n) To act on behalf of the Company in all matters in insolvency in which the Company is interested.

(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.

(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.

(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.

(r) To make and alter rules and regulations concerning the time and manner of 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.

(t) To exercise the powers conferred by the Company by Sections 157 and 158 of the Act with regard to keeping of foreign registers.

(u) To establish any branch, including foreign branch or any kind of business, duly authorised, at such time or times as it shall think fit and if necessary to keep in abeyance activities of such offices so long as the Board may deem it expedient not to commence or proceed with such branch or kind of business.

(v) To offer and issue, subject to provisions of Applicable Law, shares or Securities to the public, residents or non-residents and to get the shares or Securities of the Company listed in one or more stock exchanges in India or abroad and to de-list from time to time from any such stock exchanges.

(w) To acquire or to merge or amalgamate or takeover or otherwise to absorb units, companies, business entities that have similar or other objects, which may seem to be useful to the interests of the Company.

MEETINGS OF BOARD OF DIRECTORS

55. (a) Subject to provisions of Applicable Law, the Board shall exercise the following powers on behalf of the Company only by means of resolutions passed at meetings of the Board:

    (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; and
    (vi) to buy back shares and securities.

    (b) The Board shall also exercise the powers mentioned in Section 297, 372A, 386 and 488 of the Act only at meetings of the Board and in accordance with the provisions of those Sections.

56. (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.

    (b) In case of an equality of votes, the Chairman of the meeting shall have a casting or second vote.

57. 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.

58. (a) Mr.K.P.Ramasamy shall be the Chairman of the Company and he shall preside over the meetings of the Board of Directors and Shareholders of the Company during his lifetime.

    (b) Save as aforesaid, the Board may elect a Chairman for its meetings and determine the period for which he is to hold office, whether or not he is subject to retirement by rotation. 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 Managing Director or in case he is unwilling, the Directors present may choose one among them to be the Chairman of the meeting.

    (c) 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.

    (d) The Board shall cause a notice 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.

    (e) 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 appoint.

    (f) 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:

    i. increasing the number of Directors to that fixed for the quorum; or

    ii. of summoning a General Meeting of the Company, but for no other purpose.

(g) A meeting of the Board of Directors may be conducted through tele-conference or video conference or with some directors present in person at the appointed venue, if any and others participating through tele or video conference.

59. 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 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

60. (a) Mr. KPD. Sigamani and Mr. P. Nataraj shall be managing directors of the Company. They shall occupy their position in accordance with the terms of their respective appointments.

(b) Subject to Article 46, a Managing Director holding office shall not be subject to retirement by rotation.

(c) 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.

(d) 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). They shall exercise such powers as may be delegated by the Board or the Managing Director(s) with such conditions and restrictions as may be imposed on them. Subject to Article 46, such whole-time Directors shall not be liable for retirement by rotation.

REMUNERATION OF DIRECTORS

61. (a) If any Director, being willing shall be called upon to perform extra services or to make any special exertions in staying 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 any 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.

(b) Every Director shall be entitled to receive out of the funds of the Company by way of sitting fees a sum as the Board may resolve from time to time, not exceeding such amount as may be prescribed under the Act 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 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 Board may determine subject to compliance of the provisions of the Act.

(d) The Directors who are not performing any service on a whole-time basis, may be paid such remuneration as may be decided by the Board, subject to compliance of the provisions of the Act.

MANAGER / SECRETARY

62. (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.

(b) No office in the Company shall be capable of being assigned and any assignment of office shall be void.

DIVIDENDS AND RESERVE

63. The Company in a General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

64. 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.

65. (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 as required under Section 205 of the Act, and except after transfer to the Reserves of the Company as prescribed under Section 205 (2A) of the Act.

(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.

66. (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 otherwise or be invested in such investments as the Board may, from time to time think fit.

(b) The Board may carry forward any profits without declaring dividend or setting them aside as a reserve.

(c) Subject to any special rights of Members 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 the dividend is paid.

(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.

(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.

(f) No unclaimed or unpaid dividend shall be forfeited by the Board and the Company shall comply with the conditions laid down under Section 205A of the Act in respect of such dividends.

67. 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.

68. (a) Where a dividend declared by the Company has remained unclaimed or unpaid, within 30 (thirty) days from the date of declaration, to any shareholder entitled to the payment of the said dividend, the Company shall, within 7 (seven) days from the date of expiry of the said period of 30 (thirty) 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 of K.P.R. Mill Limited".

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of 7 (seven) years from the date of such transfer, shall be transferred by the Company to the fund known as Investor Education and Protection Fund established under Section 205C of the Act.

(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 of the Act:

i. transfer the dividend in relation to such shares to the Special Account referred to in Article 68(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 one of the joint holders who is first named in the Register of Members, or to such person and to such address as the holder or joint holders may in writing direct.

(d) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

(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.

(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.

(g) No dividend shall bear interest against the Company.

ACCOUNTS

69. (a) The Company shall keep proper books of account, comply with the prescribed accounting standards and in making the balance sheet and profit and loss account and other financial statements, the Company shall comply with the provisions of Section 210 to 222 and Schedule VI of the Act.

(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.

(c) Every balance sheet and profit and loss account of the Company when adopted by the Company in a General Meeting 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.

AUDITOR

70. (a) Auditors shall be appointed and their duties regulated in accordance with Section 224 to 233 of the Act.

(b) The remuneration of the auditors shall be fixed by the Company in a General Meeting or in such manner as the Company in a General Meeting may determine, except that the remuneration of any auditors appointed to fill up any casual vacancy may be fixed by the Board.

CAPITALIZATION OF PROFITS

72. (a) The Company in a General Meeting may upon the recommendation of the Board, resolve–

i. that it is desirable to capitalize 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 Article 72(b) below 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 Article 72(c) below either in or towards –

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 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 account or any other reserve may, for the purpose of this Article, be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

(d) The Board shall give effect to the resolution passed by the Company in pursuance of this Article.

73. Whenever such a resolution as aforesaid shall have been passed, the Board shall –

(a) make all appropriations and applications of the undivided profits resolved to be capitalized thereby and all allotments and issues of fully paid shares, if any, and

(b) generally do all acts and things required to give effect thereto.

74. (a) The Board shall have full power –

i. to make such provision by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, in the case of shares or debentures becoming distributable in fractions; and also

ii. to authorize 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 or any further shares to which they may be entitled upon such capitalization, or (as the case may require) for the payment by the Company on their behalf, by the application thereto of either respective proportions of the profits resolved to be capitalized, or the amounts or any parts of the amounts remaining unpaid on their existing shares.

(b) Any agreement made under such authority shall be effective and binding on all such members.

SECRECY

75. Every Director, Secretary, Manager and auditor of the Company, or the trustees of 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 any party and 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.

76. 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 Company's 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 a General Meeting or the Board may impose in this behalf from time to time. No person shall be entitled to require disclosure of any information respecting any details in the nature of a trade secret, mystery of trade or 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.

INDEMNITY

77. Every officer of the Company or any person employed by the Company as Auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such officer or auditor in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted, or in connection with any application under Section 633 of the Act in which relief is granted to him by the court.

WINDING UP

78. (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.

(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.

(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.

SECTION IX: 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 that has been delivered to the Registrar of Companies, Tamil Nadu located at Coimbatore for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company at No. 9, Gokul Buildings, 1st Floor, A.K.S. Nagar, Thadagam Road, Coimbatore – 641 001 from 10.00 a.m. to 4.00 p.m. on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Engagement letter dated February 20, 2007 for appointment of KMCC as a BRLM.
2. Engagement letter dated March 1, 2007 for appointment of ISEC as a CBRLM.
3. Memorandum of Understanding dated March 14, 2007 among the Company, the BRLM and the CBRLM.
4. Memorandum of Understanding dated March 17, 2007 between the Company and Registrar to the Issue.

Material Documents

1. The Company's Memorandum and Articles of Association, as amended.
2. The Company's certificate of incorporation, as amended.
3. Board resolutions dated February 21, 2007 in relation to the Issue and other related matters.
4. Shareholders' resolutions dated March 1, 2007 in relation to the Issue and other related matters.
5. Present terms of employment between the Company and the Directors as approved by the Board and the shareholders of the Company and the agreements with the Whole-time Chairman and the Managing Directors dated January 9, 2007.
6. Copy of Industrial Licence no. DIL: 3(2006) for the Company's operations located at Neelambur.
7. Summary Statements of Assets and Liabilities, and Summary Statement of Profit and Loss, as restated and Cash Flows, as restated, under Indian GAAP as at and for the years ended March 31, 2004 (from March 19, 2003 to March 31, 2004), March 31, 2005, March 31, 2006 and March 31, 2007, audited by Deloitte Haskins & Sells, Chartered Accountants and their audit report on the same, dated May 14, 2007.
8. Statement of Tax Benefits from Deloitte Haskins & Sells, Chartered Accountants dated May 14, 2007 – Auditor's Report on possible Income-tax benefits available to the Company and its shareholders.
9. Copies of annual reports of the Company for the years ended March 31, 2004, 2005 and 2006.
10. Consent of the Auditors, Deloitte Haskins & Sells, Chartered Accountants for inclusion of their reports on restated financial statements and auditors report in the form and context in which they appear in the Red Herring Prospectus.
11. 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.
12. Consents of Bankers to the Company, the BRLM, the CBRLM, the Syndicate Members, the Registrar to the Issue, the Escrow Collection Bank(s), the Bankers to the Issue, the Advisor to the

Company, the Domestic Legal Counsel to the Company, the International Legal Counsel to the BRLM and the CBRLM, the Directors of the Company, the Chief Financial Officer, the Company Secretary and Compliance Officer, as referred to, in their respective capacities.

13. Initial listing applications dated April 9, 2007 and April 9, 2007 filed with BSE and NSE respectively.

14. In-principle listing approval dated April 25, 2007, 2007 and May 7, 2007 from BSE and NSE respectively.

15. Tripartite Agreement among NSDL, the Company and the Registrar to the Issue dated April 25, 2007.

16. Tripartite Agreement among CDSL, the Company and the Registrar to the Issue dated May 16, 2007.

17. Due diligence certificate dated March 30, 2007 to SEBI from the BRLM.

18. SEBI observation letter No. CFD/DIL/ISSUES/NB/EB/94924/2007 dated May 30, 2007 and SEBI's interim observations letter No. CFD/DIL/EB/91126/2007 dated April 13, 2007 from SEBI.

19. Investment Agreement dated November 14, 2006 among the Company, the Promoters, Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj, their respective spouses, Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi, Ares Investments, Brandot Investments Limited and Argonaut Ventures.

20. Supplementary Agreement dated March 15, 2007 among the Company, the Promoters, Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj, their respective spouses, Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi, Ares Investments, Brandot Investments Limited and Argonaut Ventures.

21. 2nd Supplementary Agreement dated July 17, 2007 among the Company, Ares Investments, Brandot Investments Limited, Argonaut Ventures, the Promoters, Mr. K.P. Ramasamy, Mr. K P D Sigamani and Mr. P. Nataraj and their respective spouses, Mrs. K.R. Parvathy, Mrs. D. Radhamani and Mrs. N. Jayanthi.

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

We, the Directors of the Company, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, applicable, 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 the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Red Herring Prospectus are true and correct.

Signed by the Directors of the Company

Mr. K.P. Ramasamy	
Mr. K P D Sigamani	
Mr. P. Nataraj	
Mr. Shujaat Khan	
Mr. M. Ramji	
Mr. Vijayaraagavan	
Mr. Sathyanarayanan	
Dr. K. Sabapathy	

Signed by the Chief Financial Officer

Mr. K. Kuppu Dhandapani

Date: July 23, 2007

Place: Coimbatore