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RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated September 1, 2007
100% Book Built Issue

KOUTONS RETAIL INDIA LIMITED

(Incorporated on November 25, 1994 under the Companies Act, 1956, as amended, as Charlie Creations Private Limited. The name of the Company was changed to Koutons Retail India Private Limited with effect from February 7, 2006. The Company was converted into a public limited company and its name was changed to Koutons Retail India Limited with effect from June 27, 2006.) The registered office of the Company was changed from T-60/1, D.C.M. School Road, New Rohtak Road, Karol Bagh, New Delhi 110 005, India to J-2 Udyog Nagar, Peera Garhi Chowk, New Delhi 110 041, India on November 26, 2001 and thereafter on February 1, 2006 to its current registered office at T-60/1, D.C.M. School Road, New Rohtak Road, Karol Bagh, New Delhi 110 005, India. Tel: + (91) (11) 6545 1320; Fax: + (91) (11) 2362 6149. Corporate Office: 274-275, Udyog Vihar, Phase-VI, Sector-37, Gurgaon 122 001 (Haryana), India; Tel: + (91) (124) 413 9300; Fax: + (91) (124) 413 9399; Website: www.koutons.com; Contact Person: Mr. Ajay Mahajan; E-mail: ipo2007@koutons.com

PUBLIC ISSUE OF 3,524,439 EQUITY SHARES OF Rs. 10 EACH ("EQUITY SHARES") OF KOUTONS RETAIL INDIA LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE), CONSISTING OF A FRESH ISSUE OF 2,607,897 EQUITY SHARES ("FRESH ISSUE") AND AN OFFER FOR SALE OF 916,542 EQUITY SHARES BY MR. DPS KOHLI, MR. BS SAWHNEY AND MR. GS SAWHNEY (THE "SELLING SHAREHOLDERS"), AGGREGATING RS. [●] MILLION (THE "ISSUE"). UPTO 50,000 EQUITY SHARES WILL BE RESERVED IN THE ISSUE FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS REFERRED TO AS THE "NET ISSUE". THE ISSUE WILL CONSTITUTE APPROXIMATELY 11.54% OF OUR POST-ISSUE CAPITAL. THE NET ISSUE WILL CONSTITUTE APPROXIMATELY 11.37% OF OUR POST-ISSUE CAPITAL

PRICE BAND: RS. 370 TO RS. 415 PER EQUITY SHARE OF FACE VALUE RS. 10 EACH

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 AND THE FLOOR PRICE IS 37.0 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 41.5 TIMES OF THE FACE VALUE.

In case of revision of the Price Band, the Bid/Issue Period will be extended for three additional Business Days after such revision, subject to the Bid/Issue Period not exceeding 10 Business Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will 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 websites of the Book Running Lead Manager and the Co-Book Running Lead Manager (as defined below) and at the terminals of the members of the Syndicate.

Pursuant to Rule 19(2)(b) of the SCRR (as defined below), this Issue consists of an issue for less than 25% of the post- Issue capital and is being made through a 100% Book Building Process wherein at least 60% of the Net 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 and the remainder shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received 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 Net Issue shall aggregate to at least Rs. 1,000 million. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of the Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 each and the Issue Price is [●] times the face value. The Issue Price (as determined by the Company and the Selling Shareholders in consultation with the Book Running Lead Manager on the basis of the assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing. The Company has not opted for the IPO grading of this Issue.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. Before taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares issued/offered in the Issue have not been recommended or approved by the SEBI, nor does the 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.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer 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 offererd through this 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 May 22, 2007 and July 11, 2007, respectively. For the purposes of this Issue, the Designated Stock Exchange is the BSE.

BOOK RUNNING LEAD MANAGER		REGISTRAR TO THE ISSUE	
JM FINANCIAL	**JM Financial Consultants Private Limited** 141, Maker Chambers III Nariman Point, Mumbai 400 021, India Tel: +(91) (22) 6630 3030 Fax: +(91) (22) 2204 7185 E-mail: koutons.ipo@jmfinancial.in Website: www.jmfinancial.in Contact Person: Mr. Vikas Kothari	KARVY Karvy Computershare Private Limited	**Karvy Computershare Private Limited** Plot No. 17 to 24, Vithalrao Nagar, Madhapur Hyderabad - 500 081, India Tel: + (91) (40)-23420815 - 820 Fax: + (91) (40) 23420814 Email: einward.ris@karvy.com Website: www.karvy.com Contact Person: Mr. M. Murali Krishna

ISSUE SCHEDULE	
BID / ISSUE OPENS ON : TUESDAY, SEPTEMBER 18, 2007	**BID / ISSUE CLOSES ON : FRIDAY, SEPTEMBER 21, 2007**

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DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates, the following terms have the following meanings in this Red Herring Prospectus:

Conventional and General Terms

Term	**Description**
Act or Companies Act	The Companies Act, 1956 as amended from time to time
BSE	The Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Crore	10 million
Depositories	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant or DP	A depository participant as defined under the Depositories Act
ECS	Electronic Clearing Service
EGM	Extraordinary general meeting of the shareholders of the Company
EPS	Earnings per equity share, i.e., profit after tax for a fiscal year divided by the Weighted average number of equity shares during the fiscal year
FCNR Account	Foreign Currency Non-Resident Account established in accordance with the FEMA
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations thereunder and amendments thereto
FIIs	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with the SEBI
FVCI	Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000, as amended from time to time) registered with the SEBI
GoI or Government	Government of India
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
I.T. Act	Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering (i.e., the Issue)
N/A	Not Applicable
NEFT	National Electronic Fund Transfer
Non-Resident or NR	A person resident outside India, as defined under the FEMA and includes a Non-Resident Indian

Term	Description
NRE Account	Non-Resident External Account established in accordance with the FEMA
NRO Account	Non-Resident Ordinary Account established in accordance with the FEMA
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 including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on 3 October, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Issue.
PAN	Permanent Account Number allotted under the I.T. Act
RBI	The Reserve Bank of India
RoC	The Registrar of Companies, NCT of Delhi and Haryana
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time
SEBI Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time
STT	Securities Transaction Tax

Issue Related Terms

Term	Description
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting the Margin Amount that may already have been paid by such Bidder
Allotment/Allot	The allotment/transfer of Equity Shares pursuant to the Issue to successful Bidders
Allottee	A successful Bidder to whom the Equity Shares are allotted
Bankers to the Issue	The bankers to the Issue in this case, HDFC Bank Limited, HSBC Bank, ICICI Bank Limited, Standard Chartered Bank and Yes Bank Limited
Bid	An indication to make an offer during the Bid/Issue Period by a Bidder to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form

Term	Description
Bid cum Application Form	The form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of this Red Herring Prospectus and the Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bid/Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue and which shall be notified in one English newspaper and one Hindi national newspaper, each with wide circulation
Bid/Issue Opening Date	The date on which the members of the Syndicate will start accepting Bids for the Issue and which shall be notified in one English newspaper and one Hindi national newspaper, each with wide circulation
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date (inclusive of both days) and during which Bidders can submit Bids, including any revisions thereof
Book Building Process	The book building process as described in Chapter XI of the SEBI Guidelines in terms of which the Issue is being made
Book Running Lead Manager/BRLM	The book running lead manager to the Issue, in this case being JM Financial Consultants Private Limited
Business Day	Any day other than Saturday or Sunday on which commercial banks in New Delhi, Gurgaon and Mumbai are open for business
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
Confirmation of Allocation Note or CAN	The note, 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
Co-Book Running Lead Manager	Karvy Investor Services Limited
Cut-off Price	Any price within the Price Band finalised by the Company and the Selling Shareholders in consultation with the BRLM. A Bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band. Only Retail Individual Bidders and Eligible Employees are entitled to bid at the Cut-off Price for a Bid Amount not exceeding Rs. 100,000. QIBs and Non-Institutional Bidders are not entitled to bid at the Cut-off Price
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account(s) to the Issue Account, which in no event shall be earlier than the date on which the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares and the Selling Shareholders shall give delivery instructions for transfer of Equity Shares constituting Offer for Sale to successful Bidders
Designated Stock Exchange	BSE
Draft Red Herring Prospectus/DRHP	The Draft Red Herring Prospectus dated April 15, 2007 and issued in accordance with section 60B of the Companies Act and the SEBI Guidelines, which does not contain complete particulars of the price at which the Equity Shares are offered
Eligible NRI	An NRI resident in a jurisdiction 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 for the Equity Shares

Term	Description
Eligible Employee	All or any of the following:(a) a permanent employee of the Company as of the date of filing of the Red Herring Prospectus with the RoC,and based, working and present in India as on the date of submission of the Bid cum Application Form.(b) a Director of the Company, whether a whole time Director, part time Director or otherwise, except any Promoters or members of the Promoter group, as of the date of filing the Red Herring Prospectus with the RoC and based and present in India as on the date of submission of the Bid cum Application Form.
Employee Reservation Portion	The portion of the Issue being up to 50,000 Equity Shares available for allocation to Eligible Employees
Equity Shares	Unless the context otherwise indicates, the equity shares of the Company with a face value of Rs. 10 each
Escrow Account	An account to be opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Agreement	The agreement to be entered into between the Company, the Selling Shareholders, the Registrar, the BRLM, the Co-BRLM, the other members of the Syndicate and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, remitting refunds of the amounts collected to the Bidders on the terms and conditions thereof
Escrow Collection Banks	The Escrow Collection Banks in this case being, HDFC Bank Limited, HSBC Bank, ICICI Bank Limited, Standard Chartered Bank and Yes Bank Limited, which are clearing members and registered with the SEBI as Bankers to the Issue and with whom the Escrow Account will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue	Issue of 3,524,439 Equity Shares, comprising of a Fresh Issue of 2,607,897 Equity Shares of the Company and an Offer for Sale of 916,542 Equity Shares by the Selling Shareholders
HDFC	Housing Development Finance Corporation
HSBC	Hong Kong and Shanghai Banking Corporation Limited
Issue Account	The account to be opened with the Banker(s) to the Issue to receive monies from the Escrow Account on the Designated Date
Issue Price	The final price at which Equity Shares will be Allotted. The Issue Price will be decided by the Company and the Selling Shareholders in consultation with the BRLM on the Pricing Date in accordance with the Book Building Process and in terms of the Red Herring Prospectus
JM Financial	JM Financial Consultants Private Limited, a private limited company incorporated under the Companies Act
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid and which may range between 10% and 100% of the Bid Amount
Memorandum of Understanding	The agreement entered into on April 2, 2007 between the Company, the Selling Shareholders, the BRLM and the Co-BRLM pursuant to which certain arrangements are agreed in relation to the Issue

Term	Description
Mutual Funds	Mutual funds registered with the SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time
Mutual Funds Portion	5% of the QIB Portion or up to 104,233 Equity Shares available for allocation to Mutual Funds only out of the QIB Portion on a proportionate basis
Net Issue	Issue less the Employees Reservation Portion, consisting of 50,000 Equity Shares to be Allotted in the Issue at the Issue Price
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have bid for Equity Shares for an amount higher than Rs. 100,000
Non-Institutional Portion	The portion of the Net Issue being not less than 10% of the Net Issue or 347,444 Equity Shares at the Issue Price available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRI	A person resident outside India, as defined under the FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
Offer for Sale	Transfer of 916,542 Equity Shares by the Selling Shareholders, pursuant to the Red Herring Prospectus
Pay-in Date	The Bid/Issue Closing Date with respect to Bidders whose Margin Amount is 100% of the Bid Amount or the last date specified in the CAN sent to Bidders with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount
Pay-in Period	The period commencing on the Bid/Issue Opening Date and extending until the Pay-in Date
Price Band	The price band between the Floor Price of Rs. 370 per Equity Share and the Cap Price of Rs. 415 per Equity Share, including all revisions thereof
Pricing Date	The date on which the Company and the Selling Shareholders in consultation with the BRLM finalise the Issue Price
Prospectus	The prospectus to be filed with the RoC pursuant to section 60 of the Companies Act, containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process on the Pricing Date
Qualified Institutional Buyers or QIBs	Public financial institutions specified in section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, FVCIs, venture capital funds registered with the SEBI, 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 being the amount QIBs are required to pay at the time of submitting a Bid
QIB Portion	The portion of the Net Issue being at least 60% of the Net Issue or 2,084,663 Equity Shares at the Issue Price to be Allotted to QIBs on a proportionate basis of which 5% shall be available for allocation to Mutual Funds
Refund Account	The account opened with (an) Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made

Term	Description
Refund Bank	An Escrow Collection Bank in which an account is opened and from which a refund of the whole or part of the Bid Amount, if any, shall be made
Registrar to the Issue	Karvy Computershare Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs and Eligible NRIs) who have not Bid for Equity Shares for an amount more than Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Net Issue being not less than 30% of the Net Issue or 1,042,332 Equity Shares at the Issue Price available for allocation to Retail Individual Bidders
Revision Form	The form used by Bidders to modify the number of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Red Herring Prospectus/RHP	The 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 which will be filed with the RoC at least three days before the Bid/Issue Opening Date and will become the Prospectus after filing with the RoC after the Pricing Date
Selling Shareholders	Shareholders offering Equity Shares in the Offer for Sale, consisting of Mr. DPS Kohli, Mr. BS Sawhney, and Mr. GS Sawhney
Stock Exchanges	The BSE and the NSE
Syndicate	Collectively, the BRLM, the Co-BRLM and the Syndicate Members
Syndicate Agreement	The agreement to be entered into between the members of the Syndicate, the Company and the Selling Shareholders in relation to the collection of Bids in the Issue
Syndicate Members	JM Financial Services Private Limited and Karvy Stock Broking Limited
Transaction Registration Slip or TRS	The slip or document issued by a member of the Syndicate to a Bidder as proof of registration of the Bid
Underwriters	The members of the Syndicate
Underwriting Agreement	The agreement between the Company, the Selling Shareholders and the Underwriters to be entered into on or after the Pricing Date

Company Related Terms

In this Red Herring Prospectus, unless the context otherwise indicates, all references to, the "Company" and the "Issuer" are to Koutons Retail India Limited, a public limited company incorporated in India under the Companies Act, 1956, with its registered office at T-60/1, D.C.M. School Road, New Rohtak Road, Karol Bagh, New Delhi 110 005, India, and the terms "we", "us" and "our" are to Koutons Retail India Limited.

Term	Description
Articles of Association or Articles	The articles of association of the Company, as amended from time to time
Audit Committee	The committee described in the section titled "Our Management" beginning on page 90 of this Red Herring Prospectus
Auditors	The statutory auditors of the Company, M/s. R. Chadha and Associates
Board or Board of Directors	The board of directors of the Company
Directors	The directors of the Company
Memorandum of Association or Memorandum	The Memorandum of Association of the Company, as amended from time to time
Promoter Group or Promoter Group companies	The entities mentioned under the heading "Promoter Group" in the section titled "Promoters and Promoter Group" beginning on page 103 of this Red Herring Prospectus
Promoters	Mr. DPS Kohli, Mr. BS Sawhney, and Mr. GS Sawhney
Registered Office	The registered office of the Company, which, as at the date of this Red Herring Prospectus, is situated at T-60/1, D.C.M. School Road, New Rohtak Road, Karol Bagh, New Delhi 110 005, India

Industry related terms

Term	Description
CAD	Computer Aided Design
COCO	Company Owned/Leased Company Operated
COFO	Company Owned/Leased Franchisee Operated
EBO	Exclusive brand outlets
ERP	Enterprise resource planning
FOFO	Franchisee Owned/Leased Franchisee Operated
Gsm	gramme per square meter
RTW	Ready to wear
SEC	Socio Economic Classification
Sq. ft	Square feet

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA, CURRENCY OF PRESENTATION AND EXCHANGE RATES

Certain Conventions

All references in this Red Herring Prospectus to “India” are to the Republic of India. All references in this Red Herring Prospectus to the “US”, “USA” or “United States” are to the United States of America.

Financial Data

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from the financial statements of the Company and translated and restated to be in accordance with Indian GAAP and the applicable SEBI Guidelines included in this Red Herring Prospectus. An index of this financial information is presented in the section titled “Financial Statements” beginning on page 113 of this Red Herring Prospectus.

The degree to which the Indian GAAP financial information included in this Red Herring Prospectus will provide meaningful information is entirely dependent 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.

Our fiscal year commences on April 1 and ends on March 31.

Industry and Market Data

Market data used throughout this Red Herring Prospectus has been obtained from industry publications. These publications typically 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. Accordingly, no investment decision should be made based on such information. Although we and the Selling Shareholders believe that the industry data used in this Red Herring Prospectus is reliable, it has not been verified. Similarly, we believe that the internal Company reports are reliable however they have not been verified by any independent sources.

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 might vary widely amongst various industry sources.

Currency of Presentation

All references in this Red Herring Prospectus to “Indian Rupees”, “Rupees”, “Rs.” and “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “U.S. Dollars”, “Dollars”, “USD”, “U.S. $” and “$” are to United States Dollars, the official currency of the United States of America. All references to “euro”, “EUR” and “€” are to Euros, the official currency of the participating member states in the third stage of the Economic and Monetary Union of the treaty establishing the European Community. All references to the “Japanese Yen” and “¥” are to the official currency of Japan.

Exchange Rates

This Red Herring Prospectus contains translations of certain U.S. Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines. These convenience translations should not be construed as a representation that those U.S. Dollar or other currency amounts could have been, or can be converted into Indian Rupees, at any particular rate, the rates stated below or at all. As of August 21, 2007, the value of the following currency as against INR was as follows:

Sl. No.	Currency	Rate
1.	USD	41.06
2.	Euro	55.34
3.	Yen	35.80

Source: Reserve Bank of India

Such translations should not be considered as a representation that such U.S. Dollar or Pound Sterling or Euro or Japanese Yen amounts have been, could have been or could be converted into Indian Rupees at any particular rate, the rates stated above or at all.

FORWARD–LOOKING STATEMENTS

This Red Herring Prospectus includes certain forward looking statements with respect to our financial condition, results of operations and business. These forward-looking statements can generally be identified by the fact that they do not relate to any historical or current facts. Forward-looking statements often use words such as “anticipate”, “expect”, “estimate”, “intend”, “plan”, “believe”, “will”, “may”, “should”, “would”, “could” or other words with similar meaning. Similarly, statements that describe our objectives, strategies, plans or goals are also forward looking statements. By their nature, forward looking statements are subject to risk and uncertainty and there are a number of factors that could cause actual results and developments to differ materially from those expressed in or implied by, such forward-looking statements.

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have businesses and our ability to respond to them, our ability to successfully implement strategy, growth and expansion of our business, technological changes, exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in the industry.

For further discussions of factors that could cause our actual results to differ, please see the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on pages xi and 152 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 we, nor the Selling Shareholders, nor the BRLM, the Co-BRLM, nor the other Underwriters, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the SEBI requirements, the Company, the Selling Shareholders, the BRLM and the Co-BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges are received in relation to the Equity Shares.

RISK FACTORS

An investment in equity shares involves a degree of financial risk. You should carefully consider all information in this Red Herring Prospectus, including the risks described below, before making an investment in our Equity Shares. This section addresses general risks associated with the industry in which we operate and specific risks associated with our business. Any of the following risks, as well as the other risks and uncertainties discussed in this Red Herring Prospectus, could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline. In addition, the risks set out in this Red Herring Prospectus may not be exhaustive and additional risks and uncertainties, not presently known to us, or which we currently deem immaterial, may arise or become material in the future. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other risks mentioned herein.

Internal Risk Factors

1. ***An inability to manage our growth could disrupt our business and reduce our profitability.***

Our income has grown from Rs. 581.46 million in fiscal 2005 to Rs. 4,036.17 million in fiscal 2007, at a CAGR of 163.5% and our profit after tax has increased from Rs. 19.29 million in fiscal 2005 to Rs. 344.87 million in fiscal 2007, at a CAGR of 322.8%. In addition we have opened 925 exclusive brand outlets between fiscal 2005 and August 20, 2007. For further details on our financial statements please refer to the sections titled "Financial Statements" and "Our Business" beginning on pages 113 and 68, respectively of this Red Herring Prospectus. We expect our business to continue to grow as we gain greater access to financial resources. We expect this growth to place significant demands on us and require us to continuously evolve and improve our operational, financial and internal controls across our organization. In particular, continued expansion increases the challenges involved in:

- preserving a uniform culture, values and work environment;
- developing and improving our internal administrative infrastructure, operational, communications, internal control and other internal systems;
- recruiting, training and retaining sufficient skilled management, designing and marketing personnel;
- maintaining high levels of product quality and customer satisfaction; and
- adhering to health, safety, and environmental standards.

Addressing the challenges arising from our growth entails substantial senior level management time and resources and would put significant demands on our management team and other resources. Any inability to manage our growth may have an adverse effect on our business and results of operations.

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

We entirely rely on third-party suppliers for fabric and other raw materials. The prices for such fabrics depend largely on the market prices for the raw materials used to produce them, particularly cotton. Adverse fluctuations in the price, availability and quality of the fabrics or other raw materials used by us in our manufactured apparel could have a material adverse effect on our cost of goods sold or our ability to meet our customers' demands. The price and availability of such raw materials may fluctuate significantly, depending on many factors, including crop yields and weather patterns. Any material shortage or interruption in the supply or decrease in the quality of these raw materials due to natural causes or other factors could result in increased costs of goods sold that we may not be able to pass on to our customers, which in turn would have a material adverse effect on our margins and results of operations.

Any failure of our suppliers to deliver the fabrics and raw materials in the necessary quantities or to adhere to delivery schedules or specified quality standards and technical specifications would adversely affect our production processes and our ability to manufacture the apparel on time and at the desired level of quality, which could have a material adverse effect on our business, financial condition and results of operations.

3. ***Our sales and profitability could be harmed if we are unable to maintain or improve our brand image.***

Sales from our brand "Koutons" contributed approximately 99.11% and 92.34% of our total income in fiscal 2006 and 2007, respectively. We believe that our success depends on our ability to price the apparel reasonably and anticipate, identify and respond to changing fashion trends in a timely manner. If we are unable to respond in a timely and appropriate manner to changing consumer demand and fail to price our apparel reasonably, our brand name and brand image may be impaired which may result in a significant decrease in net sales or leave us with a substantial amount of unsold inventory. Our products must appeal to a broad range of consumers spread across metros, tier I and tier II towns of India and belonging to a varied socio-economic backgrounds and agre groups whose preferences cannot be predicted with certainty and are subject to rapid change. We may not be able to continue to develop appealing styles or successfully meet constantly changing consumer demands in the future.

In addition, any new products or brands that we introduce may not be successfully received by retailers and consumers. Although we have expanded, and expect to continue to spend resources, financial and otherwise, on establishing and maintaining our brands, no assurance can be given that our brands will be effective in attracting and growing our customer base or that such efforts will be cost-effective. Any failure to maintain our brands may negatively affect our business, financial condition and results of operations.

4. ***Sales affected by our franchisees amounted to 98.72% and 99.01% of our total sales in fiscal 2006 and 2007, respectively. If these third parties do not continue to assist us in our sales and retail, our revenue could decrease, which would have an adverse impact on our business.***

As of August 20, 2007, there were a total of 566 exclusive brand outlets for our brand "*Koutons*" and 433 exclusive brand outlets for our brand "*Charlie Outlaw*" of which 982 exclusive brand outlets were operated by our franchisees. Sales affected by our franchisees amounted to 98.72% and 99.01% of our total sales in fiscal 2006 and 2007, respectively. We also depend on our franchisees for several critical elements of our business, such as, sales and retail activities. Going forward, our Company intends to increase the number of exclusive brand outlets owned and operated by the Company. There can be no assurance that we or these third parties will be able to establish or maintain adequate sales capabilities, that we will be able to enter into agreements or relationships with third parties, in the areas we currently operate in or in areas we intend to expand, on financially acceptable terms or that any third parties with whom we enter into such arrangements will be successful in selling or distributing our products. In the absence of these, our business could be negatively impacted. Additionally, if we are unable to maintain our relationships with our franchisees, then our ability to generate revenues through the sale of our products could be negatively impacted.

5. ***We will have to find locations to open and operate exclusive brand outlets.***

As the success of any retail business lies largely in identifying the best possible location at a competitive cost, we have teams which are dedicated towards finding locations or franchisees who may be interested in opening exclusive brand outlets for our brands "*Koutons*" or "*Charlie Outlaw*". Our Company has to compete with other branded apparel retailers to book locations for our exclusive brand outlets on a continuous basis. We cannot assure you that we will be able to expand and grow at the rate at which we may desire to, as we may not be able to book/find locations that we believe will be necessary for implementing our expansion plans. If we are not able to book/find the locations at the time and place that we desire, the same may have a material adverse impact on our results of operation.

6. ***We have not placed orders for civil construction with regard to our project to establish a new integrated manufacturing facility in Gurgaon, Haryana, and are yet to place orders for plant and machinery worth Rs. 74.51 million forming approximately 99% of the total remaining cost of plant and machinery with regard to our project to purchase plant and machinery to increase our finishing and manufacturing capacity. In addition, as of August 20, 2007, we have not entered into letters of intent / memorandums of understanding for 59 exclusive brand outlets which we plan on setting up. Any difficulties in entering into definitive and binding agreements in relation to the deployment of the proceeds of the Issue may have a material adverse impact on our operations.***

We intend to use the net proceeds of the Issue to, among other things, set-up exclusive brand outlets of the Company, establish a new integrated manufacturing facility and purchase plant and machinery to increase our finishing and manufacturing capacity. We also intend to use a portion of the net proceeds of the Fresh Issue for general corporate purposes. The use of the net proceeds of the Issue are detailed in the section titled 'Objects of the Issue' beginning on page 33 of this Red Herring Prospectus.

As of August 20, 2007, we have not yet entered into letters of intent/ memorandums of understanding for 59 of the planned expansion of our exclusive brand outlets, which we currently propose to fund from the net proceeds of the Issue. Non-availability or delay in availability of retail space at the desired place/ location or increase in prices of the proposed retail spaces, for which definitive agreements have not been entered, may adversely affect our estimates of project cost. There can be no assurance that we will be able to enter into such agreements on terms and conditions favorable to us. Even for locations that have been tied up by us, we cannot assure you that we will get timely possession of such locations so as to enable us to set up exclusive brand outlets in a timely manner. In addition, we have not placed orders for civil construction in relation to our proposed project to establish a new integrated manufacturing facility in Gurgaon, Haryana. Furthermore, while we had incurred an expenditure of Rs. 25.01 million as on August 20, 2007 towards purchase of plant and machineries with regards to our project to increase our finishing and manufacturing capacity, we have not yet placed orders for plant and machineries worth Rs. 74.51 million forming approximately 99% of the total remaining cost of this project. Any difficulties in obtaining timely supply of such machinery and equipments may adversely affect the implementation of these projects. Furthermore, we have not identified the general corporate purposes for which we intend to utilize a portion of 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. Accordingly, prospective investors in the Issue will need to rely upon the judgment of our management with respect to the use of proceeds in this respect. In the event we are unable to enter into arrangements at favorable terms and conditions, as expected and assumed by us, or in a timely manner or at all, we may not be able to reap the expected benefits from the net proceeds of the Issue and our financial results may suffer.

7. ***Our inability to promptly identify and respond to changing customer preferences or evolving fashion trends may decrease the demand for our apparel among our customers, which would adversely affect our business.***

The apparel business is characterized by constant product innovation due to changing consumer preferences and evolving fashion trends. Our ability to successfully compete depends on a number of factors, including our ability to effectively anticipate, gauge and respond to changing consumer demands and tastes across our product lines. We are required to translate market trends into attractive product offerings and operate within production and delivery constraints. Changes in product mix impacts our operating results and our margins. For example, a key part of our success in fiscal 2006 was a result of an increase of production and sale of t-shirts. Our new line extensions may not always be successful, which may adversely affect our results of operations. We cannot assure you that we will anticipate and respond to changing trends quickly, efficiently and effectively.

8. ***If we miscalculate the market for our products, we may end up with significant inventories for some products and missed opportunities for others.***

Manufacturing and sale of apparel requires forecasting of future demand and fashion trends. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for others. We maintain an inventory of certain products that we anticipate will be in greater demand. However, we may be unable to sell the products that we have ordered in advance from our suppliers or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs and have a material adverse effect on our operating results and financial condition. Conversely, if we underestimate consumer demand for our products or if our manufacturers fail to supply products that we require at the time we need them, we may experience inventory shortages. Inventory shortages might delay our delivery schedules, negatively impact franchise relationships, and diminish brand loyalty.

9. ***The entire inventory risk is borne by the Company under the franchisee model followed by us.***

Apparel retailing in India is highly working capital intensive. Additionally, we also manufacture our own products, which increases our working capital intensity primarily because of high inventory levels. We have entered into a number of franchise agreements with various parties for operating exclusive brand outlets. Under the franchise model being followed by us we carry the inventory on our books till the sale of the apparel to the end customer and do not pass the inventory risk to the franchisee. This business model requires us to maintain high inventory levels and is working capital intensive. Inventory levels in excess of customer demand may result in inventory write-downs and have a material adverse effect on our operating results and financial condition.

10. ***We operate in a highly competitive and fragmented industry, which may have an adverse effect on our competitive position and results of operations***

The apparel manufacturing and retail industry is highly competitive and fragmented. Our competitors include numerous apparel designers, manufacturers, and other established companies. Some of our competitors are larger and therefore better placed to take advantage of efficiencies created by size, and have better financial resources or greater access to capital at lower costs, and may be better known nationally. For details of the major players operating in the branded apparel segment in India including their key brands, number of outlets and cities they operate in, please refer to the sub section titled "Competition" under the section titled "Industry Overview" beginning on page 59 of this Red Herring Prospectus. Moreover, as the industry is highly fragmented, we also face competition from local stores, who may, for a variety of reasons such as easier access and personal relationships with the customers, be able to cater to local demands better than us. We believe that the principal competitive factors in the apparel industry are brand name, brand identity, timeliness, reliability and quality of products, price and our ability to anticipate consumer demands and maintain appeal of products to customers. If we do not maintain our brand names and identities and fail to provide high quality and reliable products on a timely basis at competitive prices, or if our competitors are able to compete more effectively, we may not be able to maintain our competitive edge. If we are unable to compete successfully, we could lose our customers, which would negatively impact our sales and financial performance. Further, the competitive nature of the apparel industry may result in lower prices for our products and decreased gross profit margins, either of which may materially adversely affect our sales and profitability.

11. ***Expansion of our product offerings involves significant costs and uncertainty and could adversely affect our results of operations.***

An important part of our strategy is to expand our product offerings. We have recently re-introduced the brand "*Charlie Outlaw*" and are in the process of adding a new line of women's apparel. We plan to further increase our product offerings by introducing products for kids and other related accessories. We intend to continue to add additional product lines in the future. Though we have been manufacturing and selling ladies garment in small quantities and have manufactured and marketed kids apparel we have limited prior experience in designing, manufacturing and marketing these types of products. As is typical with new products, their demand and market acceptance will be subject to uncertainty. Designing, producing and marketing new products requires substantial expenditures. We cannot be certain that our efforts and expenditures will successfully generate sufficient sales or that sales that are generated will be sufficient to cover our expenditures.

12. ***We outsource the manufacturing of certain portion of our products and are therefore dependent on third parties.***

As of August 20, 2007 we had entered into 211 arrangements with 211 fabricating units in Delhi and in the NCR region (i.e. Noida, Gurgaon and Faridabad), Bhilwara (Rajasthan), Ludhiana (Punjab) and Hyderabad (Andhra Pradesh) for manufacture of our products. Our agreements with the fabricators/manufacturers are usually only for a period of one year. As a result, any of these manufacturers may unilaterally terminate its relationship with us at any time. We are also dependent on these manufacturers for compliance with labour statutes, environmental regulations and maintenance of quality. Any failure by these manufacturers to comply with required labour statutes and environmental regulations or any other divergence in their labour practices and the potential negative publicity relating to any of these events or the failure of these manufacturers to deliver the products to us in a timely manner or to meet required quality standards could have a material adverse effect on our business.

13. ***Our growth strategy to expand into new geographic areas exposes us to certain risks.***

Increasing our presence in new geographical areas across India is one of the principal elements of our growth strategy. We propose to continue with this strategy of entering new geographic areas. For our *"Koutons"* brand, we are in the process of expanding our network in western and eastern India, and have also introduced the brand in southern India. Pursuance of such a growth strategy may expose us to risks which may arise due to lack of familiarity with the development, ownership and management of retail business in certain regions and the customer preferences in such regions including:

- adjusting our retail methods to different geographies;
- obtaining necessary governmental approvals and permits under unfamiliar regulatory regimes; and
- attracting potential customers in a market in which we do not have significant experience.

In addition, our plans to expand throughout India subject us to various challenges, including those relating to our lack of understanding of the culture and economic conditions of these regions and our lack of brand recognition and reputation in such regions. In the event we are unable to successfully manage the risks of such an expansion, it could have a material adverse effect on our revenues, earnings and financial condition.

14. ***If our competitors misappropriate our proprietary trademarks, it could have a material adverse effect on our business.***

We depend heavily on the value of our trademarks and the design expertise. Our success depends to a significant extent on our ability to protect and preserve our intellectual property, including copyrights, trademarks and similar intellectual property. The loss of or our inability to enforce our trademarks and other proprietary know-how could adversely affect our business. If any of our competitors copies or otherwise gains access to our design database, we may not be able to compete effectively. We may need to bring legal claims to enforce or protect such intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources.

15. ***If we fail to obtain trademark registrations for our brands, our brand building efforts may be hampered and our business could be adversely affected.***

Brand is a very important component of our business and therefore we have applied for registration of a number of trademarks and copyrights, in order to protect our brands. Some of these applications, which relate to "Charlie Global", "Vanlee", "L.I.M.I.T.E.D - jeans wear - performance unlimited", "Charlie – Jeanswear" are currently pending. We cannot guarantee that any of our pending applications will be approved by the appropriate regulatory authorities. Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge these or other registrations. If our applications for such registration are not approved, our brand-building efforts could suffer and our business may be adversely affected. For further details of our trademark and copyright registrations, see section titled "Government and Other Approvals" beginning on page 169 of this Red Herring Prospectus.

16. ***We might not be able to successfully implement our business strategies.***

In order to achieve our goal of expanding our presence across the country and to capture additional market share, we are constantly evaluating the possibilities of expanding our network of exclusive brand outlets and introducing new products. Our initiatives include:

- Developing "*Koutons*" and "*Charlie Outlaw*" as brands;
- Further strengthening our retail presence;
- Targeting growth segments;
- Increasing our product range;
- Cost reduction; and
- Enhancing manufacturing capacities.

Implementation of our expansion plans and introduction of new products may pose significant challenges to our administrative, financial and operational resources and additional risks, including some of which we may not be specifically aware of. If we are unable to successfully implement some or all of our key strategic initiatives in an effective and timely manner, we may face an adverse effect on our business prospects, competitiveness, market position, brand name, financial condition and results of operations. Further, our marketing strategy includes offering promotional and discount sales on different patterns during the year. If at any time we propose to change this strategy, we may face a change in our customer's behavior towards our products.

17. ***We may not be able to identify expansion/ acquisition opportunities.***

One of the elements of our long term growth strategy involves strategic acquisitions of business with strategic possibilities for our designing, manufacturing and retail operations. We may not be able to identify suitable opportunities and acquisition candidates or negotiate attractive terms for such projects. We may be unable to secure the necessary financing to complete such expansions/ acquisitions. There can be no assurance that we will be able to effectively integrate or manage our expanded operations or maintain our existing operations. The costs and time required to integrate the acquired facilities with our business could cause the interruption of, or a loss of momentum in our current existing activities. All of these factors may adversely affect our business and growth. For details see section titled "Our Business" on page 68 of this Red Herring Prospectus.

18. ***Raw material procurement from abroad constituted 24.86% and 27.59% of our total materials procured in Fiscal 2006 and 2007, respectively and consequently we are subject to the risks of doing business abroad.***

We have in fiscal 2006 and 2007 sourced 24.86% and 27.59%, respectively of our total raw materials from outside India. We source most of our raw materials from China, Taiwan and Italy using third party suppliers based in India. Our arrangements with respect to supply of raw materials is subject to the usual risks of doing business abroad, including currency fluctuations, political or labour instability and potential import restrictions, duties and tariffs. Because a portion of our raw material procured by us is sourced by our suppliers from abroad, political or economic instability in China, Italy, Taiwan or elsewhere could cause substantial disruption to our suppliers business and consequently our business. This could delay deliveries or increase costs, which could adversely impact our results of operations.

19. ***Our business is dependent on Company operated manufacturing facilities and third-party manufacturing units primarily concentrated in and around Gurgaon, Haryana. The loss of or shutdown of operations at any of our manufacturing facilities or third-party manufacturing units may have a material adverse effect on our business, financial condition and results of operations.***

Our apparel are manufactured in our 18 in-house manufacturing facilities located in and around Gurgaon, Haryana. In addition, most of our fabricators' manufacturing facilities are located in and around Delhi and the NCR region i.e. Noida, Gurgaon and Faridabad. Our performance as a manufacturing company is largely dependent on the efforts and abilities of our engaged labourers and those engaged by third parties that manufacture apparel for us. Whilst we have not faced any strikes or lock out by our workmen in the past, any strikes, lockouts or other form of labour unrest could adversely affect our business, financial position, results of operations and cash flows. If we are unable to negotiate with the workmen or the contractors, it could result in work stoppages or increased operating costs as a result of higher than anticipated wages or benefits. Our Company operated manufacturing facilities and third-party manufacturing units are also subject to other operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, continued availability of services of our external contractors, earthquakes, floods and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these events could significantly affect our operating results. While we take precautions to minimize the risk of any significant operational or other problems at these facilities, our business, financial condition and results of operations may be adversely affected by any unexpected disruption or interruption of operations at these facilities.

20. ***We are solely dependant on third parties for the supply and transportation of our apparel from our warehouses to our exclusive brand outlets, which are subject to various uncertainties and risks.***

We depend on road transportation to deliver our apparel from our warehouses to our exclusive brand outlets. We rely completely 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 or other events could impair our ability to supply our apparel to our customers. Any such disruptions could materially and adversely affect our business, financial condition and results of operations.

21. ***Our business is seasonal in nature as a substantial part of our sales are realized during the fourth quarter. Any substantial decrease in our sales during this quarter can have a material adverse impact on our financial performance.***

In Fiscal 2006 and Fiscal 2007, 48% and 43%, respectively of our Company's sales were realized in the fourth quarter. This trend is largely due to increased sales in the fourth quarter on account of end of season sales and also on account of the fact that we sell our apparel on a consignment basis i.e. sales are recognized only after the receipt of sales report from respective consignee agents. Any substantial decrease in sales in the fourth quarter could have a material adverse effect on our financial condition and results of operations.

22. ***Our Promoters and promoter group will hold a majority of our Equity Shares after the Issue and can therefore determine the outcome of any shareholder voting***

After completion of the Issue, our Promoters and our promoter group will hold approximately 66.63% of our paid up share capital. So long as our Promoters own a majority of our Equity Shares, they will be able to elect our entire Board of Directors and control most of the matters affecting us, including appointment and removal of our officers, our business strategy and policies, any decision with respect to mergers, amalgamations, acquisitions or disposal of assets, our dividend policy and our capital structure and financing. The interests of our Promoters may conflict with interests of our other investors, and you may not agree with the manner in which they exercise their powers of management or voting rights. Further, the extent of the Promoters' shareholding in our Company may result in the delay or prevention of a change of management or control of our Company, even if such a transaction may be beneficial to our other shareholders.

23. ***Covenants with institutional lenders may restrict our operations and expansion ability, which may affect our business and results of operations and financial condition.***

We are subject to usual and customary restrictive covenants in agreements that we have entered into with our banks for short-term loans and long-term borrowings. Certain covenants in our financing agreements require us to obtain approval from the financial institutions before any changes in capital structure or any major restructuring of our Company. Although we have generally not encountered difficulties in obtaining consent from the financial institutions for desired actions in the past, no assurance can be given that such consent will be granted at such times as we may require, or at all, in the future.

For further details, see section titled "Financial Indebtedness" beginning on page 110 of this Red Herring Prospectus.

24. ***Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been independently appraised.***

The use of proceeds as described in the section titled "Objects of the Issue" beginning on page 33 of this Red Herring Prospectus, are estimates of the Company and have not been independently appraised by any bank or other financial institution. The estimated costs towards rents and deposits for the lease/license arrangements for our exclusive brand outlets and the cost towards holding the inventory may vary based on location, size and several other factorsIn view of the highly competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and consequently our funding requirements may also change. This may result in the rescheduling of our project expenditure programmes or relocation of some of the exclusive brand outlets and an increase in our proposed expenditure for a particular project and our results of operations may be adversely impacted.

25. ***We have entered into certain shareholders' agreements, which provide for certain post-listing rights to certain shareholders.***

We have entered into investment agreements with UTI Venture Funds Management Company Private Limited, Argonaut Ventures and Passport India Investments (Mauritius) Limited. The agreements with UTI Venture Funds Management Company Private Limited and Argonaut Ventures expressly provide that after the equity shares of our Company are listed on a recognized stock exchange and till such time the investors hold at least 600,000 Equity Shares and 862,500 Equity Shares in the Company, respectively, the investors shall have the right to appoint one nominee Director on the Board. Additionally the investors would have certain information rights. For further details on the aforementioned investment agreements, use of proceeds from the placements and SEBI registration details of UTI Venture Funds Management Company Private Limited, Argonaut Ventures and Passport India Investments (Mauritius) Limited, see section titled "History and Corporate Structure" beginning on page 83 of this Red Herring Prospectus.

26. ***There are certain irregularities in title in relation to some of our leased immovable properties, as a result of which our operations may be impaired.***

Title records in India do not provide conclusive evidence of title, and title insurance is generally not available. As of August 20, 2007 we had entered into lease agreements in relation to 204 immovable properties of which 151 lease agreements have not been registered in the land records maintained by the concerned Sub Registrar of Assurances and/ or have not been adequately stamped under the relevant law. Irregularities of such nature may result in imposition of penalties on us and may also affect our business operations.

27. ***Leases relating to our manufacturing units and exclusive brand outlets may not be renewed, and we may lose possession of the leased properties and related buildings and other improvements.***

As of August 20, 2007 we had entered into lease agreements in relation to 204 immovable properties including all our leased manufacturing and warehousing facilities. In addition, the Planned EBOs as described in the section titled "Objects of the Issue" will be Company leased. Our leases have terms that expire between three and nine years. Moreover, the lessors of these properties may terminate the leases early in the event of any breach of the terms of allotment, including delay in payment of annual rent, usage of the property other than for the purpose for which it was allotted, or transfer or assignment of land without prior consent of the lessor. If any of the leases is terminated or expires and is not renewed, we may be unable to continue operations at the leased site. Moreover, some of our lease agreements prescribe a lock-in period which may prevent us from moving our stores. Such restrictive covenants in our lease agreements affects our ability to move the location of our stores in unfavourable circumstances and may adversely affect our business, financial condition and results of operations.

28. ***Any polarisation in labour relations may subject us to industrial unrest, slowdowns and increased wage costs.***

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. Although, we currently have harmonious relations with our employees and they are currently not unionised, there can be no assurance that we will continue to have such relations or that the employees will not unionize in the future. If our relations with the employees are strained, it may become difficult for us to maintain our existing labour policies, and our business may be adversely affected.

29. ***We are involved in certain legal and arbitration proceedings that, if determined against us, could adversely impact our business and financial condition.***

We are involved in a number of legal and arbitration proceedings that, if determined against us, could adversely impact our business and financial condition. The legal proceedings involving our Company are pending at different levels of adjudication before various courts, tribunals, enquiry officers and appellate tribunals. There are civil cases and arbitration case pending against our Company. The aggregate liability claimed against us, as on the date of institution of these cases is approximately Rs. 7.52 million. In addition there are labour cases and arbitration claims pending against our Company. Additionally, our Company has filed criminal complaints and arbitration claims against various parties. Should any new developments arise in respect of any of these proceedings, such as a change in Indian laws or rulings against us by courts or tribunals, we may need to make provisions in our financial statements, which could adversely impact our business and results of operations.

For further details on the pending litigation and arbitration involving our Company, see the section titled "Outstanding Litigation and Material Developments" beginning on page 164 of this Red Herring Prospectus.

30. ***We are yet to receive or renew certain approvals or licenses required in the ordinary course of business, and the failure to obtain them in a timely manner or at all may adversely affect our operations.***

We require certain statutory and regulatory permits, licenses and approvals to operate our business. We have made renewal applications for the same, but are yet to receive, certain approvals that have expired, or that are required for our business. For details of the same, see section titled "Government and Other Approvals", beginning on page 169 of this Red Herring Prospectus. If we fail to obtain the necessary approvals required by us to undertake our business, the same may adversely affect the growth of our business. Further, in the event there is any delay in getting the necessary approvals, the costs associated with developing our business may increase which could affect our financial performance.

31. ***Attracting and retaining management personnel is a challenge.***

We have a team of professionals to oversee the operations and growth of our business. Our success depends in part on our ability to recruit and retain talented professionals such as designers, merchandisers at reasonable rates. We may face competition from other apparel manufacturing and retail companies in recruiting and retaining employees. Attracting and retaining scarce top quality managerial talent has become a serious challenge facing companies in India. The inability to recruit and retain such high quality human resources at reasonable rates could have an adverse effect on our business and financial condition.

For further details, see section titled "Our Management" beginning on page 90 of this Red Herring Prospectus.

32. ***We rely on our information technology systems and any failures in our systems could adversely impact our business.***

We rely extensively on our information technology systems to provide us connectivity across our business functions through our software, hardware and connectivity systems. We are in the process of upgrading our information technology infrastructure and any disruptions in the implementation or functioning thereafter could adversely affect our business operations. Any delay in implementation or any disruptions in the functioning could disrupt our ability to track, record and analyze the merchandise that we sell and cause disruptions of operations, including, among others, an inability to process shipments of goods, process financial information or credit card transactions, deliver products or engage in similar normal business activities.

33. ***We face the risk of potential liabilities from lawsuits or claims by customers.***

We face the risk of legal proceedings and claims being brought against us by our customers for any defective product sold or any deficiency in our services to them. We could face liabilities should our customers face any loss or damage due to any unforeseen incident such as fire, accident, etc. in our exclusive brand outlets, which could cause financial and other damage to our customers. Commencement of these lawsuits against us may adversely affect the results of our operations.

34. ***We have certain contingent liabilities not provided for which may adversely affect our financial condition.***

Contingent Liabilities not provided for as on March 31, 2007:

(In Rs. Million)

Sr. No.	Particulars	March 31, 2007
I	Outstanding Bank Guarantees	120.47
II	Claims against the Company not acknowledged as debt	9.38
III	On account of corporate guarantees to the bankers and others on behalf of related parties for facilities availed by them	15.00
IV	Bills Discounted with Bankers and others	0.00
V	Civil Suits against the Company	6.91
VI	Civil Suits by the Company for recovery of Cheque bounced	0.00
VII	Arbitration case with distributors and suppliers	0.00
VIII	On account of reinstatement of Employees against the Company ordered by Under Secretary Labour, Governmentt of Delhi	1.69
	Total	**153.45**

In the event that any of these contingent liabilities materialise, our financial condition may be adversely affected. For further details, see section titled "Outstanding Litigation and Material Developments" beginning on page 164 of this Red Herring Prospectus.

35. ***We have entered into certain related party transactions.***

We have entered into certain related party transactions with our Promoters and Promoter Group entities. See section titled "Financial Statements" beginning on page 113 of this Red Herring Prospectus.

36. ***Our Promoters and Directors have interests in our Company other than reimbursement of expenses incurred or normal remuneration or benefits.***

Our Promoters and some of our Directors are interested in our Company to the extent of their shareholding in the Company. Our 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. Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney may be regarded as interested parties in the proceeds of the Offer for Sale.

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 Equity Shares. For more details, see the sections, "Capital Structure", "Our Management" and "Financial Statements - Related Party Transactions" beginning on pages 17, 90 and 138 of this Red Herring Prospectus, respectively.

37. ***Our Corporate Office and other premises from which we operate are not owned by us***

We do not own the premises on which our corporate office and other offices, including manufacturing facilities and warehouses are located. We operate mostly from rented and leased premises. If any of the owners of these premises do not renew the agreements under which we occupy the premises or renew such agreements on terms and conditions unfavourable to us, we may suffer a disruption in our operations. For further details, see section titled "Our Business" beginning on page 68 of this Red Herring Prospectus.

38. ***Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject and this may have a material adverse effect on our business.***

While we believe that the insurance coverage that we maintain is reasonably adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. Accordingly, to the extent that we suffer loss or damage that is not covered by insurance or which exceeds our insurance coverage, our results of operations or cash flows may be affected. Although we intend to maintain adequate insurance against losses, there is a risk that our insurance policies may not be sufficient in covering all losses which we or any third parties may suffer. If we suffer an event for which we are not adequately insured, there is a risk that it could have a material adverse effect on our business, results of operations and financial condition.

39. ***Our Promoters have interest in certain companies, which may engage in similar businesses, which may create a conflict of interest***

We have two Promoter group companies, K & S Knitwears Private Limited and PBP Marketing Private Limited, which are allowed by their constitutional documents to undertake business similar to our Company's business. These companies have not yet commenced any manufacturing activities. We currently do not have any agreement that restricts our Promoters, Promoter group companies or any entities controlled by them from undertaking such activities and this may result in a conflict of interest and adversely affect our business.

40. ***Out of the Issue proceeds, only the Net Proceeds from the Fresh Issue will be available to us.***

The Issue is a combination of Fresh Issue and Offer for Sale and hence the entire Issue proceeds will be shared by the Selling Shareholders and us. The amount (net of issue expenses) proportionate to the number of shares sold under the Offer for Sale will be remitted to the Selling Shareholders and the amount (net of issue expenses) proportionate to the Fresh Issue would be available to us. Accordingly, we will not benefit from the entire proceeds of the Issue.

External Risk Factors

41. ***Any changes in regulations or applicable government incentives could materially adversely affect our operations and growth prospects.***

We are subject to various regulations and policies. For details see section titled "Regulations and Policies" beginning on page 81 of the Red Herring Prospectus. 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.

42. ***Instability of economic policies and the political situation in India could adversely affect the fortunes of the industry.***

There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and deregulation. The Government of India plays an important role by regulating the policies and regulations governing the private sector. The current economic policies of the government may change at a later date. The pace of economic liberalization could change and specific laws and policies affecting the industry and other policies affecting investment in our Company's business could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our Company's business.

Unstable internal and international political environment could impact the economic performance in both the short term and the long term. The Government of India has pursued the economic liberalization policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced polices and taken initiatives that support continued economic liberalization.

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our Company's business, and the market price and liquidity of the Equity Shares, may be affected by changes in interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

43. ***If financial instability occurs in certain countries, particularly emerging market countries in Asia and other countries, our business and the price of our Equity Shares may be adversely affected.***

Indian markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia and certain other countries. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause exchange rate instability and increased volatility in Indian financial markets, and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and may harm our business, our future financial performance and the price of our Equity Shares.

44. ***Terrorist attack, war, natural disaster or other catastrophic events may disrupt or otherwise adversely affect the markets in which we operate, our business and our profitability.***

Our business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our customers, the financial markets or the overall economy.

In recent times, terrorist attacks in India have become more prevalent. Such attacks may have a material adverse effect on the Indian and global financial markets. In addition, any deterioration in relations between India and Pakistan may result in actual or perceived regional instability. Events of this nature in the future could have a material adverse effect on our ability to develop our business. As a result, our business, results of operations and financial condition may be materially adversely affected.

The occurrence of a natural disaster in the areas in which we operate or near these areas could also materially adversely affect our business, results of operations and financial condition.

Risks relating to the Issue

45. ***You will not be able to sell immediately any of the Equity Shares you subscribe to in this Issue on the stock exchanges.***

The Equity Shares will be listed on the BSE and NSE. Pursuant to Indian regulations certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat" accounts with Depositary Participants in India are expected to be credited within two Business Days of the date on which the Issue and Allotment is approved by the Board. Thereafter, upon receipt of final approval of the Stock Exchanges, trading in the Equity Shares is expected to commence. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their demat accounts, or that trading will commence, within six days of the Issue and Allotment being approved by the Board. Additionally we are liable to pay interest at 15% per annum if Allotment is not made, refund orders are not dispatched or demat credits are not made to investors within 15 days from the Bid/Issue Closing Date.

46. ***There is no existing market for the Equity Shares, and the price of the Equity Shares may be volatile and fluctuate significantly in response to various factors.***

An active market for the Equity Shares may not develop or be sustained after the Issue. The market price of our Equity Shares may vary from the Issue Price after the Issue.

The market price of our Equity Shares may fluctuate significantly due to factors beyond our control, including, but not limited to: volatility in the Indian and global securities markets; external factors affecting our operating results, including the risks outlined in this section; investor perceptions of our future performance; announcements by us or others of significant contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments; political developments or other governmental action or regulation in India or other countries; and additions or departures of key personnel.

In addition, the shares listed on the BSE and/or the NSE may experience significant price and volume fluctuations, which may have a material adverse effect on the market price of the Equity Shares. There is a risk that you will not be able to sell your Equity Shares at a price at or above the Issue Price.

47. ***Future sales of Equity Shares by shareholders or any future equity offerings by us may adversely affect the market price of the Equity Shares.***

If we do not have sufficient internal resources to fund our working capital or capital expenditure needs in the future, we may need to raise funds through further equity offerings. As a purchaser of the Equity Shares, you may experience dilution to your shareholding to the extent that we conduct future equity or convertible equity offerings. Such dilutions can adversely affect the market price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares.

48. ***We have in the past not distributed our profits by way of dividends and our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors.***

We have in the past not distributed our profits by way of dividends. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors. There can be no assurance that we shall have distributable funds.

49. ***We have in the last 12 months issued Equity Shares at a price which may be lower than the Issue Price.***

We have in the last 12 months made the following issuances of Equity Shares at a price which may be lower than the Issue Price:

Date of Allotment	Number of Equity Shares	Price (Rs. per Equity Share	Reason for allotment	Name of Allottee(s)	Whether the allottee is part of Promoter/ Promoter group
October 17, 2006*	202,000	600	Preferential allotment	Mrs. Abha Aggarwal & Mr. Aditya Aggarwal	Not part of Promoter Group
				Mr. Bhaskar Hingad	Not part of Promoter Group
				Mrs. Bimla Kaur	Not part of Promoter Group
				Mr. Parag Mehta	Not part of Promoter Group
				Mr. Rajeb Khanna	Not part of Promoter Group
				Winstar E-Com Private Limited	Not part of Promoter Group
				Senorita Enterprises Private Limited	Not part of Promoter Group
				JP Tapuriah & Kusum Maheswari Tapuriah	Not part of Promoter Group
				Mr. Surinderjit Singh	Not part of Promoter Group
				Mrs. Sunita Agarwal & Mr. G.P. Agarwal	Not part of Promoter Group
				Mrs. Manpreet Singh	Not part of Promoter Group
				Mr. Sundershan Singh Sethi	Not part of Promoter Group
				Mrs. Daljit Kaur Sethi	Not part of Promoter Group
				Mrs. Charu Rathi	Not part of Promoter Group
				Mr. Manish Sharma	Not part of Promoter Group
				Mr. Vaibhav Marathe	Not part of Promoter Group
				Mr. Ravinder Kumar	Not part of Promoter Group

Date of Allotment	Number of Equity Shares	Price (Rs. per Equity Share	Reason for allotment	Name of Allottee(s)	Whether the allottee is part of Promoter/ Promoter group
				Hara Foods Private Limited	Not part of Promoter Group
				KKM Enterprises Private Limited	Not part of Promoter Group
				Mr. Vikas Malu	Not part of Promoter Group
				Mrs. Rita Verma	Not part of Promoter Group
				Mrs. Nilima Desai	Not part of Promoter Group
				Mrs. Kusum Maheshwari Tapuriah & Mr. J.P. Tapuriah	Not part of Promoter Group
				Mr. Prateik Gupta	Not part of Promoter Group
				Mr. Govind Prasad Aggarwal	Not part of Promoter Group
				RP Sharma Marketing Private Limited	Not part of Promoter Group
November 3, 2006*	405,000	600	Conversion of Redeemable Optional Convertible Cumulative Preference Shares	Unit Trust of India Investment Advisory Services Ltd. A/c. Ascent India Fund	Not part of Promoter Group
November 13, 2006*	230,000	600	Preferential allotment	Unit Trust of India Investment Advisory Services Limited A/c. Ascent India Fund	Not part of Promoter Group
December 15, 2006*	747,500	800	Preferential allotment	Unit Trust of India Investment Advisory Services Limited A/c. Ascent India Fund	Not part of Promoter Group
				Argonaut Ventures	Not part of Promoter Group
April 3, 2007	600,000	350	Preferential allotment	Passport Indian Investments (Mauritius) Limited	Not part of Promoter Group

The Company has issued 18,229,000 Equity Shares by way of a bonus issuance on February 14, 2007 in the ratio of 1:2.

For further details of such issuance please refer to section "Capital Structure" beginning on page 17 of this Red Herring Prospectus.

Notes to risk factors:

- Issue of up to 3,524,439 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share of the Company aggregating Rs. [●] million. The Issue comprises a Fresh Issue of 2,607,897 Equity Shares by the Company and an Offer for Sale of 916,542 Equity Shares by the Selling Shareholders. The Issue comprises a Net Issue to the public of up to 3,474,439 Equity Shares and a reservation of up to 50,000 Equity Shares for subscription by Eligible Employees, at the Issue Price. The Issue shall constitute approximately 11.54% of the fully diluted post-issue capital of the Company.
- 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 Net Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation 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 Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net 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. Further up to 50,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.
- The net worth of the Company was Rs. 1,626.54 million as of March 31, 2007 as per our restated financial statements included in this Red Herring Prospectus.
- The net asset value per Equity Share of Rs. 10 each was Rs. 59.49 as at March 31, 2007 as per our restated financial statements included in this Red Herring Prospectus.
- For information on the interests of Promoters, Directors and key managerial personnel, other than reimbursement of expenses incurred or normal remuneration or benefits, see the section titled “Our Management” and “Promoters and Promoter Group” beginning on page 90 and 103 of this Red Herring Prospectus.
- The average cost of acquisition per Equity Share by our Promoters is as follows:

Sr. No.	Name of Promoter	Average cost of acquisition (In Rs.)
1.	Mr. DPS Kohli	0.66
2.	Mr. BS Sawhney	0.70
3.	Mr. GS Sawhney	0.75

- The Company has not made any loans and advances to any person(s)/ company in which the Directors are interested, except as disclosed in the section titled “Financial Statements - Related Party Transactions” and “Financial Statements” beginning on pages 138 and 113 respectively of this Red Herring Prospectus.
- Investors are advised to see section titled “Basis for Issue Price” beginning on page 46 of this Red Herring Prospectus.
- Investors are advised to refer to our financial statements relating to related party transactions in the section titled “Financial Statements – Statement of Related Party Transactions” beginning on page 138 of this Red Herring Prospectus.
- Investors may contact the BRLM, the Co-BRLM or the Syndicate Members, for any complaints, information or clarifications pertaining to the Issue who will be obliged to provide such clarification or information to the investors.

- Under subscription in the Issue in any category, except in the QIB Portion, will be met with spill-over from other categories at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLM.
- Except, as disclosed in the section titled “Capital Structure” beginning on page 17 of this Red Herring Prospectus, our Promoters nor our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.
- Investors may note, that in case of over-subscription in the Issue, allotment to the QIBs, 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 224 of this Red Herring Prospectus.
- Trading in Equity Shares for all investors shall be in dematerialised form only.
- Investors are advised to see the section titled “Risk Factors” beginning on page xi of this Red Herring Prospectus titled “Our Promoters have interests in certain companies, which may engage in similar businesses, which may create conflicts of interest”.
- For change in name of the Company and changes in Memorandum of Association of the Company please refer to the section titled “History and Corporate Structure” beginning on page 83 of this Red Herring Prospectus.

SUMMARY OF THE INDUSTRY, BUSINESS, COMPETITIVE STRENGTHS AND STRATEGY

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information on "Risk Factors" and our "Financial Statements" and related notes beginning on page xi and 113 respectively of this Red Herring Prospectus, before deciding to invest in our Equity Shares.

Industry Overview

India is the second fastest growing economy in the world growing at approximately 7%-8% per annum. According to A.T. Kearney's Global Retail Development Index, 2006, India tops the annual list of most attractive countries for international retail expansion (Source: India Retail Report, by Images F&R Research 2007). Currently the Indian retail market is valued at USD 270.0 billion. Organized retail has grown from USD 6.2 billion in 2004 to USD 8 billion in 2005 to USD 12.4 billion, at a CAGR of 30% (Source: India Retail Report by Images F&R Research 2007). Organized retail is on a high growth trajectory due to several favourable drivers including:

- favourable demographic profiles,
- rising income levels,
- increase in consumer spend,
- urbanization,
- growth in quality retail space,
- emergence of mall culture and rapid development of malls,
- emergence of specialty and supermarket formats which have the most potential for growth followed by hypermarkets.

Apparel and accessories retailing is the largest segment of organized retailing in India, constituting 39.0% of total organized retailing business, which is valued at approximately Rs. 550.0 billion (USD 12.4 billion) (Source: India Retail Report & F&R 2007). The organized apparel and accessories retail market accounted for 13.6% of the total sector in 2004 and was valued at Rs. 109.0 billion. The share of organized retail has steadily grown to 18.9% in 2006, with the apparel and accessories sector showing a year on year growth rate of 30.3% during 2005-2006. Approximately 42% of the Indian apparel market is dominated by men's wear followed by women's wear at 34%.

The ready to wear (RTW) market for apparel in India is expected to show continued growth due to the softening of the government regulations, among other factors. The readymade apparel segment includes both branded and unbranded players. A branded store is wherein a manufacturer or marketer makes conscious efforts to promote his brand, such as Koutons Retail India Limited, Madura Garment's Peter England, Arvind Brand's Newport, ITC's Wills Classic, and Raymond's Park Avenue. There are several foreign brands that have successfully established their presence in the country. These players may have come in via a tie-up with domestic concerns: (like Benetton), or via licensee route (like Allen Solly, Arrow). Some brands like Metro come in with Cash and Carry wholesale trading route, while Tommy Hilfiger, Marks and Spencer's, Speedo, Umbro etc retail through franchisee channels. There are roughly about 23 major players operating in branded apparel segment in India.

For further details, please refer to the section titled "Industry Overview" beginning on page 59 of this Red Herring Prospectus.

Business Overview

We are an integrated apparel manufacturing and retail company in India. We are in the business of designing, manufacturing and retailing apparel under the "*Koutons*" and "*Charlie Outlaw*" brands through a network of 999 exclusive brand outlets (as of August 20, 2007) across India.

We started our business with the formation of a partnership firm "M/s. Charlie Creations". We established a manufacturing unit (having a capacity to manufacture approximately 20,000 pieces of apparel per annum) in Delhi in 1993. In 1994, our Promoters with the vision of broadening operations incorporated our Company, as a private limited company i.e. "Charlie Creations Private Limited". Our Company started its operations by taking over the business of the erstwhile partnership firm. As of August 20, 2007 we had 18 in-house manufacturing/finishing units and 14 warehouses which are spread across various locations in and around Gurgaon, Haryana. We have increased our annual finishing and manufacturing capacity from 3,000,000 and 600,000 pieces of apparel, respectively as of March 31, 2005 to 22,920,000 and 12,360,000 pieces of apparel, respectively as of March 31, 2007 We have also entered into fabricating agreements with various manufacturing units to which we outsource stitching of certain apparel. Our manufacturing and finishing facilities are backed by adequate facilities for product testing, apparel development, design studio and sampling infrastructure to ensure high quality apparel for our customers.

Our brand "Koutons" has contributed to the success of our business. Sales from our brand "Koutons" has increased from Rs. 516.32 million for fiscal 2005 to Rs. 3,726.91 million for fiscal 2007 and has contributed 99.11% and 92.34% of our total income in fiscal 2006 and 2007, respectively. We have positioned the "*Koutons*" brand in the middle to high fashion segment, offering a complete range of a man's wardrobe (in the age group of 22 to 45 years) ranging from formal to casual and party wear. We have recently reinvented and re-launched our old premier brand "*Charlie*" as "*Charlie Outlaw*". The "*Charlie Outlaw*" brand is a casual brand targeted at fashion conscious youngsters in the age group of 14 to 25 years and is positioned as a fashionable and contemporary, value for money brand.

We marketed our apparel through a network of distributors spread all over India till fiscal 2002. However, in fiscal 2002 with a view to improve marketing efficiencies, we introduced the model of retailing on a consignment basis through exclusive franchisee stores. Our first exclusive store was launched in 2002. As of August 20, 2007, the "*Koutons*" brand was sold on a total floor area of approx. 482,966 sq. ft. and our "*Charlie Outlaw*" brand was sold on a total floor area of approx. 360,738 sq. ft.

Our restated total income and restated profit after taxes for the years ended March 31, 2003, 2004, 2005, 2006 and 2007 are summarized below:

(*In Rs. Million*)

Particulars	**Year ended March 31, 2003**	**Year ended March 31, 2004**	**Year ended March 31, 2005**	**Year ended March 31, 2006**	**Year ended March 31, 2007**
Total Income	223.18	317.53	581.46	1,583.85	4,036.17
Profit after tax	4.32	8.82	19.29	131.98	344.87

Competitive Strengths

We believe that we are well positioned to capture the growth opportunities in India's apparel manufacturing and retail sectors, because of our following key strengths:

- Wide network of Exclusive Brand Outlets.
- Integrated player with low-cost sourcing capabilities.
- Unique brand positioning.
- Design and merchandising expertise, with a pulse on fashion.
- Experienced and efficient management.
- Wide apparel range.
- IT Infrastructure.

Our Strategy

Principal elements of our strategy are the following:

- Increase geographic penetration by spreading the network of exclusive brand outlets.
- Enhancing manufacturing capacities.
- Target the growing segments.

- Strengthen the competitive position and recognition of our brands.
- Further improving our cost structure.
- Pursuing potential strategic acquisitions to complement our existing brand portfolio.
- Exports of apparel under our “Koutons” or other brands.

For further details regarding our business, strengths and strategies please see section titled “Our Business” beginning on page 68 of this Red Herring Prospectus.

SUMMARY FINANCIAL INFORMATION

The following tables set forth our selected historical financial information derived from the audited and restated financial statements of the Company as of and for the fiscal years ended March 31, 2003, 2004, 2005, 2006 and 2007. The restated summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 113 and 152 of this Red Herring Prospectus.

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

The statements of restated profits of our Company for the fiscal years ended March 31, 2003, 2004, 2005, 2006 and 2007 are set out below:

(In Rs. Million)

	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
A	**Income**					
	Sales:					
	Of products traded by the Company	-	27.96	46.36	174.18	603.60
	Of products manufactured by the Company	210.49	282.71	533.09	1,409.26	3,420.37
	Other Income	12.69	6.86	2.01	0.41	12.20
	Total Income	**223.18**	**317.53**	**581.46**	**1,583.85**	**4,036.17**
B	**Expenditure**					
	Materials consumed, manufacturing expenses & cost of goods sold	160.52	207.55	375.66	922.43	2,163.14
	Payment to & Provision for Employees	6.99	10.55	22.64	31.86	76.20
	Administrative & General expenses	7.13	12.04	18.15	41.34	86.23
	Selling expenses	32.89	58.21	114.71	332.01	993.91
	Interest & Financial charges	7.42	13.83	15.52	34.37	149.06
	Miscellaneous expenditure written off	0.02	0.02	0.04	0.05	1.84
	Total Expenditure	**214.97**	**302.20**	**546.72**	**1,362.06**	**3,470.38**
C	**Net Profit Before Tax, Depreciation and Prior Period Items (A-B)**	**8.21**	**15.33**	**34.74**	**221.79**	**565.79**
D	Depreciation	2.66	3.72	4.24	10.36	39.67
E	**Net Profit before tax and Prior Period Items (C-D)**	**5.55**	**11.61**	**30.50**	**211.43**	**526.12**
	Income tax Provision	1.09	2.67	10.97	75.17	161.95
	Tax Paid/Provisions Written back for the previous years	0.01	-	-	0.57	-
	Deferred Tax Liabilities	0.13	0.12	0.24	2.14	17.27
	FBT Provision	-	-	-	1.57	2.03
	Prior Period expenses	-	-	-	-	-
	Profit After Tax	**4.32**	**8.82**	**19.29**	**131.98**	**344.87**
	Profit Brought Forward from Previous year	**15.55**	**19.87**	**28.82**	**18.55**	**150.77**
	Add: Deferred tax liability for earlier year written back	**-**	**0.13**	**0.12**	**0.24**	**-**
	Less: Bonus Shares Issued during the year	**-**	**-**	29.68	-	207.24
	Profit Carried Forward to Balance Sheet	**19.87**	**28.82**	**18.55**	**150.77**	**288.40**

STATEMENT OF RESTATED ASSETS AND LIABILITIES

The statements of restated assets and liabilities of our Company as of March 31, 2003, 2004, 2005, 2006 and 2007 are set out below:

(In Rs. Million)

	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
	Assets					
A	**Fixed Assets- Gross Block**	31.80	36.60	51.88	137.08	505.98
	Less: Depreciation	13.70	16.31	20.33	30.69	70.36
	Net Block	18.10	20.29	31.55	106.39	435.62
	Less: Revaluation Reserve	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	**18.10**	**20.29**	**31.55**	**106.39**	**435.62**
B	**Investments**	-	-	-	-	-
C	**Current Assets, Loans and Advances**					
	Inventories	105.16	146.99	191.67	977.32	3,738.40
	Sundry Debtors	50.29	43.17	51.97	81.58	203.92
	Cash & Bank balances	4.63	4.97	28.09	21.42	172.57
	Other Current Assets					
	Loans & Advances	9.16	17.89	74.87	172.95	509.85
	Total of C	**169.24**	**213.03**	**346.60**	**1,253.27**	**4,624.74**
D	**Current Liabilities and Provisions**					
	Sundry liabilities	75.40	62.61	118.21	582.00	1,114.69
	Provisions	5.60	11.97	18.22	62.66	205.41
	Total of D	**81.00**	**74.58**	**136.43**	**644.66**	**1,320.10**
E	**Net Current Assets (C-D)**	**88.24**	**138.45**	**210.17**	**608.61**	**3,304.64**
F	**Total Assets (A+B+E)**	**106.34**	**158.74**	**241.72**	**715.00**	**3,740.26**
G	**Liabilities and Provisions**					
	Loan Funds					
	Working Capital Loans	50.28	86.31	110.83	282.41	1,522.82
	Secured Loans	6.49	7.76	22.16	43.39	101.52
	Unsecured Loans	16.26	22.40	41.82	186.78	469.96
	Total of G	**73.03**	**116.47**	**174.81**	**512.58**	**2,094.30**
H	Deferred Tax Liability	0.13	0.12	0.24	2.14	19.42
	Net worth (F-G-H)	**33.18**	**42.15**	**66.67**	**200.28**	**1,626.54**
	Net worth Represented by:					
	Shareholders Funds					
	Share Capital	9.89	9.89	47.39	49.90	273.44
	Share Application Money (Pending Allotment)	3.55	3.55	1.05	-	-
	Share Premium Account	-	-	-	-	1,070.94
	Reserves and Surplus	19.87	28.82	18.55	150.77	288.40
	Less: Revaluation Reserve	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	19.87	28.82	18.55	150.77	288.40
	Less: Miscellaneous expenditure (not written off)	0.13	0.11	0.32	0.39	6.24
	Total	**33.18**	**42.15**	**66.67**	**200.28**	**1,626.54**

THE ISSUE

Equity Shares offered:	
Issue:	3,524,439 Equity Shares
Which comprises :	
Fresh Issue	2,607,897 Equity Shares
Offer for Sale	916,542 Equity Shares
Of which:	
Employee Reservation Portion	50,000 Equity Shares
Therefore, Net Issue to Public (Net Issue)	3,474,439 Equity Shares
QIB Portion:	At least 2,084,663 Equity Shares *(*allocation on proportionate basis*)* out of which 5% of the QIB Portion or at least 104,233 Equity Shares (assuming the QIB Portion is 60% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and the balance Equity Shares (assuming the QIB Portion is 60% of the Net Issue) shall be available for allocation to all QIBs, including Mutual Funds.
Non-Institutional Portion:	Not less than 347,444 Equity Shares *(allocation on proportionate basis)*.
Retail Portion:	Not less than 1,042,332 Equity Shares *(allocation on proportionate basis)*.
Equity Shares outstanding prior to the Issue:	27,943,500 Equity Shares
Equity Shares outstanding post the Issue:	30,551,397 Equity Shares
Use of Issue Proceeds:	See the section titled “Objects of the Issue” on page 33 of this Red Herring Prospectus.

GENERAL INFORMATION

Registered Office of the Company

Koutons Retail India Limited
T-60/1, DCM School Road,
New Rohtak Road, New Delhi 110 005, India
Tel: + (91) (11) 6545 1320
Fax: + (91) (11) 2341 4602
Website: www.koutons.com

Details	**Registration/Identification number**
Registration Number	55-062984
Company Identification Number	U17299DL1994PLC062984

For details in changes in our Registered Office, see section titled "History and Corporate Structure" beginning on page 83 of this Red Herring Prospectus.

Corporate Office of the Company
274-275, Udyog Vihar, Phase-VI, Sector-37
Gurgaon 122 001 (Haryana), India
Tel: + (91) (124) 413 9300
Fax: + (91) (124) 413 9 399

Address of Registrar of Companies
Registrar of Companies
5th Floor, IFCI Tower, Nehru Place, New Delhi 110 018
Tel: + (91) (11) 262 35703
Fax: + (91) (11) 262 35702

B Block, Paryavaran Bhawan, CGO Complex
Lodhi Road, New Delhi 110 003, India
Tel: + (91) (11) 2436 2708
Fax: + (91) (11) 2436 4570

Board of Directors of the Company

The following persons constitute the Board of Directors:

1.	Mr. DPS Kohli	Chairman-cum-Whole Time Director
2.	Mr. BS Sawhney	Managing Director
3.	Mr. GS Sawhney	Deputy Managing Director
4.	Mr. KC Sharma	Whole Time Director
5.	Mr. Ajay Mittal	Director
6.	Mr. Anil K Khatod	Director
7.	Mr. Girish Chandra Raghubir	Independent Director
8.	Mr. VC Sinha	Independent Director
9.	Mr. K. Santhanam	Independent Director
10.	Dr. Rajiv Grover	Independent Director
11.	Mr. Virendra Kumar Gupta	Independent Director
12.	Mr. Gurdarshan Singh Bhalla	Independent Director

For further details of the Board of Directors, see section titled "Our Management" beginning on page 90 of this Red Herring Prospectus.

Compliance Officer

Mr. Ajay Mahajan
Finance Controller
274-275, Udyog Vihar, Phase-VI
Sector-37, Gurgaon 122 001, (Haryana), India
Tel: + (91) (124) 4139 300
Fax: + (91) (124) 4139 399
Email: ipo2007@koutons.com

Company Secretary

Mr. Ramit Rastogi
274-275, Udyog Vihar, Phase-VI
Sector-37, Gurgaon 122 001, (Haryana), India
Tel: + (91) (124) 4139 300
Fax: + (91) (124) 4139 399
Email: cosec@koutons.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 or refunds orders etc.

Book Running Lead Manager

JM Financial Consultants Private Limited
141, Maker Chambers III
Nariman Point, Mumbai 400 021, India
Tel: + (91) (22) 6630 3030
Fax: + (91) (22) 2204 7185
E-mail: koutons.ipo@jmfinancial.in
Website: www.jmfinancial.in
Contact Person: Mr. Vikas Kothari

Co-Book Running Lead Manager

Karvy Investor Services Limited
"Karvy House", 46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad 500 034, India
Tel: + (91) (40) 23320251/ 23374714
Fax: + (91) (40) 23374714
E-mail: mbd@karvy.com
Website: www.karvy.com
Contact Person: Mr. V Madhusudhan Rao

Syndicate Members

JM Financial Services Private Limited
Apeejay House
3 Dinshaw Waccha Road
Churchgate, Mumbai 400 020, India
Tel: + (91) (22) 6704 3184/ 3185
Fax: + (91) (22) 6654 1511
E-mail: koutons.ipo@jmfinancial.in
Website: www.jmfinancial.in
Contact Person: Mr. Deepak Vaidya

Karvy Stock Broking Limited
"Karvy House", 46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad 500 034, India
Tel: + (91) (40) 23312454/23320251/23320751
Fax: + (91) (40) 66621474
E-mail: sridhark@karvy.com
Website: www.karvy.com
Contact Person: Mr. K Sridhar

Legal Advisors

Domestic Legal Counsel to the Issue
Amarchand & Mangaldas & Suresh A. Shroff & Co.
Amarchand Towers
216, Okhla Industrial Estate, Phase III
New Delhi 110 020, India
Tel: + (91) (11) 2692 0500
Fax: + (91) (11) 2692 4900

Registrar to the Issue

Karvy Computershare Private Limited
Plot No. 17 to 24,
Vithalrao Nagar, Madhapur,
Hyderabad – 500 081, India
Tel: + (91) (40)-23420815 – 820
Fax: + (91) (40) 23420814
E-mail : einward.ris@karvy.com
Website: www.karvy.com
Contact Person: Mr. M. Murali Krishna

Bankers to the Issue and Escrow Collection Banks

HDFC Bank Limited
B 6/3, Safdarjung Enclave,
DDA Commercial Complex,
Opp. Deer Park, New Delhi-110 029
Tel: + (91) (11) 4139 2100
Fax: + (91) (11) 4165 2283
Contact Person: Mr. Rajat Chatterjee
Email : rajat.chatterjee@hdfcbank.com

ICICI Bank Limited
Capital Markets Division,
30, Mumbai Samachar Marg,
Mumbai – 400 001, India
Tel: + (91) (22) 2262 7600
Fax: + (91) (22) 2261 1138
Contact Person: Mr. Sidhartha Routray
E-mail: sidhartha.routray@icicibank.com

The Hong Kong and Shanghai Banking Corporation Limited
52/60, M. G. Road, Mumbai – 400 001, India
Tel: + (91) (22) 2268 5352
Fax: + (91) (22) 2273 4388
Contact Person: Mr. Suyog Mhatre
E-mail: suyogmhatre@hsbc.co.in

Standard Chartered Bank
H-2, Connaught Circus,
New Delhi – 110 001, India,
Tel: + (91) (11) 2340 6858
Fax: + (91) (11) 2331 7124
Contact Person: Rajesh Malwade
E-mail: rajesh.malwade@in.standardchartered.com

Yes Bank Limited
Nehru Centre, 4th floor,
Discovery of India,
Dr. A. B. Road, Worli,
Mumbai – 400 018, India
Tel: + (91) (22) 5669 9086
Fax: + (91) (22) 2494 7639
Contact Person: Mr. Rajesh Lahori
E-mail: rajesh.lahori@yesbank.in

Auditors of the Company

M/s. R. Chadha & Associates
Chartered Accountants
A-43, Naraina Industrial Area, Phase – II
New Delhi 110 028, India
Tel: + (91) (11) 2589 1036
Fax : +(91) (11) 2589 1036
E-mail: rchadhaca@yahoo.com

Bankers of the Company

Indian Overseas Bank
M-13, Punj House
Connaught Circle
New Delhi 110 001, India
Tel: + (91) (11) 2341 3383
Fax: + (91) (11) 2341 4602
Contact Person: Mr. V. Gopal Krishna
Email address: conotvr@delsco.iobnet.co.in

Yes Bank Limited
48, Nyaya Marg, Chanakyapuri
New Delhi 110 021, India
Tel: + (91) (11) 5556 9000
Fax: + (91) (11) 4168 0144
Contact Person : Mr. Nikhil Sahni
Email address: Nikhil.sahni@yesbank.in

Punjab and Sind Bank
2, Paschim Enclave, Peera Garhi
New Delhi 110 087, India
Tel: + (91) (11) 2526 7252
Fax: + (91) (11) 2528 9504
Contact Person : Mr. Davinder Singh Sawhney

Standard Chartered Bank
H-2, Connaught Circus
New Delhi 110 001, India
Tel: + (91) (11) 2340 6798
Fax: + (91) (11) 2371 9515
Contact Person: Mr. Saurabh Chaubey
Email address: Saurabh.chaubey@in.standardchartered.com

HDFC Bank Limted
B 6/3, Safdarjung Enclave
DDA Commercial Complex
Opp. Deer Park, New Delhi-110 029
Tel: + (91) (11) 4139 2100
Fax: + (91) (11) 4165 2283
Contact Person: Mr. Rajat Chatterjee
Email address: rajat.chatterjee@hdfcbank.com

ICICI Bank Limited
303-310, Kailash Building
3rd Floor, 26 K.G. Marg
Connaught Place
New Delhi-110 001, India
Tel: + (91) (11) 4229 3100
Fax: + (91) (11) 4229 3243
Contact Person: Mr. Jitesh Aggarwal
Email address: jitesh.aggarwal@icicibank.com

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

No.	Activities	Responsibility and Coordinator
1	Capital structuring with relative components and formalities.	JM Financial
2	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	JM Financial
3	Drafting and approval of all statutory advertisements.	JM Financial
4	Preparation and finalization of the road-show presentation, Preparation of FAQs for the road-show team, and Approval of all non-statutory advertisement including corporate advertisements.	JM Financial
5	Appointment of the Advertising Agency and Escrow Collection Banks for the Issue	JM Financial
6	Appointment of Printers and Registrar for the Issue	JM Financial
7	International Institutional marketing of the Issue, which will cover, among other things: Finalizing the list and division of investors for one to one meetings; and Finalizing road show schedule and investor meeting schedules.	JM Financial /Karvy
8	Domestic Institutional marketing of the Issue, which will cover, among other things: Finalizing the list and division of investors for one to one meetings; and Finalizing road show schedule and investor meeting schedules.	JM Financial/Karvy
9	Retail / HNI marketing strategy which will cover, among other things: Finalizing centres for holding conferences for brokers, etc Formulating media, marketing and public relations strategy; Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material; and Finalize collection centres.	JM Financial/Karvy
10	Post bidding activities including management of Escrow Accounts, co-ordination of allocation and intimation of allocation with Registrar and Banks, Refund to Bidders, etc. The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing and trading of instruments, demat and delivery of shares and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. The BRLM shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company.	JM Financial
11	Managing the book.	JM Financial
12	Finalization of Pricing in consultation with the Company.	JM Financial
13	Co-ordination with stock exchanges for book building software, bidding terminals and mock trading.	JM Financial

Credit Rating

As this is an issue of equity shares, a credit rating is not required.

IPO Grading

We have not opted for grading of this Issue.

Trustees

As this is an issue of Equity Shares, the appointment of trustees is not required.

Monitoring Agency

No monitoring agency is required to be appointed by the Company for the Issue.

Appraisal Reports

None of the projects for which proceeds from the Fresh Issue will be utilized have been financially appraised by any bank or financial institution.

Book Building Process

The Book Building Process refers to the process of collecting Bids from investors, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalised after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

(1) the Company and the Selling Shareholders;

(2) the BRLM;

(3) the Co-BRLM;

(4) the other members of the Syndicate who are intermediaries registered with the SEBI or registered as brokers with the BSE/NSE and eligible to act as underwriters;

(5) the Registrar to the Issue; and

(6) the Escrow Collection Banks.

The securities are being offered to the public through the 100% Book Building Process in accordance with the SEBI Guidelines and in terms of Rule (19)(2)(b) of the SCRR wherein at least 60% of the Net Issue shall be Allotted on a proportionate basis to QIBs. Of the QIB Portion, 5% is available for allocation to Mutual Funds. If at least 60% of the Net Issue cannot be Allotted to QIBs, then the entire application monies will be refunded. Further, not less than 10% of the Net Issue is available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue is available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay at least 10% of the Bid Amount upon submission of the Bid cum Application Form during the Bid/Issue Period and allocation to QIBs will be on a proportionate basis. For further details, see section titled "Issue Procedure" beginning on page 204 of this Red Herring Prospectus.

The Company and the Selling Shareholders will comply with the SEBI Guidelines issued by the SEBI for this Issue. In this regard, the Company and the Selling Shareholders have appointed the BRLM and the Co-BRLM to manage the Issue and to procure the subscriptions to the Issue.

Since the process of Book Building under the SEBI Guidelines is relatively new and is, from time to time, subject to change, investors are advised to make their own judgement about investment through this process prior to making a Bid in the Issue.

Illustration of Book Building and Price Discovery Process

(Investors should note that the following is for illustrative purposes only and is not specific to the Issue.)

Bidders can bid at any price within the price band. A graphical representation of the consolidated demand and price will be made available at the websites of the BSE (www.bseindia.com) and the NSE (www.nseindia.com) during the

Bid/Issue Period. The illustrative book below shows the demand for the equity shares of a company at various prices and is collated from bids from various investors under the following assumptions: a price band of Rs. 40 to Rs. 48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders.

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

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

Steps to be taken by a Bidder to make a Bid:

(1) Check eligibility (please see the section titled "Issue Procedure—Who can bid?" beginning on page 204 of this 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) If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form. 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 maybe together with permissible documents as proof of address. (see the section titled "Issue Procedure – Permanent Account Number ("PAN")" beginning on page 220 of this Red Herring Prospectus);

(4) Ensure that the Bid cum Application Form is duly completed as per the instructions given in the Red Herring Prospectus and in the Bid cum Application Form;

(5) Bids by QIBs will only have to be submitted to the BRLM and Co-BRLM; and

(6) The Bidder should ensure the correctness of his or her Demographic details (as defined in the section titled "Issue Procedure" beginning on page 204 of this Red Herring Prospectus) given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLM, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date but before the Allotment of Equity Shares without assigning any reason thereof.

Bid/Issue Period

BID/ISSUE OPENS ON : Tuesday, September 18, 2007

BID/ISSUE CLOSES ON : Friday, September 21, 2007

Bids and any revision in Bids will **only be accepted between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bid/ Issue Period as mentioned above at the bidding centres mentioned in the Bid cum Application Form **except that on the Bid/Issue Closing Date, Bids and any revision in Bids will only be accepted between 10 a.m. and 1 p.m. (Indian Standard Time)** and uploaded until (i) 5.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders and

Employees bidding under the Employee Reservation Portion where the Bid Amount is in excess of Rs. 100,000 and (ii) until such time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders and Employees Bidding under the Employee Reservation Portion where the Bid Amount is up to Rs. 100,000. **Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on working days, i.e. Monday to Friday (excluding any public holiday).**

The Company and the Selling Shareholders reserve the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down up to a maximum of 20% of the Floor Price advertised at least one day before the Bid/Issue Opening Date.

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

Underwriting Agreement

After determination of the Issue Price but before filing of the Prospectus with the RoC, the Company and the Selling Shareholders will enter into the Underwriting Agreement with the Underwriters for the underwriting of the Equity Shares proposed to be offered through this Issue. Under the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

The Underwriters have consented to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be completed before filing of the Prospectus with the RoC.)

Names and addresses of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (In Rs. million)
JM Financial Consultants Private Limited 141, Maker Chambers III Nariman Point, Mumbai 400 021, India E-mail: koutons.ipo@jmfinancial.in Website: www.jmfinancial.in Contact Person: Mr. Vikas Kothari	[●]	[●]
Karvy Investor Services Limited “Karvy House”, 46, Avenue 4, Street No. 1 Banjara Hills, Hyderabad 500 034, India Tel: + (91) (40) 23320251/ 23374714 Fax: + (91) (40) 23374714 E-mail: mbd@karvy.com Website: www.karvy.com Contact Person: Mr. V Madhusudhan Rao	[●]	[●]
JM Financial Services Private Limited Apeejay House, 3 Dinshaw Waccha Road Churchgate, Mumbai 400 020, India E-mail: koutons.ipo@jmfinancial.in Website: www.jmfinancial.in Contact Person: Mr. Deepak Vaidya	[●]	[●]

Names and addresses of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (In Rs. million)
Karvy Stock Broking Limited ”Karvy House”, 46, Avenue 4, Street No. 1 Banjara Hills, Hyderabad 500 034, India Tel: + (91) (40) 23312454/23320251/23320751 Fax: + (91) (40) 66621474 E-mail: sridhark@karvy.com Website: www.karvy.com Contact Person: Mr. K Sridhar	[●]	[●]

The above mentioned amounts are indicative and this will be finalised after the determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [●].

In the opinion of the Board and the Selling Shareholders (based on a certificate given by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above mentioned Underwriters are registered with the SEBI under section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been approved by the Board at a meeting held on [•], 2007.

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

CAPITAL STRUCTURE

The share capital as at the date of filing this Red Herring Prospectus with the RoC (before and after the Issue) is set forth in the table below;

(Rs. except for share details)

Particulars		Aggregate value at face value	Aggregate value at Issue Price
A.	**Authorised Capital***		
	36,300,000 Equity Shares	363,000,000	
B.	**Issued, Subscribed and Paid-up Capital prior to the Issue:**		
	27,943,500 Equity Shares	279,435,000	
C.	**Present Issue to the public in terms of this Red Herring Prospectus***		
	3,524,439 Equity Shares	35,244,390	[●]
	Which comprises:		
	Fresh Issue		
	2,607,897 Equity Shares	26,078,970	[●]
	Offer for Sale		
	916,542 Equity Shares	9,165,420	[●]
	Of which		
	Employee reservation		
	50,000 Equity Shares	500,000	[●]
D.	**Net Issue to the Public**		
	3,474,439 Equity Shares	34,744,390	[●]
	Of Which:		
	QIB Portion of at least 2,084,663 Equity Shares	20,846,630	
	Non-Institutional Portion of up to 347,444 Equity Shares	3,474,440	
	Retail Portion of up to 1,042,332 Equity Shares	10,423,320	
E.	**Issued, Subscribed and Paid-up Capital after the Issue:**		
	30,551,397 Equity Shares	305,513,970	
F.	**Share Premium Account**		
	Prior to the Issue	1,252,612,838	
	Post the Issue	[●]	

The authorised share capital of the Company was increased from Rs. 1,000,000 divided into 100,000 Equity Shares to Rs. 5,000,000 divided into 500,000 Equity Shares through a resolution of the shareholders of the Company dated October 5, 1996. The authorised share capital of the Company was increased from Rs. 5,000,000 divided into 500,000 Equity Shares to Rs. 10,000,000 divided into 1,000,000 Equity Shares through a resolution of the shareholders of the Company dated March 30, 2000. The authorised share capital of the Company was increased from Rs. 10,000,000 divided into 1,000,000 Equity Shares to Rs. 50,000,000 divided into 5,000,000 Equity Shares through a resolution of the shareholders of the Company dated December 15, 2004. The authorised share capital of the Company was *increased from Rs. 50,000,000 divided into 5,000,000 Equity Shares to Rs. 120,000,000 divided into 12,000,000 Equity Shares through a resolution of the shareholders of the Company dated April 17, 2006. The authorised share capital of the Company was increased from Rs. 120,000,000 divided into 12,000,000 Equity Shares to Rs. 363,000,000 divided into 12,000,000 Equity Shares and 243,000 Preference Shares through a resolution of the shareholders of the Company dated June 20, 2006. The authorised share capital of the Company was changed from Rs. 363,000,000 divided into 12,000,000 Equity Shares and 243,000 Preference Shares to Rs. 363,000,000 divided into 36,300,000 Equity Shares through a resolution of the shareholders of the Company dated January 30, 2007.*

Offer for Sale by Selling Shareholders:

The Issue comprises an offer for sale of 916,542 Equity Shares by Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney in the following proportion:

Name of Selling Shareholder	No. of Equity Shares
Mr. DPS Kohli	305,514
Mr. BS Sawhney	305,514
Mr. GS Sawhney	305,514

The present issue has been authorised by the Board of Directors on their meeting dated March 16, 2007 and by the Shareholders of our Company at an EGM held on March 16, 2007.

The Equity Shares constituting the Offer for Sale have been held by the respective Selling Shareholders for a period of more than one year prior to the filing of the Draft Red Herring Prospectus with SEBI.

Notes to the Capital Structure:

1. ***Share Capital History***

(a) The following is the history of the equity share capital of the Company up to the date of this Red Herring Prospectus.

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Cash, Bonus, other than cash	Reasons for Allotment	Name of Allottees	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
November 26, 1994	20	10	10	Cash	Subscription to the Memorandum	Mr. BS Sawhney Mrs. Amarjit Kaur	Nil	200
January 2, 1995	57,945	10	-	Consideration other than cash	Issued on the acquisition of the partnership firm by the Company	Mr. BS Sawhney Mrs. Amarjit Kaur	Nil	579,650
January 2, 1995	39,450	10	10	Cash	Preferential allotment	Mrs. Ranjit Kaur Mrs. Parvinder Kaur Mrs. Amrit Kaur Mrs. Ekta Midha Mrs. Kanwaljit Kaur Mrs. Manjit Kaur Mr. BS Sawhney Mr. Sanjay Karnal Mr. DPS Kohli (HUF) HS Kohli (HUF) BS Sawhney (HUF) GS Sawhney (HUF) RPS Kohli (HUF)	Nil	974,150

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Cash, Bonus, other than cash	Reasons for Allotment	Name of Allottees	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
March 31, 1999	742,015	10	10	Cash	Preferential allotment	Mr. BS Sawhney Mrs. Amarjit Kaur Mrs. Ranjit Kaur Mrs. Parvinder Kaur Mrs. Amrit Kaur Mrs. Kanwaljit Kaur Mr. BS Sawhney DPS Kohli (HUF) HS Kohli (HUF BS Sawhney (HUF) GS Sawhney (HUF) RPS Kohli (HUF) Mrs. Satinder Kaur Mr. Pritam Singh Mr. DP Singh Kohli Mr. HS Kohli Karan Finance Limited Laxmi Infin Private Limited Musk Exports Private Limited Vadi Finlease Private Limited Archits Holdings & Credits Private Limited Pranami Habital Development Private Limited	Nil	8,394,300
March 30, 2002	150,000	10	10	Cash	Preferential allotment	Mrs. Amarjit Kaur Mrs. Kanwaljit Kaur BS Sawhney (HUF) GS Sawhney (HUF) RPS Kohli (HUF) Mrs. Satinder Kaur Mr. DPS Kohli	Nil	9,894,300
March 30, 2005	2,968,290	10	-	Bonus	Bonus issue in the ratio of 1:3 (For every 1 Equity Share, the Company issued 3 Equity Shares)	All existing shareholders as on March 30, 2005	Nil	39,577,200
March 31, 2005	781,710	10	10	Cash	Preferential allotment	Mr. DPS Kohli DPS Kohli (HUF) Mrs. Amarjit Kaur Mr. BS Sawhney Mr. GS Sawhney Mrs. Satinder Kaur Mr. Parvinder Kaur	Nil	47,394,300

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Cash, Bonus, other than cash	Reasons for Allotment	Name of Allottees	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
November 30, 2005	250,000	10	10	Cash	Preferential allotment	Bimal Overseas Private Limited Delphi International Business Consultants Private Limited Neelkanth Travels Private Limited	Nil	49,894,300
February 13, 2006	570	10	10	Cash	Preferential allotment	Mr. GS Sawhney	Nil	49,900,000
June 9, 2006	2,495,000	10	-	Bonus	Bonus issue in the ratio of 2:1 (For every 2 Equity Shares, the Company issued 1 Equity Share)	All existing shareholders as on June 9, 2006	Nil	74,850,000
June 29, 2006	45,000	10	600*	Cash	Preferential allotment	Unit Trust of India Investment Advisory Services Ltd. A/c. Ascent India Fund	26,550,000	75,300,000
October 17, 2006	202,000	10	600*	Cash	Preferential allotment	Mrs. Abha Aggarwal & Mr. Aditya Aggarwal Mr. Bhaskar Hingad Mrs. Bimla Kaur Mr. Parag Mehta Mr. Rajeb Khanna Winstar E-Com Private Limited Senorita Enterprises Private Limited JP Tapuriah & Kusum Maheshwari Tapuriah Mr. Surinderjit Singh Mrs. Sunita Agarwal & Mr. GP Agarwal Mrs. Manpreet Singh Mr. Sudershan Singh Sethi Mrs. Daljit Kaur Sethi Mrs. Charu Rathi Mr. Manish Sharma Mr. Vaibhav Marathe Mr. Ravinder Kumar Hara Foods Private Limited KKM Enterprises Private Limited	145,730,000	77,320,000

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Cash, Bonus, other than cash	Reasons for Allotment	Name of Allottees	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
						Mr. Vikas Malu Mrs. Rita Verma Mrs. Nilima Desai Mrs. Kusum Maheshwari Tapuriah & Mr. JP Tapuriah Mr. Prateik Gupta Mr. Govind Prasad Aggarwal RP Sharma Marketing Private Limited		
November 3, 2006	405,000	10	600*	Conversion of Redeemable Optional Convertible Cumulative Preference Shares	Conversion of Redeemable Optional Convertible Cumulative Preference Shares	Unit Trust of India Investment Advisory Services Ltd. A/c. Ascent India Fund	384,680,000	81,370,000
November 13, 2006	230,000	10	600*	Cash	Preferential allotment	Unit Trust of India Investment Advisory Services Ltd. A/c. Ascent India Fund	520,380,000	83,670,000
December 15, 2006	747,500	10	800*	Cash	Preferential allotment	Unit Trust of India Investment Advisory Services Ltd. A/c. Ascent India Fund Argonaut Ventures	1,110,905,000	91,145,000
February 14, 2007	18,229,000	10	-	Bonus	Bonus issue in the ratio of 1:2 (For every 1 Equity Share, the Company issued 2 Equity Shares)	All existing shareholders as on February 14, 2007	Nil	273,435,000
April 3, 2007	600,000	10	350	Cash	Preferential allotment	Passport India Investments (Mauritius) Limited	1,314,905,000**	279,435,000

* The Company issued 18,229,000 Equity Shares by way of a bonus issuance on February 14, 2007 in the ratio of 1:2.

** We have written off Rs. 22,329,552 in lieu of commission paid towards procurement of private equity investments. As a result of which the current share premium is Rs. 1,252,612,838.

Other than the Equity Shares issued on January 2, 1995 as consideration for the acquisition of the partnership firm M/s. Charlie Creations, the bonus issues on March 30, 2005, June 9, 2006 and February 14, 2007 to existing shareholders of the Company, none of our Equity Shares have been issued for consideration other than cash.

(b) The following is the history of the equity share capital of the Promoters up to the date of this Red Herring Prospectus.

Name of Promoter/ Promoter Group	Date of Allotment/ Acquisition/ Sale	Consideration Per Equity Share (Rs.)	No. of Equity Shares Allotted/ Acquired/ Sold	Nature of Allotment/ Acquisition/Sale	% of Equity Share Capital (Pre-Issue)	% of Equity Share Capital (Post-Issue)
Mr. DPS Kohli	March 31, 1999	10	94,700	Acquired on Preferential Allotment	0.34%	0.31%
	March 30, 2002	10	10,000	Acquired on Preferential Allotment	0.04%	0.03%
	March 22, 2003	-	16,450	Transfer of Equity Shares from Mrs. Ranjit Kaur by way of Gift	0.06%	0.05%
	January 16, 2004	-	82,452	Transfer of Equity Shares from Mr. R.P.S. Kohli by way of Gift	0.30%	0.27%
	March 30, 2005	-	610,806	Acquired on Bonus Allotment	2.19%	2.00%
	March 31, 2005	10	150,000	Acquired on Preferential Allotment	0.54%	0.49%
	January 31, 2006	10	83,334	Transfer of Equity Shares from Neelkanth Travels Private Limited	0.30%	0.27%
	February 13, 2006	-	(60,760)	Transfer of Equity Shares to Mr. Bhupinder Singh – HUF by way of Gift	-0.22%	-0.20%
	February 13, 2006	-	(60,191)	Transfer of Equity Shares to Mrs. Parvinder Kaur by way of Gift	-0.22%	-0.20%
	June 9, 2006	-	463,395	Acquired on Bonus Allotment	1.66%	1.52%
	January 30, 2007	-	322,864	Transfer of Equity Shares from Mrs. Amarjit Kaur by way of Gift	1.16%	1.06%
	January 30, 2007	-	(2,100)	Transfer of Equity Shares to Mr. Rajesh Agarwal by way of Gift	-0.01%	-0.01%
	January 30, 2007	-	(1,700)	Transfer of Equity Shares to Mr. Banpreet S. Kohli by way of Gift	-0.01%	-0.01%
	February 14, 2007	-	3,418,500	Acquired on Bonus Allotment	12.23%	11.19%
	June 28, 2007	430	(387,597)	Transfer of Equity Shares to FID Funds (Mauritius) Ltd.	-1.39%	-1.27%
	Total Equity Shares Held		**4,740,153**		**16.96%**	**15.52%**

Name of Promoter/ Promoter Group	Date of Allotment/ Acquisition/ Sale	Consideration Per Equity Share (Rs.)	No. of Equity Shares Allotted/ Acquired/ Sold	Nature of Allotment/ Acquisition/Sale	% of Equity Share Capital (Pre-Issue)	% of Equity Share Capital (Post-Issue)
Mr. BS Sawhney	November 26, 1994	10	10	Subscription to Memorandum of Association	0.00%	0.00%
	January 2, 1995	-	28,797	Issuance of Equity Shares on acquisition of partnership firm (M/s Charlie Creations) by the Company	0.10%	0.09%
	March 31, 1999	10	95,000	Acquired on Preferential Allotment	0.34%	0.31%
	March 22, 2003	-	2,500	Transfer of Equity Shares from Mrs. Manjeet Kaur by way of Gift	0.01%	0.01%
	March 22, 2003	-	3,000	Transfer of Equity Shares from Mrs. Ekta Midha by way of Gift	0.01%	0.01%
	March 22, 2003	-	3,600	Transfer of Equity Shares from Mr. Sanjay Karnal by way of Gift	0.01%	0.01%
	March 22, 2003	-	3,000	Transfer of Equity Shares from Mr. Pritam Singh by way of Gift	0.01%	0.01%
	March 22, 2003	-	5,183	Transfer of Equity Shares from Mr. H.S. Kohli-HUF by way of Gift	0.02%	0.02%
	March 22, 2003	-	3,633	Transfer of Equity Shares from Mr. H.S. Kohli by way of Gift	0.01%	0.01%
	January 16, 2004	-	28,952	Transfer of Equity Shares from Mr. R.P.S. Kohli by way of Gift	0.10%	0.09%
	January 16, 2004	-	28,600	Transfer of Equity Shares from Mr. R.P.S. Kohli-HUF by way of Gift	0.10%	0.09%
	January 16, 2004	-	24,900	Transfer of Equity Shares from Mrs. Kanwal Jit Kaur by way of Gift	0.09%	0.08%
	March 30, 2005	-	681,525	Acquired on Bonus Allotment	2.44%	2.23%
	March 31, 2005	10	150,000	Acquired on Preferential Allotment	0.54%	0.49%
	January 31, 2006	10	50,000	Acquisition of Equity Shares from M/s Bimal Overseas Private Limited	0.18%	0.16%

Name of Promoter/ Promoter Group	Date of Allotment/ Acquisition/ Sale	Consideration Per Equity Share (Rs.)	No. of Equity Shares Allotted/ Acquired/ Sold	Nature of Allotment/ Acquisition/Sale	% of Equity Share Capital (Pre-Issue)	% of Equity Share Capital (Post-Issue)
	January 31, 2006	10	16,667	Acquisition of Equity Shares from M/s Delphi International Business Consultants Private Limited	0.06%	0.05%
	January 31, 2006	10	16,666	Acquisition of Equity Shares from M/s Neelkanth Travels Private Limited	0.06%	0.05%
	June 9, 2006	-	571,017	Acquired on Bonus Allotment	2.04%	1.87%
	January 30, 2007	-	(2,100)	Transfer of Equity Shares to Mr. Karnal Sanjay by way of Gift	-0.01%	-0.01%
	January 30, 2007	-	(1,700)	Transfer of Equity Shares to Mr. Banpreet S. Kohli by way of Gift	-0.01%	-0.01%
	February 14, 2007	-	3,418,500	Acquired on Bonus Allotment	12.23%	11.19%
	June 28, 2007	430	(387,597)	Transfer of Equity Shares to FID Funds (Mauritius) Limited	-1.39%	-1.27%
	Total Equity Shares Held		**4,740,153**		**16.96%**	**15.52%**
Mr. GS Sawhney	March 22, 2003	-	1,857	Transfer of Equity Shares from Mr. H.S. Kohli – HUF by way of Gift	0.01%	0.01%
	March 22, 2003	-	18,550	Transfer of Equity Shares from Mrs. Amrit Kaur by way of Gift	0.07%	0.06%
	March 22, 2003	-	6,580	Transfer of Equity Shares from Mr. Basant Singh Sawhney by way of Gift	0.02%	0.02%
	March 22, 2003	10	50,000	Acquisition of Equity Shares from Archit Holdings & Credits Private Limited	0.18%	0.16%
	March 22, 2003	10	50,000	Acquisition of Equity Shares from Pranami Habital Development Private Limited	0.18%	0.16%
	March 22, 2003	10	50,000	Acquisition of Equity Shares from Vadi Finlease Private Limited	0.18%	0.16%

Name of Promoter/ Promoter Group	Date of Allotment/ Acquisition/ Sale	Consideration Per Equity Share (Rs.)	No. of Equity Shares Allotted/ Acquired/ Sold	Nature of Allotment/ Acquisition/Sale	% of Equity Share Capital (Pre-Issue)	% of Equity Share Capital (Post-Issue)
	January 16, 2004	-	82,453	Transfer of Equity Shares from Mr. R.P.S. Kohli by way of Gift	0.30%	0.27%
	March 30, 2005	-	778,320	Acquired on Bonus Allotment	2.79%	2.55%
	March 31, 2005	10	150,000	Acquired on Preferential Allotment	0.54%	0.49%
	January 31, 2006	10	83,333	Acquisition of Equity Shares from Delphi International Business Consultants Private Limited	0.30%	0.27%
	February 13, 2006	10	570	Acquired on Preferential Allotment	0.00%	0.00%
	June 9, 2006	-	635,832	Acquired on Bonus Allotment	2.28%	2.08%
	January 30, 2007	-	(194,445)	Transfer of Equity Shares to Mrs. Parvinder Kaur by way of gift	-0.70%	-0.64%
	January 30, 2007	-	(2,100)	Transfer of Equity Shares to Mr. Dinesh Sancheti by way of gift	-0.01%	-0.01%
	January 30, 2007	-	(1,700)	Transfer of Equity Shares to Ms. Banpreet S Kohli by way of gift	-0.01%	-0.01%
	February 14, 2007	-	3,418,500	Acquired on Bonus Allotment	12.23%	11.19%
	June 28, 2007	430	(387,597)	Transfer of Equity Shares to FID Funds (Mauritius) Ltd.	-1.39%	-1.27%
	Total Equity Shares Held		**4,740,153**		**16.96%**	**15.52%**

2. ***Promoters' Contribution and Lock-In***

Details of Equity Shares locked in for three years

Set out below are the details of the Equity Shares which are eligible for computation of the Promoters' contribution and lock-in under clause 4.6 of the SEBI Guidelines and which are being locked in for 3 years.

Name of the Promoter	Date of Allotment (when fully paid up)	Number of Equity Shares	Face Value (Rs.)*	Issue Price per Share (Rs.)*	Conside-ration (Cash/ other than cash)	Percentage of the post issue capital*
Mr. DPS Kohli	February 14, 2007	2,036,760	10	-	Bonus	6.67
Mr. BS Sawhney	February 14, 2007	2,036,760	10	-	Bonus	6.67
Mr. GS Sawhney	February 14, 2007	2,036,760	10	-	Bonus	6.67
Total		**6,110,280**				**20.00**

* The number of equity shares locked in and the percentage of the post issue capital has been rounded off.

** The Equity Shares being locked-in for a period of three years from the date of Allotment and which have been issued for consideration other than cash have been issued through a bonus issue and are not from a bonus issue out of a revaluation reserves or reserves without accrual of cash resources or against shares which are ineligible for computation of promoters' contribution.

The lock-in period shall start from the date of Allotment in the proposed Issue and the last date of the lock-in shall be the third anniversary of the date of Allotment in the Issue or the commencement of commercial production whichever is later.

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

Details of pre-Issue Equity Share capital locked in for one year

Other than as stated above and excluding the Equity Shares forming part of the Offer for Sale portion, the entire pre-Issue Equity Share capital of the Company comprising of 20,916,678 Equity Shares will be locked-in for a period of one year from the date of Allotment of Equity Shares in this Issue.

Other requirements in respect of lock in

As per clause 4.15.1 of the SEBI Guidelines, the locked in Equity Shares held by the Promoters can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of shares is one of the terms of sanction of such loans. However, Equity Shares locked-in as minimum promoters' contribution under clause 4.11.1 of the SEBI Guidelines, can be pledged, only if, in addition to fulfilling the aforementioned requirements, such loans have been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the issue.

Under clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoters before 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 the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable and as amended.

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

3. ***Shareholding pattern***

The table below presents the shareholding pattern of the Company before and after the proposed Issue:

	Pre-Issue		Post-Issue	
Category/Name of Shareholder	**Number of Equity Shares**	**Percentage Sharholding**	**Number of Equity Shares**	**Percentage Sharholding**
Promoters				
Mr. DPS Kohli	4,740,153	16.96%	4,434,639	14.52%
Mr. BS Sawhney	4,740,153	16.96%	4,434,639	14.52%
Mr. GS Sawhney	4,740,153	16.96%	4,434,639	14.52%
Sub-Total (A)	**14,220,459**	**50.89%**	**13,303,917**	**43.55%**
Promoter group				
Ms. Satinder Kaur	1,487,640	5.32%	1,487,640	4.87%
Ms. Parvinder Kaur	1,413,753	5.06%	1,413,753	4.63%
Ms. Amarjit Kaur	1,289,052	4.61%	1,289,052	4.22%
DPS Kohli (HUF)	1,056,195	3.78%	1,056,195	3.46%
GS Sawhney (HUF)	931,500	3.33%	931,500	3.05%
BS Sawhney (HUF)	857,610	3.07%	857,610	2.81%
Mr. Banpreet Singh Kohli	15,600	0.06%	15,600	0.05%
Ms. Gurleen Kaur (minor)	300	Negligible	300	Negligible
Mr. PS Sawhney	300	Negligible	300	Negligible
Mr. JS Sawhney (minor)	300	Negligible	300	Negligible
Mr. Gurashish S Sawhney (minor)	300	Negligible	300	Negligible
Mr. ES Sawhney (minor)	300	Negligible	300	Negligible
Sub-Total (B)	**7,052,850**	**25.24%**	**7,052,850**	**23.09%**
Total Promoter and Promoter group holding (A+B)	**21,273,309**	**76.13%**	**20,356,767**	**66.63%**
Others				
Unit Trust of India Investment Advisory Services Limited A/c Ascent India Fund	2,557,500	9.15%	2,557,500	8.37%
Argonaut Ventures	1,725,000	6.17%	1,725,000	5.65%
Passport India Investments (Mauritius) Limited	1,065,000	3.81%	1,065,000	3.49%
FID Funds (Mauritius) Limited	1,162,791	4.16%	1,162,791	3.81%
Others	159,900	0.58%	159,900	0.52%
Public	Nil	Nil	3,524,439	11.54%
Sub-Total (C)	**6,670,191**	**23.88%**	**10,194,630**	**33.37%**
TOTAL (A+B+C)	**27,943,500**	**100.00%**	**30,551,397**	**100.00%**

4. The Company, its Directors, its Promoters, the Promoter Group, the BRLM and the Co-BRLM have not entered into any buy-back and/or stand-by or similar arrangements for the purchase of Equity Shares from any person.

5. In case of an over-subscription, 10% of the Net Issue can be retained for the purposes of rounding off to the nearest multiple of the minimum allocation lot.

6. The Equity Shares issued pursuant to this Issue shall be fully paid-up at the time of Allotment, failing which no Allotment shall be made.

7. In the case of over-subscription in all categories, at least 60% of the Net Issue shall be available for Allocation on a proportionate basis to QIB Bidders, of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion would be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds. If at least 60% of the Net Issue cannot be Allotted to QIBs then the entire application money shall be refunded forthwith. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category, except in the QIB Portion, would be met with spill-over from other categories, at the sole discretion of our Company and the Selling Shareholder, in consultation with the BRLM.

8. A total of up to 50,000 Equity Shares have been reserved for allocation to the Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion on a competitive basis. Eligible Employees other than as defined in this Red Herring Prospectus are not eligible to participate under the Employee Reservation Portion. Bids by Eligible Employees can also be made in the Net Issue Portion to the public and such Bids shall not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 50,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. The unsubscribed portion, if any, from the Equity Shares in the Employee Reservation Portion will be treated as part of the Net Issue and the proportionate allocation of the same would be at the sole discretion of our Company and the Selling Shareholders in consultation with the BRLM.

9. The Company's Shareholders:

   (a) The top 10 shareholders of the Company and the number of Equity Shares held by them as of: (a) the date of this Red Herring Prospectus; and (b) 10 days prior to filing of this Red Herring Prospectus is as follows:

Shareholder	Number of Equity Shares	Percentage Shareholding
Promoters		
Mr. DPS Kohli	4,740,153	16.96
Mr. BS Sawhney	4,740,153	16.96
Mr. GS Sawhney	4,740,153	16.96
Promoter Group		
Ms. Satinder Kaur	1,487,640	5.32
Ms. Parvinder Kaur	1,413,753	5.06
Ms. Amarjit Kaur	1,289,052	4.61
Others		
Unit Trust of India Investment Advisory Services Limited A/C Ascent India Fund	2,557,500	9.15
Argonaut Ventures	1,725,000	6.17
FID Funds (Mauritius) Limited	1,162,791	4.16
Passport India Investments (Mauritius) Limited	1,065,000	3.81

(b) The shareholders of the Company and the number of Equity Shares held by them two years prior to the date of this Red Herring Prospectus were as follows:

Shareholder	Number of Equity Shares	Percentage Shareholding
Promoters		
Mr. GS Sawhney	1,187,760	25.06
Mr. BS Sawhney	1,058,700	22.34
Mr. DPS Kohli	964,408	20.35
Promoter Group		
Ms. Amarjit Kaur	501,832	10.59
Ms. Satinder Kaur	330,720	6.98
DPS Kohli (HUF)	234,710	4.95
GS Sawhney (HUF)	207,000	4.36
BS Sawhney (HUF)	129,820	2.74
Ms. Parvinder Kaur	124,480	2.63

10. Except as set out below, the Promoters, members of the Promoter Group and the Directors have not purchased or sold any Equity Shares in the six months preceding the date of this Red Herring Prospectus:

Our Promoters have on June 28, 2007 transferred 1,162,791 Equity Shares to FID Funds (Mauritius) Limited vide Share Purchase Agreement dated June 18, 2007.

Sl. No.	Transferor	Transferee	Equity Share (Rs.)	Number of Equity Shares
1.	Mr. DPS Kohli	FID Funds (Mauritius) Limited	430	387,597
2.	Mr. BS Sawhney	FID Funds (Mauritius) Limited	430	387,597
3.	Mr. GS Sawhney	FID Funds (Mauritius) Limited	430	387,597

11. The aggregate shareholding of the Promoter, Promoter Group and the Directors is 21,273,309 Equity Shares.

12. The Company has made the following issuance of Equity Shares at a price which may be lower than the Issue Price in the last 12 months:

Date of Allotment	Number of Equity Shares	Price (Rs. per Equity Shares	Reason for allotment	Name of Allottee(s)	Whether the allottee is part of Promoter/ Promoter group
October 17, 2006*	202,000	600	Preferential allotment	Mrs. Abha Aggarwal & Mr. Aditya Aggarwal	Not part of Promoter Group
				Mr. Bhaskar Hingad	Not part of Promoter Group
				Mrs. Bimla Kaur	Not part of Promoter Group
				Mr. Parag Mehta	Not part of Promoter Group
				Mr. Rajeb Khanna	Not part of Promoter Group
				Winstar E-Com Private Limited	Not part of Promoter Group
				Senorita Enterprises Private Limited	Not part of Promoter Group
				JP Tapuriah & Kusum Maheswari Tapuriah	Not part of Promoter Group
				Mr. Surinderjit Singh	Not part of Promoter Group
				Mrs. Sunita Agarwal & Mr. G.P. Agarwal	Not part of Promoter Group
				Mrs. Manpreet Singh	Not part of Promoter Group
				Mr. Sundershan Singh Sethi	Not part of Promoter Group
				Mrs. Daljit Kaur Sethi	Not part of Promoter Group
				Mrs. Charu Rathi	Not part of Promoter Group
				Mr. Manish Sharma	Not part of Promoter Group
				Mr. Vaibhav Marathe	Not part of Promoter Group
				Mr. Ravinder Kumar	Not part of Promoter Group

Date of Allotment	Number of Equity Shares	Price (Rs. per Equity Share	Reason for allotment	Name of Allottee(s)	Whether the allottee is part of Promoter/ Promoter group
				Hara Foods Private Limited	Not part of Promoter Group
				KKM Enterprises Private Limited	Not part of Promoter Group
				Mr. Vikas Malu	Not part of Promoter Group
				Mrs. Rita Verma	Not part of Promoter Group
				Mrs. Nilima Desai	Not part of Promoter Group
				Mrs. Kusum Maheshwari Tapuriah & Mr. J.P. Tapuriah	Not part of Promoter Group
				Mr. Prateik Gupta	Not part of Promoter Group
				Mr. Govind Prasad Aggarwal	Not part of Promoter Group
				RP Sharma Marketing Private Limited	Not part of Promoter Group
November 3, 2006*	405,000	600	Conversion of Redeemable Optional Convertible Cumulative Preference Shares	Unit Trust of India Investment Advisory Services Ltd. A/c. Ascent India Fund	Not part of Promoter Group
November 13, 2006*	230,000	600	Preferential allotment	Unit Trust of India Investment Advisory Services Limited A/c. Ascent India Fund	Not part of Promoter Group
December 15, 2006*	747,500	800	Preferential allotment	Unit Trust of India Investment Advisory Services Limited A/c. Ascent India Fund	Not part of Promoter Group
				Argonaut Ventures	Not part of Promoter Group
April 3, 2007	600,000	350	Preferential allotment	Passport Indian Investments (Mauritius) Limited	Not part of Promoter Group

** The company has issued 18,229,000 equity shares by way of a bonus issuance on February 14, 2007 in the ratio of 1:2.*

13. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares. The Company has not till date granted any options or Equity Shares under any Employee Stock Option Plan or Employee Stock Option Scheme.

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

15. Except as disclosed in the section titled "Our Management" beginning on page 90 of this Red Herring Prospectus, none of the Directors and key managerial personnel hold any Equity Shares.

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

17. We presently do not intend or propose to alter the 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, except if we enter into acquisitions, joint ventures or other arrangements, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

18. 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 the SEBI from time to time.

19. The Company has not issued any Equity Shares out of revaluation reserves.

20. As at the date of this Red Herring Prospectus, the total number of holders of Equity Shares is 26.

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

22. As per the RBI regulations, OCBs are not allowed to participate in this Issue.

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

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

25. For details of the shareholding and board of directors of the companies forming part of the Promoter Group see section titled "Promoters and Promoter Group" beginning on page 103 of this Red Herring Prospectus.

OBJECTS OF THE ISSUE

The Issue comprises a Fresh Issue of 2,607,897 Equity Shares by the Company and an Offer for Sale of 916,542 Equity Shares by the Selling Shareholders. The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholders.

We intend to utilise the proceeds of the Fresh Issue, after proportionate deduction of underwriting and management fees, selling commissions and other expenses associated with the Issue (the ''Net Proceeds'') for the following purposes:

A. Setting up of the exclusive brand outlets of the Company;

B. Establishment of a new integrated manufacturing facility;

C. Purchase of plant and machinery to increase the finishing and manufacturing capacity of the Company;

D. Improvement of our information technology network; and

E. 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.

The fund requirements and the intended use of the Net Proceeds as described herein are based on management estimates and our current business plans. The fund requirements and intended use of Net Proceeds have not been appraised by any bank or financial institution. In view of the competitive and dynamic nature of the apparel industry, we may have to revise our expenditure and fund requirements as a result of variations in the cost structure, changes in estimates, exchange rate fluctuations and external factors, which may not be within the control of our management. This may entail rescheduling and revising the planned expenditure and fund requirement and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of our management. In addition, the estimated dates of completion of various projects as described herein are based on management's current expectations and are subject to change due to various factors, some of which may not be in our control.

Requirement of Funds and Means of Finance

The details of the proceeds of the issue are summarised in the table set forth below:

(Rs. in million)

Sl. No.	Description	Amount
1.	Proceeds of the Fresh Issue *	[•]
2.	Company's share of Issue expenses*	[•]
3.	Net Proceeds of the Issue *	[•]

* *to be finalised upon determination of the Issue Price.*

The details of the utilization of the Proceeds from the Fresh Issue as estimated by us will be as set forth in the table below:

(Rs. in million)

Sr. No.	Proposed Expenditure Program	Means of Finance[1]	Estimated Total Cost
		Amounts to be raised from the Fresh Issue	
1.	Setting up of the exclusive brand outlets of the Company	412.15[2]	412.15
2.	Establishment of a new integrated manufacturing facility	301.85[3]	301.85
3.	Purchase of plant and machinery to increase the finishing and manufacturing capacity of the Company	100.00[4]	100.00
4.	Improvement of our information technology network	55.75	55.75
5.	General corporate purposes *	[●]	[●]
6.	Issue expenses*(**)	[●]	[●]
	Total	[●]	[●]

* *To be finalised upon determination of Issue Price.*

** *all expenses with respect to the Issue will be shared between our Company and the Selling Shareholders on a proportionate basis in the ratio of Equity Shares issued by our Company in the Fresh Issue and the Equity Shares sold by the Selling Shareholders in the Offer for Sale.*

1) *The estimated project cost is proposed to be financed through funds raised through the proceeds of the Fresh Issue. There is no debt component for the projects.*

2) *The Company had incurred an expenditure of Rs. 3.04 million towards the aforementioned project as on August 20, 2007 which was funded out of its internal accruals, as per the certificate of R. Chadha & Associates, Chartered Accountants dated August 24, 2007.*

3) *The Company had incurred an expenditure of Rs. 24.38 million towards the aforementioned project as on August 20, 2007, of which Rs. 13.25 million was funded out of the proceeds of the private placement with UTI Venture Funds Management Company Private Limited, Argonaut Ventures and Passport Indian Investments (Mauritius) Limited, and Rs. 11.13 million was funded out of the Company's internal accruals, as per the certificate of R. Chadha & Associates, Chartered Accountants dated August 24, 2007.*

4) *The Company had incurred an expenditure of Rs. 25.01 million towards the aforementioned project as on August 20, 2007, which was funded out of its internal accruals, as per the certificate of R. Chadha & Associates, Chartered Accountants dated August 24, 2007.*

As indicated above, as on August 20, 2007 the Company had incurred a total expenditure of Rs. 52.43 million in relation to the above projects, as per the certificate dated August 24, 2007 received from R. Chadha & Associates, Chartered Accountants. Of this, Rs. 13.25 million was funded out of the proceeds of the private placement with UTI Venture Funds Management Company Private Limited, Argonaut Ventures and Passport Indian Investments (Mauritius) Limited, and Rs. 39.18 million was funded out of the Company's internal accruals. The Company intends to utilize the proceeds of the Fresh Issue for replenishing the internal accruals to the extent of expenditure already incurred on the above activities.

Estimated schedule of implementation and deployment of funds

The Company proposes to deploy the Net Proceeds of the Issue in the aforesaid projects in the next two fiscal years. The following are the details of the estimated schedule of deployment of funds and the schedule of implementation of the projects:

(Rs. in million)

Activity	**Estimated schedule for deployment of funds**			
	Amount Deployed as on August 20, 2007*	**March 31, 2008**	**March 31, 2009**	**Estimated time of completion**
Setting up of exclusive brand outlets of the Company	3.04	236.11	173.00	April, 2009
Establishment of a new integrated manufacturing facility	24.38	197.02	80.45	April, 2009
Purchase of plant and machinery to increase the finishing and manufacturing capacity of the Company	25.01	74.99	Nil	May, 2008
Improvement of our information technology network	Nil	40.00	15.75	June, 2009

** As per the certificate of R. Chadha & Associates, Chartered Accountants dated August 24, 2007.*

A. Setting up of the exclusive brand outlets of the Company

Currently, our exclusive brand outlets are structured on three models namely: (a) Company leased and Company operated; (b) Company leased and franchisee operated; and (c) Franchisee owned/leased and franchisee operated. We propose to utilize the Net Proceeds to open 140 'Exclusive Brand Outlets' for our brands "*Koutons*" and "*Charlie Outlaw*" in the next two years ("**Planned EBOs**"). The Planned EBOs will be Company leased and would be either Company operated or franchisee operated. The Planned EBOs are proposed to be set-up for a total project cost of Rs. 412.15 million.

As of August 20, 2007, of the 140 Planned EBOs, we have executed letters of intent / memorandums of understanding with various entities across India to tie up retail space for opening 78 of the Planned EBOs which we propose to open in the next two years. In addition, as of August 20, 2007, we have opened three of the Planned EBOs. We are yet to identify the locations for the remaining 59 Planned EBOs.

Set out below are the details of the letters of intent / memorandums of understanding that we have entered into as of August 20, 2007 in relation to the Planned EBOs that we propose to open in the next two years:

Sr. No.	**Name of party**	**Location**	**Area**	**Security deposit**
1.	Neelkanth Mansions Private Limited	Shop No. 61 - 66, HI! Life Mall Fi–al Plot No. 82 TPS bearing CTS No. 118 - 126 situated at Pherozshah Mehta Road, Santacruz (West) Mumbai	Carpet area -654 sq. ft.	6 months rental charges. Rental charges being Rs. 370 per sq. ft. of carpet area, per month
2.	Lake View Developers	Shops No. 6 to 12 at Citipark Hiranandani Business Park Hiranandani Gardens, Powai Mumbai	Built up area – 1,670 sq. ft.	8 months of gross license fee. License fee being Rs. 200/- per sq ft per month on built up area.
3.	Star City Mall	Shops No. GF-12 and 12-A Ground floor, Star City Mall Mayur Vihar, New Delhi	Super built up area -1055 sq. ft.	4 months rent. Rent being Rs. 195 per sq. ft. per month

Sr. No.	Name of party	Location	Area	Security deposit
4.	Taneja Developers & Infrastructure Limited	LGF-11 and GF-10, TDI Mall Chandigarh	Super built area -1,577.10 sq. ft.	6 months rent. Lease rent being Rs. 170 per sq. ft. for lower ground floor and Rs. 190 per sq. ft. for ground floor, per month on the basis of super area.
5.	YMC Buildmore Private Limited	Shop no. F-21 and 22 (First floor) at V3S East Centre, New Delhi	Super area -463 sq. ft.	6 months rent. Rent being Rs. 160 per sq. ft. per month on the super area
6.	YMC Buildmore Private Limited	Shop no. F-18 and 19 (First floor) at V3S East Centre, New Delhi	Super area -507 sq. ft.	6 months rent. Rent being Rs. 160 per sq. ft. per month on the super area
7.	YMC Buildmore Private Limited	Shop no. F-20 (First floor) at V3S East Centre, New Delhi	Super area -207 sq. ft.	6 months rent. Rent being Rs. 160 per sq. ft. per month on the super area
8.	Realtech Construction Private Limited	Shop no. FF-7 (First floor) in City Emporio Mall, Chandigarh	Super area -1,301 sq. ft	3 months rent. Rent being Rs. 158 per sq. ft. per month on the super area
9.	R.F Properties & Trading Private Limited	Shop no. 29 at ground floor in World Trade Park, Jaipur, Rajasthan	Super area -847.87 sq ft.	3 months rent. Rent being Rs. 148 per sq. ft. per month
10.	Suncity Projects Private Limited	Plot A, Community Centre, Sector-B Pocket 5, Vasant Kunj, New Delhi	Super area -1,016.61 sq. ft.	6 months rent. Rent being Rs. 147 per sq. ft. per month
11.	Uppal Housing Private Limited	Shop no. F-4, on first floor of Central Mall, Chandigarh	Super area - 999 sq. ft	Rs. 559,44
12.	Uppal Housing Private Limited	Shop no. F-5, on first floor of Central Mall, Chandigarh	Super area - 258 sq. ft.	Rs. 144,4–0
13.	Star City Mall Mahatta Towers Private Limited	Shop No. FF-17 and FF-19 at first floor, Star City Mall at Mayur Vihar, New Delhi	Super built up area - 696 sq. ft.	4 months–rent. Rent being Rs. 135 per sq. ft. per month
14.	Shristi Hotels Limited	Shop No. SV0004 at ground floor Vipani, Udaipur, Rajasthan	Super built up area -1000 sq. ft.	3 months rent. Rent being Rs. 135 per sq. ft
15.	Bhasin Infotech & Infrastructure Private Limited	Grand Venezia, Greater Noida Uttar Pradesh	Super area for lower ground floor - 2,000 sq. ft and for–ground floor is 200 sq. ft.	3 months rent. Rent being for lower ground floor is Rs. 115 per sq. ft and for ground floor is Rs. 130 per sq. ft. per month
16.	Today Homes and Infrastructure Limited	F-38 (First floor) Today Mall, Mohali Chandigarh	Super area-2,320 sq. ft.	4 months rent. Rent being Rs. 120 per sq. ft. per month
17.	Kohinoor Planet Construction Private Limited	Kohinoor Mall, Vidyavihar Maharashtra	Carpet area – 1,182 sq. ft.	3 months rent. Rent being Rs. 120 per sq. ft. per month
18.	Mr. Manish Jain Kumar Company – Mayfair	Shop no. 36, 37, and 38, Ground Floor, Connaught Place, Bund Garden, Pune, Maharashtra	Super area-1,200 sq. ft.	6 months rent. Rent being Rs. 120 per sq. ft. per month
19.	Brightways Housing & Land Development Limited	GF-09 and GF-10, TDI Center at Jasola, New Delhi	Super area -1,554.48 sq. ft.	4 months rent. Rent being Rs. 118 per sq. ft. per month on the basis of super area
20.	Z Square Shopping Mall Private Limited	43, 44 and 21 at the second floor, The Mall, MG Road, Kanpur, Uttar Pradesh	Super area- 2,139 sq. ft.	5 months rent. Rent being Rs. 115 per sq. ft. per month on super built up area
21.	South City Projects (Kolkata) Limited	S 111, South City Mall, Prince Anwar Shah Road, Kolkata	Built up area - 570 sq. ft	6 months rent. Rent being Rs. 115 per sq. ft. per month

Sr. No.	Name of party	Location	Area	Security deposit
22.	Runwal Developers Private Limited	Shop no. 16 and 17 at R -town, Wyeth Labs, L.B.– Marg Ghatkopar (W), Mumbai	Carpet area – 1,133 sq. ft.	5 months rent. Rent being Rs. 208,120 per month.
23.	A.B Motions Private Limited	Shop no. UG8, 9 and 10, West End Mall, Ferozepur Road, Ludhiana	Super area - 1,569.38 sq. ft.	3 months rent. Rent being Rs. 110 per sq. ft. per month on super area basis
24.	Omaxe Constructions Limited	GF-12 (Ground Floor), Omaxe Mall, Amritsar, Punjab	Super area – 715.58 sq. ft.	3 months rent. Rent being Rs. 110 per sq. ft. per month
25.	Rap Media Limited	GF-9 (Ground Floor) in Rap Majestic Mall, Amritsar,Punjab	Carpet area -772 sq. ft.	4 months rent. Rent being Rs. 110 per sq. ft. per month
26.	Jayanti Films (India) Private Limited	Shop no. 14 in Central Mall in Gurgaon, Haryana	Carpet area -662.28 sq. ft.	3 months rent. Rent being Rs. 110 per sq. ft. per month
27.	Swarup Group of Industries	Shop no. 17 on second floor in Mega Mall, Oshiwara, Maharashtra	Chargeable area – 1,604 sq. ft	6 months rent. Rent being Rs. 110 per sq. ft. per month
28.	Aerens Gold Souk International Limited	Shop No. 109, First floor at the Souk Kochi Gold Souk and Wedding Souk, Kerala	Super built up area - 686 sq. ft.	3 months rent. Rent being Rs. 110 per sq. ft. per month
29.	Aerens Gold Souk International Limited	Shop No. GF-11 and 12, The Souk, Amritsar, Punjab	Super built up area – 1,588 sq. ft. for GF-11 and 963 sq. ft. for GF-12	4 months rent. Rent being Rs. 104 004 for GF-11 and Rs. 67,500 for GF-12
30.	Galleria Property Management Services Private Limited	FF-115, in DT City Center, Shalimar Bagh, New Delhi	1,681 sq. ft.	Rs. 1,089,288, equivalent to 6 months rent.
31.	Silicon Constructions Private Limited	Shop no. 29, First floor, Mohali, Punjab	Super area – 1,606 sq. ft.	3 months rent. Rent being Rs. 105 per sq. ft. per month
32.	Taneja Developers & Infrastructure Limited	Shop No. 6 at ground floor, DLF, Chandigarh	Super area - 1,078 sq. ft.	3 months rent. Rent being Rs. 105 per sq. ft. per month
33.	Mr. Nagarmal Agarwal	Shop no. F-09, First floor, City Mall, Jaipur, Rajasthan	Carpet area - 1,130 sq. ft.	3 months rent. Rent being Rs. 105 per sq. ft. per month
34.	Rap Media Limited	Space No. GF-14, Ground floor in Rap Mall, Jalandhar, Punjab	Carpet area -655 sq. ft.	4 months rent. Rent being Rs. 100 per sq. ft. per month
35.	Environmental Creation Private Limited	Shop no. GF-9, Ground floor, in Seven Seas Mall, Baroda, Gujarat	Super built up area-1,362 sq. ft.	6 months rent. Rent being Rs. 136,200 per month
36.	Collage Estates Private Limited	Shop no. FF-08 FF, College Mall, Jalandhar, Punjab	Super built up area–1,230 sq. ft.	4 months rent. Rent being Rs. 123,000 per month
37.	Aerens Gold Souk International Limited	Shop no. 105, First floor, The Souk, Kochi, Kerala	Super built up area–1,367 sq. ft.	3 months rent. Rent being Rs. 136,700 per month
38.	Qadriya & Associates Private Limited	Space no. G-18 and 19 at Ground floor, Singapore Mall, Lucknow, Uttar Pradesh	Super area -1,238 sq. ft.	4 months rent. Rent being Rs. 95 per sq. ft. per month
39.	Aerens Gold Souk International Limited	Shop no. WS-006, Ground floor, Gold Souk, Ludhiana, Punjab	Super built up area–1,535 sq. ft.	3 months rent. Rent being Rs. 168,850 per month
40.	Aerens Gold Souk International Limited	Shop no. WS-016, Ground floor, Gold Souk, Ludhiana, Punjab	Super built up area - 813 sq. ft.	3 months rent. Rent being Rs. 89,430 per month

KOUTONS

Sr. No.	Name of party	Location	Area	Security deposit
41	Today Homes & Infrastructures Private Limited	Space no. FF-17 at Ludhiana City Center, Ludhiana, Punjab	Super area – 3,750 sq. ft.	4 months rent. Rent being Rs. 90 per sq. ft. per month
42	Amarnath Aggarwal Investments	Space No. S-11 at Ground floor, in Amravati NH 22 Mall, Panchkula, Punjab	Super area - 687.66 sq. ft.	3 months rent. Rent being Rs. 90 per sq. ft. per month
43	Paras Buildtech Private Limited	Shop no. GF-30 at Ground floor, Paras downtown Square, Zirakhpur, Punjab	Super area- 829 sq. ft.	3 months rent. Rent being Rs. 90 per sq. ft. per month
44	Nitishree Buildcon Private Limited	Space no. 121 and 122 at Ground floor at MSX Mall, Greater Noida, Uttar Pradesh	Super area-1,894.4 sq. ft.	3 months rent. Rent being Rs. 90 per sq. ft. per month
45	Ambience Infrastructure Private Limited	F-119, Ambi Mall, Delhi	Super area - 3,651 sq. ft	4 months rent. Rent being Rs. 90 per sq. ft. per month
46	Neptune Enterprises	G-123 and 124, Ground floor, Magnet, Bhandup West, Mumbai	Carpet area – 1,225 sq. ft.	4 months rent. Rent being Rs. 90 per sq. ft. of 2145 sq. ft per month
47	Westfield Retail Private Limited	A-63, Block A, First level, Netivali Baug, Kalyan, Thane	Carpet area- 1,000 sq. ft.	Rs. 540,000
48	Grand Multiplex Projects Limited	Shop no. 8 at Ground floor, Star City Mall, Jalandhar	Super area-1,084.57 sq. ft.	3 months rent. Rent being Rs. 90 per sq. ft. per month
49	Maa Lalita Entertainment & Developers Private Limited	Shop no. FF-21, Vinayak City Center Mall, Allahabad, Uttar Pradesh	Super area-678 sq. ft.	3 months rent. Rent being Rs. 90 per sq. ft. per month on super area
50	Omaxe Constructions Limited	Space no. GF-01 and GF-11 at Ground floor at Omaxe Mall, G.T Road, Ludhiana, Punjab	Super area- 2,600.75 sq. ft.	3 months rent. Rent being Rs. 87 per sq. ft. per month
51	Omaxe Constructions Limited	Space no. AF-21, 22 23 on Atrium floor at Omaxe Plaza, Ludhiana, Punjab	Super area- 1,445.24 sq. ft.	3 months rent. Rent being Rs. 85 per sq. ft. per month
52	Omaxe Constructions Limited	Space no. GF-04 at Ground floor at Omaxe Terminal, Amritsar, Punjab	Super area- 1,392 sq. ft.	3 months rent. Rent being Rs. 85 per sq. ft. per month
53	Advance India Projects Limited	Space no. GF-17 and 18 at Atrium ground floor, Celebration Mall, Vijay Cinema, Ambala, Haryana	Super area - 1,024.61 sq. ft.	3 months rent. Rent being Rs. 55,448 for GF-17 and Rs. 31,642 for GF-18 per month
54	Chinar Builders and Developers Limited	F-19 and 20, First floor at Chinar Mega Mall, Srinagar, Jammu and Kashmir	Super area – 1,395 sq. ft.	3 months rent. Rent being Rs. 85 per sq. ft. per month
55	Renault Developers Private Limited	GF-9, Firangi Bazaar Mall, Rammohan Mullick Garden Lane, Kolkata, West Bengal	Super built up area - 793 sq. ft.	Rs. 269,620
56	Ambasciator Projects Private Limited	Shop no. FF-17, First floor, Passion Mall, Bangalore, Karnataka	Super area - 1,494.73 sq. ft. super	6 months rent. Rent being Rs. 127,052 per month
57	MDDA Ramky ISBT Bypass Limited	Shop No. 17, 28 and 36, Ground floor at City Junction Mall, Dehradun, Uttrakhand	Super built up area - 1,791.23 sq ft	3 months rent. Rent being Rs. 85 per sq. ft. per month

Sr. No.	Name of party	Location	Area	Security deposit
58	Taneja Developers & Infrastructure Limited	LG-06 and LG-07, TDI Mall, Jallandhar, Punjab	Super area -1,647.76	5 months rent. Rent being Rs. 80 per sq. ft. per month
59	Kshamta Investors Private Limited	Shop at Raghuleela Mall at Vashi, Navi Mumbai	Super built up area-2,016 sq. ft.	6 months rent. Rent being Rs. 80 per sq. ft. per month
60	M/s. Tanishka Enterprises, Mrs. Kavita Mitra, Mr. Ashok Mitra, Mrs Shubhra Mehta and Mr. Anuj Mehta	Shop no. FB-123, 124, 135, 136, First floor, Mall B, Thane, Maharashtra	Super built up area-1,480 sq. ft.	6 months license fee. License fee being Rs. 80 per sq. ft. per month on super built up area.
61	Century 21 Infrastructure Limited	Shop no. FF-103, First floor, Century 21 Mall, Indore, Madhya Pradesh	Super built up area–1,357 sq. ft.	3 months rent. Rent being Rs. 80 sq. ft. per month
62	Dev Arcade Private Limited	Shop no. 18 at Dev Arc Mall, Ahmedabad, Gujarat	Super built up area–1,530 sq. ft.	3 months rent. Rent being Rs. 80 sq. ft. per month
63	Aerens Gold Souk International Limited	Shop no. 38 and 43 and 44, Ground floor, Gold Souk, Chennai, Tamil Nadu	Super built up area -4,365 sq. ft	3 months rent. Rent being Rs. 80 sq. ft. per month
64	Parsvnath Developers Limited	Shop no. 22, 23 and 26, Ground floor, Parsvnath Eleganza, Dehradun, Uttrakhand	Super area - 1,383 sq. ft.	4 months rent. Rent being Rs. 100 per sq. ft. per month
65	BNK Investments	Space no. GF 31 and 32, Ground floor in Cosmo Plaza, Zirakpur, Punjab	Super area -1,330.28 sq. ft	3 months rent. Rent being Rs. 91 per sq. ft. per month
66	MGF Developments Limited	Shop nos. UG-09 and UG-10, Upper Ground Floor, Metropolitan Mall, Amritsar, Punjab	Super built up area - 884.88 sq. ft.	4 months rent. Rent being Rs. 150 per sq. ft. per month
67	Jaksons Buid well Private Limited	Shop no. G-6 and 7, Ground floor, V3S Ring Road Mall, Rohini, Delhi	Super area -1,072 sq. ft.	Rs. 750,400
68	R.S International	Shop no. FF-162, First floor, Unitech, Noida, Uttar Pradesh	Super area -1,400 sq. ft.	6 months rent. Rent being Rs. 225 per sq. ft. per month
69	JPG Developers Private Limited	4 & 22, Ground Floor, JPG Mall, Ajmer, Rajasthan	Super built area – 2,400 sq. ft.	3 months rent. Rs. 63 per sq. ft.
70	Omaxe Limited	55, First Floor, Omaxe Connaught Place, Greater Noida, Uttar Pradesh	Super built area – 2,484 sq. ft.	3 months rent. Rs. 58 per sq. ft.
71	Advance India Projects	205, Upper Ground, Royal Celebration Mall, Udaipur, Rajasthan	Super built up area – 1516.19 sq. ft.	6 months rent. Rs. 90 per sq. ft.
72	Advance India Projects	228, Upper Ground, The Celebration Mall, Udaipur, Rajasthan	Super built area – 1086.19 sq. ft.	6 months rent. Rs. 90 per sq. ft.
73	Dev Arcade Private Limited	113, First Floor, Dev Arc Mall, Ahmedabad, Gujarat	Super built area – 1304 sq. ft.	6 months rent. Rs. 75 per sq. ft.
74	Shangarila Arcade	12 & 12A, Ground Floor, Sewani Construction, Ahmedabad, Gujarat	Super built up area – 2600 sq. ft.	3 months rent. Rs. 58 per sq. ft.
75	Kukereja Construction Company Limited	2B, First Floor, K Star Mall, Mumbai, Maharashtra	Built up area – 1509 sq. ft.	6 months rent. Rent per month being Rs. 203,715

Sr. No.	Name of party	Location	Area	Security deposit
76	Mohtisham Complexes Pvt. Ltd.	27A, City Centre Mall, K.S. Rao Road, Mangalore.	Chargeable area – 1369 sq. ft.	8 months rent. Rent being Rs. 70 per sq. ft.
77	Reward Real Estate Co. Ltd.	149, 133 and 134, First Floor, KSL Empress City, Nagpur	Super built up - 2959.53 sq. ft.	5 months rent. Rs. 115 per sq. ft.
78	Country Mall	8, Ground Floor, Country Mall, New Moradabad	Super built up area – 1675 sq. ft.	3 months rent. Rs. 90 per sq. ft.

Set out below are the details of the three Planned EBOs which we have opened as on August 20, 2007:

Sr. No.	Name of party	Location	Area	Security deposit
1	Simran Preet Kaur MGF Mega City Mall	Shop no. FF-32A MGF Mega City Mall Mehrauli Road Gurgaon, Haryana	Super built up area - 1250 sq. ft.	5 months rent. Rent being Rs. 140 per sq. ft. per month
2	Ashok Nagrath DLF Mega Mall	Shop no. UGF 32 DLF Mega Mall Gurgaon, Haryana	Super area - 1549 sq. ft.	3 months rent. Rent being Rs. 195,000 per month
3	Rave Moti Entertainment Private Limited	Shop no. 1 Ground Floor Sarvodaya Nagar Rave II, Kanpur Uttar Pradesh	Super area - 896.50 sq. ft.	3 months rent. Rent being Rs. 85 sq. ft. per month

In addition to the above, we have executed letters of intent/ memorandums of understanding with a number of developers to book various locations where we plan to open our exclusive brand outlets from our internal accruals.

The break up of the project cost is as under:

(Rs. in million)

Particulars	Estimated Cost
Security Deposit	139.85
Interiors and other miscellaneous expenditure	235.20
Electrical Fittings	37.10
Total	**412.15**

We do not plan to own any of the Planned EBOs. As the Planned EBOs will be acquired under leave and license or long term lease and deposits will be payable by us on entering into the commercial agreement with the property owners. On the basis of the current existing rentals and the estimated future increase in the rentals, we estimate the security deposits of approximately Rs. 139.85 million for the Planned EBOs.

We will also be incurring expenses for the interiors of each of our Planned EBOs which will include airconditioning, flooring, electric wiring, light fitting, wall display and other furniture. As per the quote from B.R.V Retail Solutions dated March 28, 2007 the average cost of the interiors is Rs. 1,200 per sq. ft. On the basis of an average carpet area of 1,400 sq.ft. per Planned EBO, the total cost on account of interiors for the Planned EBOs is Rs. 235.20 million.

In addition, we will also incur expenses for electrical fittings such as plasma TV, computers, scanners, credit card machines, printers and other accessories. We estimate, based on our past experience, the cost of electrical fittings to be Rs. 0.265 million per Planned EBO. Hence, the total estimated cost for purchase and installation of electrical fittings for the Planned EBOs is Rs. 37.10 million. We have not entered into any agreements for the same as of date of this Red Herring Prospectus and will enter into such agreements a few months before the Planned EBOs are handed over to the Company by the developers/property owners. We do not envisage any difficulty in sourcing these equipment and services as these are standard equipment which is available at short notice.

As of August 20, 2007, we have incurred an expenditure of Rs. 3.04 million (as per the certificate of R. Chadha & Associates, Chartered Accountants dated August 24, 2007), towards this project including for setting-up the three EBOs opened by us as indicated above. The expenditure of Rs. 3.04 million incurred, was funded from the internal accruals of the Company. Details of the amount incurred on the project as on August 20, 2007 are as follows:

(Rs. in million)

Activity	Amount
Security Deposit	1.81
Interiors and other miscellaneous expenditure	1.23
Total	**3.04**

The Company believes that the implementation of this project will be completed by April, 2009.

B. ***Establishment of a new integrated manufacturing facility***

We intend to set up a new manufacturing facility in Gurgaon, Haryana for a total project cost of Rs. 301.85 million. We have been allotted through an allotment letter dated March 9, 2007 approximately 13,000 sq. meters of land on a freehold basis by Haryana Urban Development Authority. The plot is located at Plot No. 539 and 539-A Sector 37-II, Gurgaon, Haryana and the total cost for acquisition of the land is Rs. 97.5 million. 17 manufacturing facilities out of a total of 18 manufacturing facilities are currently located in leased premises spread across 17 sites in Gurgaon, Haryana. We plan to consolidate certain of our existing manufacturing facilities to establish an integrated manufacturing facility on this land. We believe that the consolidation of these existing manufacturing facilities into a single integrated manufacturing facility owned by the Company, while not expected to increase our overall manufacturing capacity will enhance the operational efficiencies of our manufacturing activities. In this regard, we have finalized the design and have taken a quotation from Mehta & Associates, architects for construction of the building and the warehouse and other related civil works. The estimated cost of construction as set out in the letter is Rs. 204.35 million.

The break up of the project cost is as under:

(Rs. in million)

Particulars	Estimated Cost
Purchase of land	97.5
Building and Civil Work*	204.35
Total	**301.85**

** As per the quote from Mehta & Associates dated March 15, 2007 the estimated cost of building and civil work is Rs. 204.35 million*

As of August 20, 2007, we have incurred an expenditure of Rs. 24.38 million (as per the certificate of R. Chadha & Associates, Chartered Accountants dated August 24, 2007), as part payment to the Haryana Urban Development Authority for allotment of the land in relation to this project. The expenditure of Rs. 24.38 million incurred as of August 20, 2007 on this project was funded out of: (a) Rs. 13.35 million from the proceeds of the private placement with UTI Venture Funds Management Company Limited, Argonaut Ventures and Passport Indian Investments (Mauritius) Limited; and (b) Rs. 11.13 million from the Company's internal accruals. Details of the amount incurred on the project as on August 20, 2007 are as follows:

(Rs. in million)

Particulars	Amount
Purchase of land	24.38
Building and Civil Work	Nil
Total	**24.38**

The Company believes that the implementation of this project will be completed by April, 2009.

As the project is at its intial stages, we have not yet entered into any contracts or applied for any approvals that we may require in the ordinary course of constructing and operating the integrated manufacturing facility.

C. ***Purchase of plant and machinery to increase the finishing and manufacturing capacity of our Company***

We are working towards increasing our manufacturing and finishing capacities and in this regard we have placed purchase orders and received pro forma invoices/quotations for purchase of plant and machinery from various vendors. The total landed cost of the plant and machinery (including custom duties, transportation and erection charges) has been estimated at Rs. 100.00 million. The estimates are based on purchase orders placed by the Company and the pro forma invoices/quotations received by the Company. As of August 20, 2007, we have incurred an expenditure of Rs. 25.01 million (as per the certificate of R. Chadha & Associates, Chartered Accountants dated August 24, 2007), which were funded from the internal accruals of the Company. No second hand equipment or equipments have been purchased or are proposed to be purchased from the Net Proceeds.

The Company believes that the implementation of this project will be completed by May 2008.

Detailed below are the plant and machineries for which the Company has made payment in relation to this project as on August 20, 2007 (as per the certificate of R. Chadha & Associates, Chartered Accountants dated August 24, 2007):

Sl.No.	Name of Supplier	Purchase Order Number	Type of machine	Quantity Ordered	Amount* (In Rs. million)
1.	Mehala Machines India Limited	APO/001281/06-07	SIRUBA 757F-516M2-55/PS (Two needle five thread overlock machine complete set with pocket sewing device	15	0.60
			SIRUBA 757H-516M2-35 (Two needle five thread overlock machines complete set)	5	0.19
2.	Macpi Group HK Limited	APO/001211/06-07	Form Finisher (No. 321-For Finishing of trousers without pleats, suitable for the application of top and legs sizing device)	9	4.27
3.	India Industrial Garment Machine Private Limited	APO/001212/06-07	LK-1900 AHS/MC-596-KSS Bartacking Machine Complete with standard accessories.	5	0.72
			LK-1900ASS/MC-596-KSS Bartacking Machine Complete with standard accessories.	5	0.73
4.	India Industrial Garment Machine Private Limited	APO/001209/06-07	LBH-781U, Button Hole Sewing Machine complete with standard accessories.	15	2.20
			LK-1900AHS/MC-596-KSS Bartacking Machine complete with standard accessories.	10	1.45
			LK-1903ASS-301/MC-596KSS Button stitch sewing machine complete with standard accessories	28	5.67
5.	India Industrial Garment Machine Private Limited	APO/001210/06-07	S-100-031J Eyelet end button holding machine with standard accessories	20	3.50
6.	Ramsons Garment Finishing Equipments	APO/001247/06-07	Shirt processing machine	40	0.54
			Steam Press	50	0.82
7.	Ramsons Garment Finishing Equipments	APO/001002/06-07	Ramsons shirt folding machine	6	0.21

Sl.No.	Name of Supplier	Purchase Order Number	Type of machine	Quantity Ordered	Amount* (In Rs. million)
8.	Usmani and Company	APO/000944/06-07	Boiler 100 kgs	2	0.21
			Bucks	8	0.02
			Softner water 80 kgs	2	0.05
			Tables	15	0.22
9.	Barudan Asia PTE Limited	APO/000908/06-07	BEDSH-YN-BI8s (800X400MM 380 V/3 PHASE/50 HZ Barudan multihead computerized embroidery machine with standard accessories	1	3.61
	Total				**25.01**

* *includes cost of machinery, custom duties, transportation and erection charges*

Detailed below are certain significant purchase orders placed with various vendors of plant and machineries, for which payment is yet to be made. The Company has not received delivery of any of the machinery set forth below.

Sl. No.	Name of Supplier	Purchase Order Number	Type of Machine	Quantity Ordered	Basic Total Cost (in Rs. million)	Date of Purchase Order
1.	Ramsons Garment Finishing Equipments	APO/001247/06-07	Form finisher	1	0.25	March 13, 2007
2.	Ramsons Garment Finishing Equipments	APO/001002/06-07	Ramsons shirt folding machine	4	0.09	January 31, 2007
3.	Usmani and Company	APO/000548/06-07	Insulation	135	0.01	November 20, 2006
			Tables with 18 Kva Boilers	8	0.11	
4.	Usmani and Company	APO/000944/06-07	Steam point	20	0.02	January 20, 2007

Detailed below are certain significant quotations/pro forma invoices received from various vendors of plant and machinery:

Sl. No.	Name of Supplier	Proforma Invoice Number	Type of Machine/ No.	Quantity Required	Estimated Basic Total Cost (in Rs. million)	Date of Quotation
1.	India Industrial Garment Machine Private Limited	F/DEL/0922	SY-101 (Gerber Synchron 101 fully automatic fabric spreading machine with complete accessories)	8	14.28	December 28, 2006
2.	India Industrial Garment Machine Private Limited	F/DEL/0924	Mable brand textile spreading table with air cushion and complete accessories (20 mts x 2 mts)	200	3.93	December 28, 2006
3.	India Industrial Garment Machine Private Limited	F/DEL/0923	XLC 7000 Gerber XLC fully automatic cloth cutting machine with complete accessories	3	19.35	December 28, 2006
4.	Ramsons Garment Finishing Equipments	RAM/KOUT/ 03/2007	Ramson Vaccum Ironing Table (130 x 80 cm) with 2,128 steam press/ with eggbuck	30	0.94	March 1, 2007
			Ramson Veit Trouser Topper (Pant Finisher) Model 8731	18	5.15	March 1, 2007
			GFK Marcatex 150 flexi	1	4.36	March 1, 2007
			GFK Techa Machine	1	0.46	March 1, 2007

As indicated above, we had incurred an expenditure of Rs. 25.01 million as on August 20, 2007 towards purchase of plant and machineries as set forth above. Orders remain to be placed for plant and machineries worth Rs. 74.51 million forming approximately 99% of the total remaining cost of the project. For the above estimates where the equipment or machineries are yet to be ordered, we have relied upon quotations received by us and our past experience. Where more than one quotation has been sought, we have indicated the lowest of such quotations. We are also in the process of obtaining proposals from other suppliers. Consequently our actual procurement cost may vary from the ones indicated above.

D. ***Improvement of our information technology network***

We are currently maintaining our sale, records and store inventories on a specially developed computer application. In order to improve our information technology systems, we have recently installed a advanced enterprise resource planning system developed by Ramco Systems. We intend to integrate all our operations and improve our business process efficiency by further upgrading our network and by improving the existing enterprise resource planning system. We believe this will help in reducing redundancy, improving transparency, planning delivery schedules better and reducing the inventory lead time.

The total project cost as estimated by the management of the Company is Rs. 55.75 million. The break up of the cost is as under:

(Rs. in million)

Particulars	**Amount**
Hardware cost	28.19
License fees	9.34
Networking	7.12
Implementation	5.20
Software	4.00
Miscellaneous*	1.90
Total	**55.75**

** Miscellaneous includes expenses primarily related to maintenance and upgradation charges*

As of August 20, 2007, we have not incurred any expenditure in this regard. The Company believes that the implementation of this project will be completed by June 2009. For the above estimates, we have relied upon quotations received by us and our past experience.

E. ***General Corporate Purposes***

The Net Proceeds will be first utilised towards implementation of the aforementioned projects and the balance is proposed to be utilized for general corporate purposes including brand building exercises and strengthening of our marketing capabilities. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

Interim use of net proceeds

The management of the Company, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Fresh Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks. Such investments would be in accordance with investment policies approved by our Board from time to time.

Monitoring of utilisation of funds

Our Board will monitor the utilization of the proceeds of the Fresh Issue. Pursuant to Clause 49 of the listing agreement, the Company shall on a quarterly basis disclose to the Audit Committee the uses and application of the proceeds of the Fresh Issue. We will disclose the utilization of the proceeds of the Fresh Issue under a separate head in our balance sheet till such time the proceeds of the Fresh Issue have been utilised, clearly specifying the purpose for which such proceeds have been utilized. We will also, in our balance sheet till such time the proceeds of the Fresh Issue have been utilised, provide details, if any, in relation to all such proceeds of the Fresh Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Fresh Issue.

Except for proceeds from the Offer for Sale by the Promoters, no part of the proceeds of the Issue will be paid by us as consideration to our Promoters, our Directors, key management personnel or companies promoted by our Promoters except in the usual course of business.

Expenses of the Issue

All expenses with respect to the Issue, will be shared between the Company and the Selling Shareholders, who have offered their Equity Shares for sale in the Offer for Sale, on a pro-rata basis in the ratio of the Equity Shares issued by the Company in the Fresh Issue and the Equity Shares being sold by the Selling Shareholders in the Offer for Sale. The total expenses of the Issue are estimated to be approximately Rs. [•] of which Rs. [-] million will be borne by the Company and Rs. [-] will be borne by the Selling Shareholders. The expenses of the Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, advertisement expenses and listing fees. All expenses with respect to the Issue will be allocated on the following basis:

Sr. No.	Activity	Expense (in Rs. Million)
1.	Lead management, underwriting and selling commission*	[•]
2.	Advertising and marketing expenses	[•]
3.	Printing and stationery, including transportation costs*	[•]
4.	Others (Monitoring Agent fees, Registrar to the Issue fee, legal fees, listing fees etc.) *	[•]
	Total estimated Issue expenses*	[•]

** will be updated in the Prospectus.*

BASIS FOR ISSUE PRICE

The Issue price will be determined by us in consultation with the BRLMs on the basis of demand from Investors and on the basis of the following qualitative and quantitative factors for the offered Equity Shares through the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue price is 37.0 times the face value at the lower end of the price Band and 41.5 times the face value at the higher end of the Price Band. Investors should also refer to the sections titled “Risk Factors” and “Financial Statements” beginning on page xi and 113, respectively of this Red Herring Prospectus to get a more informed view before making the investment decision.

Qualitative Factors

For the qualitative factors, which form the basis for determining the Issue Price please refer to sections titled “Our Business” beginning on page 68 of this Red Herring Prospectus.

Quantitative Factors

Information presented in this section is derived from our Company’s audited restated financial statements as on and for the years ended March 31, 2007, March 31, 2006 and March 31, 2005 prepared in accordance with Indian GAAP.

1. **Basic and Diluted Earnings per Share (EPS)**

Period ended	Basic EPS (Rs.)	Diluted EPS (Rs.)	Weight
2007	14.22	14.22	3
2006	6.08	5.97	2
2005	1.08	0.95	1
Weighted Average	**9.32**	**9.26**	

Notes:

- The basic earnings per share has been computed by dividing net profit attributable to equity shareholders, as restated, by the weighted average number of Equity Shares outstanding during the year, in accordance with Accounting Standard - 20 on ‘earnings per share’ issued by Institute of Chartered Accountants of India.
- The diluted earnings per share has been computed by dividing net profit attributable to equity shareholders, as restated, by the sum of weighted average number of equity shares outstanding during the year considered for deriving basic earnings per share and the weighted average number of equity shares, which could have been Issued on the conversion of dilutive potential equity shares such as dilutive options and dilutive convertible preference share, in accordance with Accounting Standard - 20 on ‘earnings per share’ issued by Institute of Chartered Accountants of India.
- Net profit, as restated and appearing in the summary statement of profits and losses of our Company has been considered for the purpose of computing the above ratio.

2. **Price Earning Ratio (P/E) in relation to the Issue price of Rs. [●] per Equity Share of Rs. 10 each**

   a. P/E based on the diluted EPS for the year ended March 31, 2007: [●] times

   b. P/E based on the weighted average diluted EPS: [●] times

   c. Industry P/E*

      i. Highest: 432.9

      ii. Lowest: 4.2

      iii. Industry Composite: 35.3

   * Industry composite has been computed as the average of the P/E ratios for the companies enlisted under the industry segment “Textile Products” covered under Capital Market, Volume XXII/11, July 30-August 12, 2007. Similarly, industry highest and lowest is based on the P/E ratios for the companies enlisted under the

industry segment “Textile Products” covered under Capital Market, Volume XXII/11, July 30-August 12, 2007. Source: Capital Market, Volume XXII/11, July 30 – August 12, 2007.

3. ***Average Return on Networth (RoNW)***

Period ended	RoNW (%)	Weight
2007	21.20	3
2006	65.90	2
2005	28.95	1
Weighted Average	**37.39**	

Notes:

- The return on net worth has been computed based on the audited restated financial statements.
- Return on net worth has been computed by dividing net profit after tax, as restated, by the net worth at the end of the year.

4. ***Minimum return on total net worth after the Issue, needed to maintain pre-Issue EPS for the year ended March 31, 2007 is*** [●]

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

a. Issue Price per Equity Share is Rs. [•].

b. NAV per Equity Share after the Issue is Rs. [•].

c. NAV per Equity Share as on March 1, 2007, 2006 and 2005 is as follows:

Period ended	NAV per Equity Share (Rs.)	Weight
2007	59.49	3
2006	40.14	2
2005	14.07	1
Weighted Average	**45.47**	

Notes:

- NAV per Equity Share has been computed based on the audited restated financial statements.
- NAV per Equity Share has been computed by dividing net worth excluding share application money and preference share capital at the end of the year, by the Equity Shares outstanding during the year.

The Issue price of Rs. [●] per Equity Share has been determined by us and the Selling Shareholders in consultation with the BRLMs on the basis of demand from investors through the book building process and is justified on the basis of the above accounting ratios.

6. ***Comparison with other listed companies***

Particulars	EPS (Rs)[2]	P/E (times)[3]	RoNW (%)	NAV (Rs.)
Koutons Retail[1]	14.22	[•]	21.20	59.49
Comparison with other listed companies [4]				
Pantaloon Retail (India) Limited	4.4	110.4	17.2	55.9
Provogue (India) Limited	10.3	57.1	15.7	137.5
Kewal Kiran Clothing Limited	14.7	15.8	22.9	102.2
Vishal Retail Limited	5.6	115.7	24.3	96.9
Zodiac Clothing Company Limited	16.9	18.9	9.9	121.6
Industry Average[5]	**10.6**	**35.3**	**16.7**	**75.5**

Notes:

1. EPS, RoNW and NAV per Equity Share of the Company are based on the last audited restated financial statements for the year ended March 31, 2007.
2. Diluted EPS of the Company for the year ended March 31, 2007.
3. P/E of the Company will be computed taking the diluted EPS for the year ended March 31, 2007 and the Issue Price.
4. All figures for the listed companies are from Capital Market, Volume XXII/11, July 30-August 12, 2007. P/E for Vishal Retail Limited has been calculated based on closing market price on July 30, 2007.
5. Industry average figures are based on such figures for companies enlisted under the industry segment "Textile Products" covered under Capital Market, Volume XXII/11, July 30-August 12, 2007.

The Issue price of Rs. [●] per Equity Share has been determined by us, in consultation with the BRLMs, 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 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 section "Financial Statements" beginning on page 113 of this Red Herring Prospectus, for a more informed view.

STATEMENT OF TAX BENEFITS

To

The Board of Director

Koutons Retail India Ltd.
T-60/1, D.C.M. School Road Lane,
New Rohtak Road,
Karol Bagh, New Delhi - 05

Dear Sirs,

Statement of Possible Tax Benefits Available to the Company and its shareholders

We hereby report that the enclosed statement states the possible tax benefits available to the Company and to the shareholders, of the Company under the Income tax Act, 1961 (provisions of Finance Act, 2007), Wealth Tax Act, 1957, and the Gift Tax Act,1958, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement 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 and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

i. Company or its shareholders will continue to obtain these benefits in future; or

ii. The conditions prescribed for availing the benefits have been/ would be met with.

The contents of the enclosed statement 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.

For **R. Chadha & Associates**
Chartered Accountants

Rakesh Chadha
Partner

Membership No.83135

Dated : 24.08.2007

STATEMENT OF TAX BENEFITS

A. **SPECIAL TAX BENEFITS**

1. **SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY**

There are no special tax benefits available to the Company.

2. **SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY**

There are no special tax benefits available to the shareholders of the Company.

B. **GENERAL TAX BENEFITS**

The Income Tax Act, 1961 (provisions of Finance Act, 2007), Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India, make available the following general tax benefits to companies and to their shareholders. Several of these benefits are dependant on the companies or their shareholders fulfilling the conditions prescribed under the relevant provisions of the statute.

1. **BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 ("THE ACT"):**

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

1.1 Dividends Exempt Under section 10 (34)

Under section 10 (34) of the act, Company will be eligible for exemption of income by way of dividend (Interim or final) from domestic Company referred to in section 115-0 of the Act.

1.2 Income from Units of Mutual Fund exempt under section 10 (35)

The Company will be eligible for exemption of income received from units of mutual funds specified under section 10 (23D) of the Act, income received in respect of units from the Administrator of specified undertaking and income received in respect of from the specified company in accordance with and subject to the provisions of section 10 (35) of the Act.

1.3 Computation of Capital Gains

Capital assets may be categorized in to short term capital assets and long term capital assets based on the period of holding shares in a Company, listed securities or units of UTI or unit of Mutual Fund specified under section 10 (23D) or a zero coupon bond will be considered as long term capital assets if they are held for period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "Long Term Capital Gains". Capital gains arising on sale of these assets held for 12 month or less are considered as "Short Term Capital Gains".

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 Term 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.

As per the provisions of section 112 (1) (b) of the Act, long term gains as computed above that are not exempt under section 10 (36) or 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax a consessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess), at the discretion of assessee. However, as per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund on or after 1st October, 2004 where the transaction of sales is chargeable to Securities Transaction Tax ("STT") shall be subject to tax at a rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

1.3.1 Exemption of capital gain from income tax

(a) Under section 10 (36) of the Act, long term capital gains arising on eligible equity share in a Company (acquired on or after the 1st day of March 2003 and before the 1st of March 2004) sold through a recognized stock exchange in India will be exempt from tax.

(b) Under section 10 (38) of the Act, any long term capital gains arising out of sale of equity shares or a unit of equity oriented fund on or after 1st October, 2004 will be exempt from tax provided that the transaction of sale of such shares or unit chargeable to STT. However, such income shall be taken into account in computing the book profit for tax payable under section 115JB.

(c) According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six month from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007 in the said bonds should not exceed fifty lakh rupees.

1.4 Other specified deduction

Subject to the fulfillment of conditioembergany will be eligible, inter-alia, for the following specified deductions in computing its business income:-

1.4.1 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.

1.4.2 Section 35 (1) (ii) and (iii) of the Act, in respect of any sum paid to a scientific research association which has as its object, the undertaking of scientific research or to any approved university, College or other institution to be used for scientific research or for research in social sciences or statistical scientific research to the extent of a sum equal to one and one fourth times the sum so paid.

1.4.3 Subject to compliance with certain conditions laid down in section 32 of the Act, the Company will be entitled to deduction for depreciation:

(a) In respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the income tax rules,1962;

(b) In respect of any new machinery or plant which has been acquired and installed after 31st March 2005 by an assessee engaged in the business of manufacture or production of any article of thing, a further sum of 20% of the actual cost of such machinery or plant;

1.4.4 Under section 115JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under section 115 JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not available for set-off beyond 7 years succeeding the year in which the MAT becomes allowable.

1.4.5 From 1st October, 2004 onwards, Section 88E of the Act allows a rebate for an assessee, upon fulfilling certain conditions, where his total income includes any income which is chargeable under the head "Profits and gains of business or profession" arising from sale of taxable security transaction. 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.

1.4.6 As per the provisions of section 90, for taxes on income paid in Foreign Countries from projects/activities undertaken thereat, the Company will be entitled to the deduction from the India Income-tax of a sum calculated on such doubly taxed income to the extent of taxes paid in Foreign Countries.

2. BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS:

2.1 Dividends exempt under section 10 (34)

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

2.2 Income of a minor exempt up to certain limit

Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of Rs. 1,500 per minor child.

2.3 Computation of capital gains

Capital assets may be categorized into short term capital asset and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or unit of mutual fund specified under section 10 (23D) of the Act or zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sales of these assets held for 12 months or less are considered as “short term capital gains”.

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.

As per provisions of section 112 (1) (a) of the Act, long term gains as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceed the tax on long term capital gains computed @ 10 percent without indexation benefit, then such gains are chargeable to tax a concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess) at the discretion of assessee. However, as per provisions of section 111A of the Act, short-term capital gains on sale of equity shares on or after 1st October, 2004 where the transaction of sale is chargeable to Securities Transaction Tax (“STT”) shall be subject to tax at a rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

Exemption of capital gain from income tax

- Under section 10 (38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to Securities Transaction Tax (“STT”).

- According to the provisions of sections 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only the part of capital gain is so reinvested, the exemption shall be allowed proportionately. In such a case, the cost of such long term specified assets will not qualify for deduction under section 80C of the Act. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition the amount of capital gain exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007 in the said bonds should not exceed fifty lakh rupees.

- 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. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

2.4 Rebate under section 88E

From 1st October, 2004 onwards, Section 88E of the Act allows a rebate for an assessee, upon fulfilling certain conditions, where his total income includes any income which is chargeable under the head "Profits and gains of business or profession" arising from sale of taxable security transaction. 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.

3. BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS (OTHER THAN FIIS AND FOREIGN VENTURE CAPITAL INVESTORS):

3.1 Dividends exempt under section 10 (34)

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

3.2 Income of a minor exempt up to certain limit

Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of Rs. 1,500 per minor child.

3.3 Computation of capital gains

Capital assets may be categorized into short term capital asset and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or unit of mutual fund specified under section 10 (23D) of the Act or zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sales assets held for 12 months or less are considered as "short term capital gains".

Section 48 of the Act contains provisions in relation to computation of capital gains on transfer of shares of an Indian Company non-resident. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange. Benefit of indexation of costs is not available in above case.

According to the provisions of section 112 of the Act, long term gain as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess).

In case investment is made in India Rupees, the long-term capital gain is to be computed after indexing the cost.

However, as per the proviso to section 112 (1) (c), if the tax on long term gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceed the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess) at the discretion of assessee. However, as per the provisions of section 111A of the Act, short-term capital gains of equity shares on or after 1st October, 2004 where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

3.3.1 Capital gains tax - Options available under the Act

(a) Where shares have been subscribed in convertible foreign exchange-

Option of taxation under chapter XII-A of the Act:

Non-resident Indians [as defined in section 115C (e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter-alia entitles them to the following benefits in respect of income from shares of an India Company acquired, purchased or subscribed to in convertible foreign exchange:

- According to the provisions of section115D read with section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian Company not exempt under section 10 (38), will be subject to tax at the rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).without indexation benefit.

- According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset, if part of such net consideration is invested within the prescribed period of six months in any specified asset the exemption will be allowed on a proportionate basis. 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.

  Further, if the specified asset in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

- As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their source of income is only investment income and / or long term capital gains defined in section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of chapter XVII-B of the Act.

- Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the assessing officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clause (ii), (iii), (iv) and (v) of section 115C(f) for that year and subsequent assessment years until such assets are converted into money.

- 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.

(b) Where the shares have been subscribed in Indian Rupees:

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 wholly and exclusively 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 time to time.

As per the provisions of section 112(1) (c) of the Act, long term capital gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge, education cess and secondary higher education cess).

3.3.2 Exemption of capital gain from income tax

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- Accordingly to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after 1st April 2007 in the said bonds should not exceed fifty lakh rupees.

  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 said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on 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. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

3.4 Rebate under section 88E

From 1st October, 2004 onwards, Section 88E of the Act allows a rebate for an assessee, upon fulfilling certain conditions, where his total income includes any income which is chargeable under the head “Profits and gains of business or profession” arising from sale of taxable security transaction. 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.

3.5 Provisions of the Act vis-à-vis provisions of the tax treaty

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

4. BENEFITS AVAILABLE TO OTHER NON-RESIDENT SHAREHOLDERS (OTHER THAN FIIS AND FOREIGN VENTURE CAPITAL INVESTORS):

4.1 Dividends exempt under section 10 (34)

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

4.2 Income of a minor exempt up to certain limit

Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of Rs. 1,500 per minor child.

4.3 Computation of capital gains

Capital assets may be categorized into short term capital asset and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or unit of mutual fund specified under section 10 (23D) of the Act or zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sales assets held for 12 months or less are considered as “short term capital gains”.

Section 48 of the Act contains provisions in relation to computation of capital gains on transfer of shares of an Indian Company non-resident. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

According to the provisions of section 112 of the Act, long term gain as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). In case investment is made in India Rupees, the long-term capital gain is to be computed after indexing the cost.

However, as per the proviso to section 112 (1) (c), if the tax on long term gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceed the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess) at the discretion of assessee. However, as per the provisions of section 111A of the Act, short –term capital gains of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

4.4 Exemption of capital gain from income tax

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

  Accordingly to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after 1st April 2007 in the said bonds should not exceed fifty lakh rupees. 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 notified bonds into money within a period of Three year from the date of their acquisition, the amount of capital gains exempt earlier would become chargeable to tax as long term capital gains in the in which the bonds are transferred or converted into money.

- 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 HUF, gains arising on transfer of a long term capital term 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 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 accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred

4.5 Rebate under section 88E

From 1st October, 2004 onwards, Section 88E of the Act allows a rebate for an assessee, upon fulfilling certain conditions, where his total income includes any income which is chargeable under the head “Profits and gains of business or profession” arising from sale of taxable security transaction. 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.

4.6 **Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

5. **BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIS'):**

5.1 **Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

5.2 **Taxability of capital gains**

Under section 10 (38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

The income by way of short term capital gains or long term capital gains [in case not covered under section 10 (38) of the Act] realized by FIIS on sale of the Company would be taxed at the following rates as per section 115AD of the Act-

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge, education cess and secondary higher education cess).
- Short term capital gains, referred to under section 111A of the Act shall be taxed @ 10% (plus applicable surcharge, education cess and secondary higher education cess).
- Long term capital gains @10% (plus applicable surcharge, education cess and secondary higher education cess) (without cost indexation).

It may be noted that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

According to provisions of section 54EC of the Act and subject to the condition specified therein, long term capital gains not exempt under section 10(38) shall not chargeable to tax to the extent such capital gains are invested in certain notified bond within six months from the date of transfer. If only part of the capital gain if so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after 1st April 2007 in the said bonds should not exceed fifty lakh rupees.

However, if the assessee transfers or converts the notified bonds into money within a period of Three year from the date of their acquisition, the amount of capital gains exempt earlier would become chargeable to tax as long term capital gains in the in which the bonds are transferred or converted into money.

Provisions of the Act vis-à-vis provisions of the tax treaty

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

6. **Benefits Available to Mutual Funds**

As per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the reserve bank of India would be exempt from income tax subject to the conditions as Central Government may notify. However, the mutual funds shall be liable to pay tax on distributed income to unit holders under section 115R of the Act.

7. **Benefits Available to Venture Capital Companies/ Funds**

As per the provisions of section 10(23FB) of the Act, any income of Venture Capital Companies/ Funds (set up to raise funds for investment in a venture capital undertaking registered and notified in this behalf) registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified therein. However, the exemption is restricted to the Venture Capital Company and Venture Capital Fund set up to raise funds for investment in a Venture Capital Undertaking which is engaged in the business as specified under section 10(23FB)(c). However, the incom distributed by the Venture Capital Companies/ Funds to its investors would be taxable in the hands of the recipients.

8. Benefits Available 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 no wealth tax will be payable on the market value of shares of the company held by the shareholder of the company.

9. **Benefits Available under the Gift-Tax Act, 1958**

Gift of shares of the Company made on or after 1st October, 1998 are not liable to Gift tax.

10. Further the tax benefits related to capital gains are subjected to the CBDT circular no. 4/2007 dated 15th June 2007 and on fulfillment of criteria laid down in the circular laid down in the circular, the assessee will be able to enjoy the concessional benefits of taxation on capital gains.

Notes:

1) All the above benefits are as per the current tax law and will be available only to the sole/first named holder in case the shares are held by the joint holders.

2) In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Taxation Avoidance Agreement (DTAA), if any, between India and the country in which the non-resident has fiscal domicile.

3) 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 participation in the scheme.

INDUSTRY OVERVIEW

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

Indian Retail Sector

The Indian retail sector is at an inflexion point, with many enabling conditions coming into existence e.g. economy which is growing at 7-8%, favourable demographics, rising consumer incomes, real estate developments like emergence of new shopping malls and changing lifestyles that bring the Indian consumer closer to the consumers in more developed markets. All these changes are driving growth of organized retailing.

India tops the annual list of most attractive countries for international retail expansion, according to A.T. Kearney's Global Retail Development Index 2006. (Source: India Retail Report, by Images F&R Research 2007). India is the second fastest growing economy in the world, where currently the retail market is valued at USD 270 billion. Food and grocery is the dominant sector followed by clothing, textiles and fashion accessories.

Growth of India Retail : 2004 to 2006

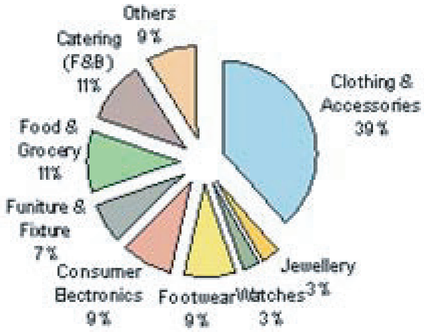
	Retail Segments		Indian Retail Market	
	Value 2004 (Rs cr.)	**Value 2005 (Rs cr.)**	**Value 2006* (Rs cr.)**	**CAGR 2004-2006 (%)**
Food & Grocery	615,000	628,500	642,200	2
Clothing, Textiles & Fashion Accessories	80,000	88,500	98,000	11
Jewellery	43,500	47,600	52,000	9
Catering Services (F & B)	35,000	41,400	49,200	19
Consumer Durables, Home Appliances / Equipments	32,000	36,400	41,500	14
Pharmaceuticals	30,000	33,000	36,400	10
Furnishings, Utensils, Furniture-Home & Office	33,000	34,000	35,100	3
Entertainment	25,000	28,700	32,800	14
Mobile Handsets, Accessories & Services	13,000	15,700	18,700	19
Footwear	10,000	10,900	11,900	9
Books, Music & Gifts	8,200	9,800	11,500	18
Watches	2,800	3,100	3,400	10
Health & Beauty Care Services	2,500	2,900	3,300	14
Total	**930,000**	**980,500**	**1,036,000**	**6**

Source: India Retail Report by Images & F&R 2007

Organized Retail

Retailing in India is currently estimated to be a USD 270 billion industry. Organized retail has grown by leaps and bounds from USD 6.2 billion in 2004 to USD 8 billion in 2005 to USD 12.4 billion, a CAGR of 30%. (Source: India Retail Report by Images F&R Research 2007). In India, top 6 cities account for 66% of the total organized retailing. (Source: FICCI KPMG Report 2005).

The Organised Retail Pie 2006



Source: India Retail Report by Images & F&R 2007

The organized retail market size at current prices is Rs 55,000 crores. In the organized retail pie, the lion's share is 39% held by clothing and accessories sector, followed by food and grocery at 11%.

Growth of Organized Retail : 2004 to 2006

Retail Segments	Organized Retail						
	Value 2004 (Rs. Crore)	% Organised in 2004	Value 2005 (Rs. Crore)	% Organised in 2005	Value 2006 (Rs. Crore)	% Organised in 2006	CAGR 2004-2006 %
Clothing, Textiles & Fashion Accessories	10,900	13.6	14,000	15.8	18,500	18.9	30.3
Food & Grocery	2,950	0.5	3,500	0.6	5,000	0.8	30.8
Footwear	2,500	25.0	3,300	30.3	4,500	37.8	34.2
Consumer Durables, Home Appliances / Equipments	2,500	7.8	3,200	8.8	4,300	10.4	31.2
Catering Services (F & B)	2,000	5.7	2,400	5.8	3,400	6.9	30.8
Furnishings, Utensils, Furniture-Home & Office	2,200	6.7	2,600	7.6	3,200	9.1	20.6
Watches	1,110	39.6	1,350	43.5	1,550	45.6	18.2
Mobile Handsets, Accessories	840	6.5	1,100	7	1,500	8	33.7
Jewellery	850	2.0	1,100	2.3	1,450	2.8	30.6
Books, Music & Gifts	800	9.8	1,150	11.7	1,450	12.6	34.9
Entertainment	650	2.6	950	3.3	1,350	4.1	44.1
Pharmaceuticals	550	1.8	730	2.2	950	2.6	31.4
Health & Beauty Care	150	6	220	7.6	350	10.6	52.9
Total	**28,000**	**3.0%**	**35,600**	**3.6%**	**47,500**	**4.6%**	**34.8**

Source: India Retail Report by Images & F&R 2007

Organized retail is on a high growth trajectory due to several favourable factors like strong economic growth, favourable demographics, easy availability of credit, supply of real estate, shift of lifestyle patterns etc. Apart from the growth witnessed by the existing players, announcement of investments by Reliance, Bharti (a joint venture along with Wal Mart) and Aditya Birla Group in this sector would act as a catalyst to the growth.

Apparel Manufacturing - Shifting towards Asia

India's textile industry has opened up significantly with the dismantling of quotas; hence apparel manufacturing is gradually shifting from Western countries to Asian countries on account of cost competitiveness. The elimination of these quotas has led retailers to source their requirements from the most competitive vendor. India also has an added advantage of low labour cost, along with other countries like Bangladesh, Indonesia and China, which has added to their rapid growth.

Growth Drivers

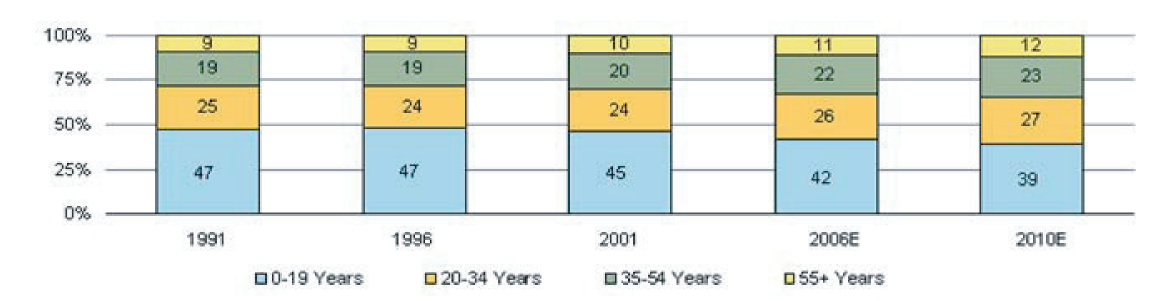
Changing Demographic profile

India has the youngest consumer profile as compared to the ageing population of USA, UK, and Japan etc. Over 65% of the population is below 35 years of age; 54% of the population is below 24 years of age. In contrast, the young population in Europe and Japan is declining; Immigration is largely responsible for keeping a positive growth rate in US. (Source: Indian Retail Report by Images & F&R 2007)

The composition of the Indian population is shifting more towards the age group 20-49 i.e. the working population with purchasing power. This shift is expected to be a major driver of consumption. The low median age of the population means a higher current consumption spend vs. savings as a younger population has both, the ability and willingness to spend. Higher consumption is a direct booster for the retailing industry. There has also been a significant increase in the percentage of working women from 22% in 1991 to 26% in 2001. (Source: FICCI KPMG Report 2005)

Consumer lifestyles and preferences are changing fast which is a prominent driving factor too. There are more nuclear families proliferating which will result in 3% to 4% increase in aggregate spending over the next 5 years. (Source: India Retail Report by Images & F&R 2007).

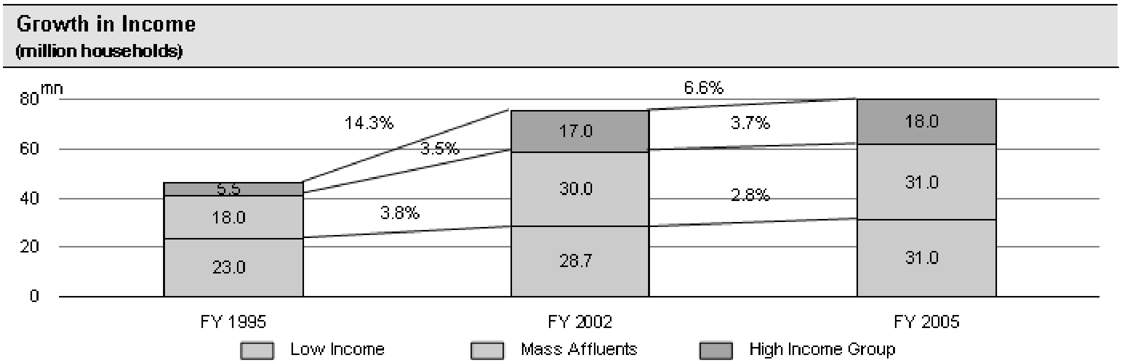
Share of Population by Age Group



Source: India Retail Report by Images & F&R 2007

Rising Income Levels

A larger number of households are getting added to the consuming class with growth in income levels. There has been a 100% growth in the addition of households, from 40 million in 1995 to 80 million households in 2005. This has resulted in significant increase in high income group from 5.5 million household in 1995 to 18 million households in 2005 for the high income group and from 18 million households in 1995 to 31 million in 2005 for the mass affluent. There has been increase in the nuclear family structure; a growing number of educated and employed women (which translates into increasing disposable incomes), media proliferation and growing consumerism have all contributed to the growth of organized retail.



Source: FICCI KPMG Report 2005

Consumer Spend

Growth in income at all the levels, supported by the changing demographics has resulted in higher aspirational values, which is the key driver for the consumption spends. The AC Nielsen Online Omnibus Survey of 2005 rates India in the highest category of Aspiration Index in Asia along with China, Indonesia and Thailand.

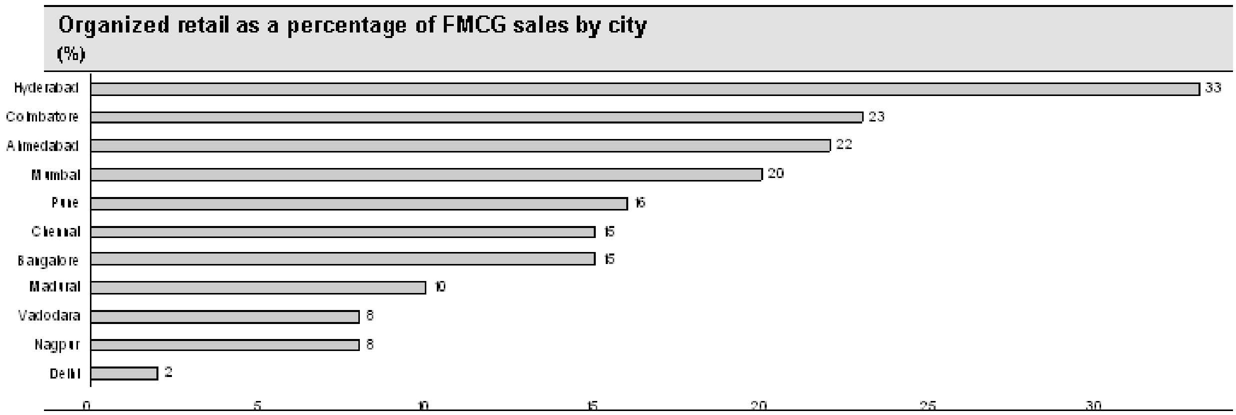
India has one of the youngest populations where 65% of the population is below 35 years and 54 % below 24 years. A younger population and the increasing disposable income levels, along with higher aspirations and a feel-good factor, has tremendously affected the consumer spend. Private consumption has a direct impact on the growth of the retail industry. Private consumption expenditure is growing at 7% in 2005-2006 from 6.28% in 2004-2005, (Source: India Retail Report by Images & F&R 2007).

Today's consumers are increasingly becoming brand conscious and are looking for products with design and quality. There is easier acceptance of luxury and an increased willingness to experiment with mainstream fashion which is seen as one of the main drivers for the clothing and apparel segment in India.

Urbanization

Currently organized retail is focused on metros then moving down to the tier 1 and 2 cities. In the next 10 years the growth in the organized retail is going to come from the metros thus the target audience for organized retail is going to be the urban population. Organized retail has been more successful in cities more so in the South and West of India.

The reasons for this regional variation range from differences in consumer buying behaviour to cost of real estate and taxation laws. (Source: FICCI KPMG Report 2005)



Source: FICCI KPMG Report 2005

There is increase in awareness of the tier II cities and now this is eroding the difference between the metros and the tier II cities in terms of “urban aspirations”. International brands like Nokia, Pizza Hut, Ford, Reebok, and Adidas are increasingly relying on these tier II cities to drive their growth.

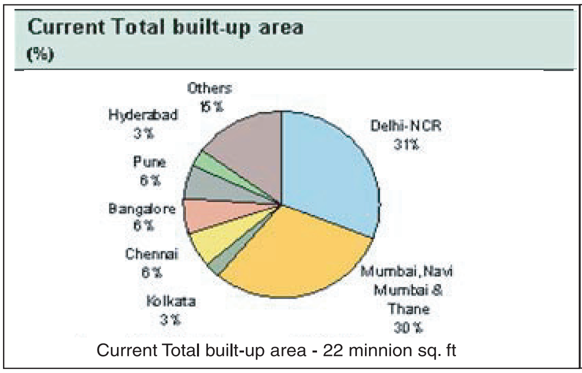
Retail Space

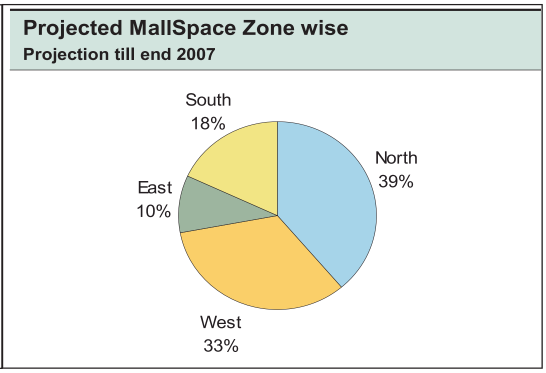
Quality retail space has always been one of the key hurdles for the development of Organized Retail. Currently there are 95 operational shopping centres with approximately 22 million sq ft space growing to over 375 shopping centres/ malls covering 90 million sq ft space quality retail space by 2007. (Source: Images Yearbook Volume III, 2005)

There is additional retail space to add Rs. 300 billion of business to organized retail. This growth in quality retail space will positively impact the growth in the apparel market as there will be complete change in the shopping habits. Impulse shopping will go up to 40% of total mall shopping. Awareness and sensitivity of brands will be heightened and a shopping trip becomes more of an experience rather than a chore. (Source: Images Yearbook Volume III, 2005)

Mall Culture

The emergence of mall culture and rapid development of malls is expected to act as a catalyst in this retail growth story. Approximately 68 million sq ft of mall space is expected to come up by the end of 2007. Mall developers need to differentiate themselves in order to differentiate themselves.

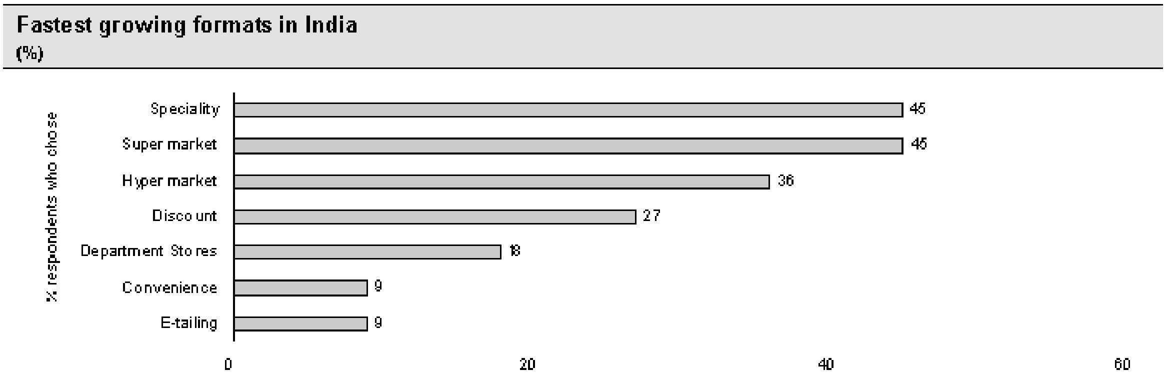




Source: FICCI KPMG Report 2005

Retail Formats preferred in India

The KPMG retail survey in India states that the specialty and supermarket format have the most potential for growth followed by hypermarkets. With the increase in the percentage of working women and dual income families, customers often visit shops with intention to purchase a specific product, thus confirming the emerging trend of focused malls.



Source: FICCI KPMG Report 2005

Indian Apparel Market

The organized apparel and accessories retail market accounted for 13.6% of the total sector in 2004; it was valued at Rs 10,900 crores. The share of organized retail has steadily grown to 18.9% in 2006, with the apparel and accessories sector showing a year on year growth rate of 30.3% during 2005-2006. Apparel and accessories retailing is the largest segment of organized retailing in India, constituting 39% of total organized retailing business, which values approximately at Rs 55,000 crores (USD 12.4 billion). (Source: India Retail Report by Images & F&R 2007)

Source: India Retail Report by Images & F&R 2007

Indian Apparel Market trends

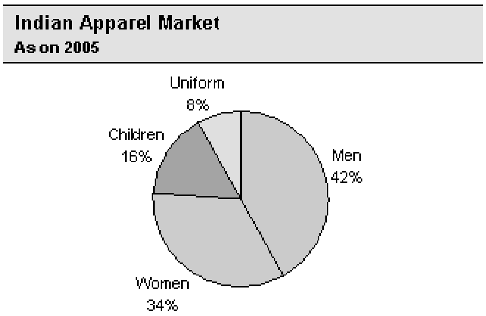
i) Malls are expected to be one of the main growth drivers of apparel retailing in India, as such organized retail spaces offer large areas to fashion products.

ii) Existing apparel brands and retailers have started exploring the potential of the smaller cities and expanding their retail network. There has been 145% growth on an average in retail presence in 2006 from 30% in 2005.

iii) In terms of opening new retail outlets, apparel retailers and brands attained 84% growth in opening up of number of outlets in 2005 to 113% in 2006.

(Source: India Retail Report by Images & F&R 2007)

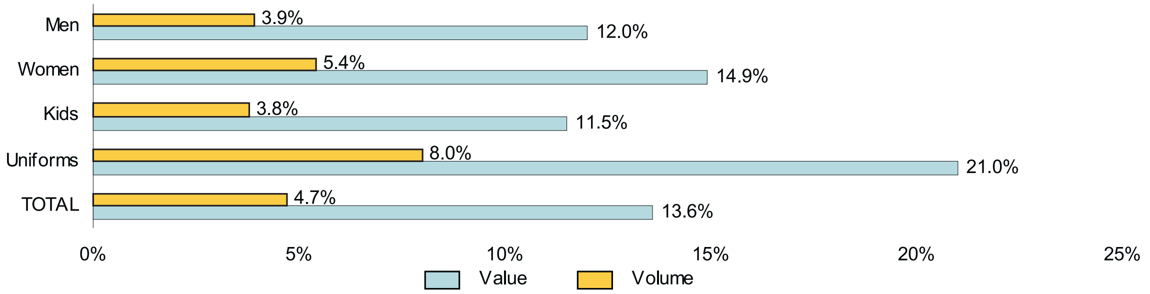
The Indian Apparel Market's lions share is taken by menswear with 42% value. The women's wear segment has increased its overall market share by 1% to 34% valuing it at Rs 30,380 crores. There is a drop in the kids segment from 18% to 17%. This drop is due to the increase in usage of ready-to-wear branded uniforms.



Source: Images Yearbook Volume III 2005

Products in the unisex segment cater to all three major apparel segments in the ratio of 6:3:1 for men's, women's, kids apparel respectively. The segment for uniforms is considered separately because it comprises both kids as well as sizing in men and women for customers above 14 years of age.

Growth of Indian Apparel Market
(Value & Volume) 2005



Source: Images Yearbook Volume III 2005

Ready to Wear/ Tailored Segment

Traditionally, tailor-made garments had found flavour with the Indian masses but now the trend is shifting at a fast pace.

The last two decades of the apparel industry were in 4 different phases:

Phase 1 Pre 90's	:	Era of tailor made apparel
Phase 2 1990-1995	:	Ready-to-Wear apparel introduced
Phase 3 1995-2000	:	Brands flourished
Phase 4 2000-2004	:	Retail dominates
2005 onwards	:	Categories rule

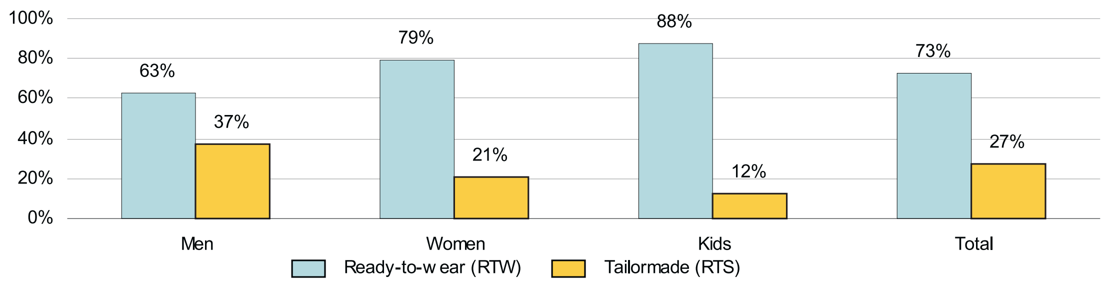
The other growth drivers for the ready to wear (RTW) market are the softening of the Government Regulations like:

a) The production of ready made garment is no longer reserved for small-scale industry.

b) Excise duty on RTW garments has been abolished.

c) Implementation of VAT by various states will simplify the tax structure and reduce the tax burden on branded garment manufacturer.

Proportion of readymades in different customer segments
(%)



Source: Images Yearbook Volume III 2005

Branded/Unbranded/Private Labels

Within the readymade segment we have branded and unbranded players. A branded store is wherein a manufacturer or marketer makes conscious efforts to promote his brand, such as Koutons Retail India Limited, Madura Garments Peter England, Arvind Brand's Newport, ITC's Wills Classic, and Raymond's Park Avenue.

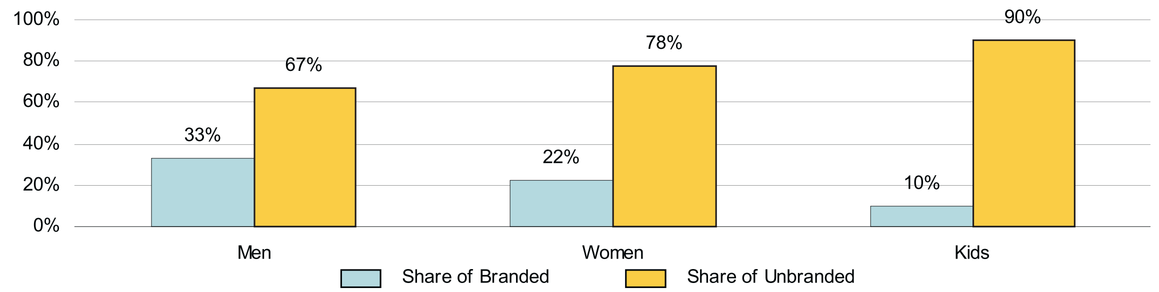
There are several foreign brands that have successfully established their presence in the country. These players may have come in via a tie-up with domestic concerns: (like Benetton), or via the licensee route (like Allen Solly, Arrow). Some brands like Metro come in with Cash and Carry wholesale trading route, while Tommy Hilfiger, Marks and Spencer's, Speedo, Umbro etc retail through franchisee channels.

Globally private labels contribute to 17% of retail sales and are growing at 5% pa. Private Labels provide higher margin to the retailers simultaneously offering lower price to the consumers. This is a strategy adopted globally and now is extensively used by Indian retailers.

There are certain private label brands which have done exceedingly well like John Miller, Bare, Stop, Splash. With the implementation of the uniform tax structure across the country, quite a few of these labels are likely to aspire to achieve a brand status.

A survey carried by AC Nielsen has identified that 56% of their survey respondents in India consider private labels to be good alternatives to manufacturer brands. This exponential growth can be seen in the areas of groceries, home care, clothing and apparel. (Source: Images Yearbook Volume III)

Proportion of branded in different categories
(%)



Source: Images Yearbook Volume III 2005

Competition

There are roughly about 23 major players operating in branded apparel segment in India. The following ranking by number of outlets of the major brands is as follows:

Players	Brand	No. of outlets*		Cities*	
		2005-06	2006-07	2005-06	2006-07
Raymond Ltd	The Raymond Shop	332	380	167	174
Koutons Retail India Ltd	Koutons & Charlie Outlaw	206	500	N A	221
Pepe	Pepe	58	N A	27	N A
Madura Garments Ltd	Peter England	21	22	12	N A
Arvind Brands Ltd	Lee	53	71	N A	71
Provogue India Ltd	Provogue	75	100	24	27
Madura Garments Ltd	Allen Solly	24	N A	16	N A
Levi Strauss India Pvt Ltd	Levi's	65	115	N A	29
Personality Ltd	Weekender	50	60	N A	25
ITC Group	Wills Lifestyle	40	55	N A	30
Arvind Brands Ltd	Wrangler	N A	35	N A	23
Gini & Jony Pvt Ltd	Gini & Jony	29	N A	15	N A
TCNS Clothing Pvt Ltd	W	28	26	N A	14
Madura Garments Ltd	Van Heusen	22	25	16	N A
Raymonds Ltd	Be:	N A	15		8
Madura Garments Ltd	Louis Phillipe	21	22	15	N A
Madura Garments Ltd	Trouser Town	N A	15	N A	12
Span Clothing Pvt Ltd	Spykar	30	50	15	28
Madura Garments Ltd	SF Jeans	15	15	12	N A
Kewal Kiran Enterprise	Killer	35	N A	25	N A
Arvind Morjani Brand Pvt Ltd	Tommy Hilfiger	N A	9	N A	7
Celebrity Fashion	Indian Terrain	5	7	N A	7

Source: India Retail Report Images & F&R 2007

* Projected

OUR BUSINESS

Overview

We are an integrated apparel manufacturing and retail company in India. We are in the business of designing, manufacturing and retailing apparel under the "*Koutons*" and "*Charlie Outlaw*" brands through a network of 999 exclusive brand outlets (as of August 20, 2007) across India.

We started our business with the formation of a partnership firm "M/s. Charlie Creations". We established a manufacturing unit (having a capacity to manufacture approximately 20,000 pieces of apparel per annum) in Delhi in 1993. In 1994, our Promoters with the vision of broadening operations incorporated our Company, as a private limited company i.e. "Charlie Creations Private Limited". Our Company started its operations by taking over the business of the erstwhile partnership firm.

As of August 20, 2007 we had 18 in-house manufacturing/finishing units and 14 warehouses which are spread across various locations in and around Gurgaon, Haryana. We have increased our annual finishing and manufacturing capacity from 3,000,000 and 600,000 pieces of apparel, respectively as of March 31, 2005 to 22,920,000 and 12,360,000 pieces of apparel, respectively as of March 31, 2007. We have also entered into fabricating agreements with various manufacturing units to which we outsource stitching of certain apparel. Our manufacturing and finishing facilities are backed by adequate facilities for product testing, apparel development, design studio and sampling infrastructure to ensure high quality apparel for our customers.

Our brand "*Koutons*" has contributed to the success of our business. Sales from our brand "Koutons" has increased from Rs. 516.32 million in fiscal 2005 to Rs. 3,726.91 million in fiscal 2007 and has contributed 99.11% and 92.34% of our total income in fiscal 2006 and 2007, respectively. We have positioned the "*Koutons*" brand in the middle to high fashion segment, offering a complete range of a man's wardrobe (in the age group of 22 to 45 years) ranging from formal to casual and party wear. We have recently reinvented and re-launched our old premier brand "*Charlie*" as "*Charlie Outlaw*". The "*Charlie Outlaw*" brand is a casual brand targeted at fashion conscious youngsters in the age group of 14 to 25 years and is positioned as a fashionable and contemporary, value for money brand.

We marketed our apparel through a network of distributors spread all over India till fiscal 2002. However, in fiscal 2002 with a view to improve marketing efficiencies, we introduced the model of retailing on a consignment basis through exclusive franchisee stores. Our first exclusive store was launched in 2002. As of August 20, 2007, 2007, the "*Koutons*" brand was sold on a total floor area of approx. 482,966 sq. ft. and our "*Charlie Outlaw*" brand was sold on a total floor area of approx. 360,738 sq. ft.

Our restated total income and restated profit after taxes for the years ended March 31, 2003, 2004, 2005, 2006 and 2007 are summarized below:

(*In Rs. Million*)

	Year ended March 31, 2003	**Year ended March 31, 2004**	**Year ended March 31, 2005**	**Year ended March 31, 2006**	**Year ended March 31, 2007**
Total Income	223.18	317.53	581.46	1,583.85	4,036.17
Profit after tax	4.32	8.82	19.29	131.98	344.87

Competitive Strengths

We believe that we are well positioned to capture the growth opportunities in India's apparel manufacturing and retail sectors, because of our following key strengths:

Exclusive Brand Outlets. The majority of the apparel manufacturers cum retailers in India operate through a combination of retailing through exclusive outlets, national chain stores and multi brand outlets. This entails supplies being managed directly and through distribution agents. We operate on a model of marketing our apparel directly through a chain of exclusive brand outlets and thus are independent of external marketing pressures attributable to the national chain stores, multi brand outlets and other intermediaries. This enables us to focus our strategies and efforts towards quality maintenance and customer satisfaction without the interference of any external agency. This model also enhances the brand equity and recall value of our brands "*Koutons*" and "*Charlie Outlaw*" and also allows us to undertake line extensions, as the shelf space on each of the exclusive brand outlets is controlled by us.

Wide network of Exclusive Brand Outlets. We have an extensive network of exclusive brand outlets for our brands "*Koutons*" and "*Charlie Outlaw*", which are spread across the metros, tier I and tier II towns of India. As of August 20, 2007, the "*Koutons*" brand was sold through 566 exclusive brand outlets and the "*Charlie Outlaw*" brand was sold through 433 exclusive brand outlets. For our *"Koutons"* brand, we have an established network in north/north western India and are in the process of expanding our network in western and eastern India. We have also opened our exclusive brand outlets in southern India and are working towards expanding our presence there. We have executed letters of intent/MoU's with a number of developers to book various locations where we plan to open our exclusive brand outlets. The wide coverage of our exclusive brand outlets from metros to tier II towns and through the various regions in India, allows us the flexibility to hedge against fashion changes given the general time lag in fashion trends between metro and tier II towns.

Integrated player with low-cost sourcing capabilities. We are an integrated apparel manufacturing and retail company with capabilities across the entire value chain of manufacturing and retailing. One of our major strengths includes our in-house finishing facilities and rigid quality controls. We source our raw materials through intermediaries (who procure raw materials from various markets). We also employ extensive logistics and supply chain management systems to maintain maximum flexibility, which enables us to meet our needs in an efficient manner without relying on any one vendor, factory or country. By virtue of a centralized purchasing system, we have also achieved standardization in quality control systems which enables us to be consistent in the quality of our apparel that we manufacture and market. Our sourcing team closely monitors our suppliers and provides strict quality assurance analysis that allows us to consistently maintain the quality of our apparel for our customers. Because of our sourcing expertise, capabilities and relationships, we believe that we are well positioned to take advantage of the dynamics of the apparel manufacturing and retail sectors in India.

Unique brand positioning. We position ourselves as a '*High Fashion Value for Money*' brand. Our "*Koutons*" brand is positioned in the middle to high fashion segment, offering a complete range of man's wardrobe (in the age group of 22 to 45 years) ranging from formal to casual and party wear. Our "*Charlie Outlaw*" brand is a casual brand targeted at fashion conscious youngsters in the age group of 14 to 25 years. We believe in providing our customers value for their money and position our apparel at a reasonable price with a focus on volume sales. We believe that fashion and style statements are not restricted to high income segment and there is an untapped market in the middle income segment which is both brand conscious and aspirational in nature. We believe that this segment will be one of the fastest growing segments in the Indian apparel industry, having an increasing level of disposable income.

Design and merchandising expertise, with a pulse on fashion. We have a team of designers and merchandisers who are supported by a staff of 40 professionals, including assistant designers and technical designers. We have specialized design teams for each of our apparel categories, ensuring that each of our design teams has specialized skill sets. We design our apparel range keeping in mind our target customers as well as the latest fashion trends across the world in terms of fashion, fabric, wearability, stitch, embellishments and also pricing. Our in-house design staff designs our apparel. Our marketing and merchandising teams keep themselves abreast of the various fashion developments and mixes it with the creativity of professionally qualified designers working for us to create a distinct style statement at affordable prices.

Experienced and efficient management. Our Company is managed by a team of experienced and professional managers, exclusively focused on different aspects of the apparel industry such as design, merchandising, manufacturing, sourcing, marketing, quality control, logistics and finance. Our promoters and management have substantial experience in apparel sector. We also have a second layer of key executives who are capable of creating and facing the challenges of growth within our Company and our sector. Some of the key growth drivers in our business include the, identification of optimal locations for our exclusive brand outlets and managing logistics. The proactive and aggressive approach of our management team towards the above core factors has led to the growth of our Company from 74 exclusive brand outlets (as of March 31, 2005) to 566 exclusive brand outlets of "*Koutons*" and 433 exclusive brand outlets of "*Charlie Outlaw*" (as of August 20, 2007).

Wide apparel range. We have a wide apparel portfolio which ranges from shirts, non denim trousers, denims, suits, blazers, T- shirts, cargos, capris, sweaters etc. We manufacture and retail a complete range of men's apparel through our exclusive brand outlets and are in the process of launching a range of apparel for women and children. We have in fiscal 2005, launched ultra light weight fabric and thereafter in fiscal 2006 we added compact cotton to our existing range of apparel portfolio. Our wide apparel portfolio allows us to cater to the diverse demands of our customers and also allows us to consolidate and establish our presence across diverse regions.

IT Infrastructure. We use a state of the art information flow system to maintain records relating to sales and inventory and integrate key work flows. We are currently maintaining our sale, records and store inventories on specially developed computer applications. These softwares enable us to maintain mirror images of the data base at our head office and our stores across various locations. All daily transactions at either end are updated through pooling of incremental data of new transactions. This helps us to maintain complete control from the head office over all the stocks and sales on a daily basis. In August, 2006 we installed a state of the art enterprise resource planning system developed by Ramco Systems, which became operational in April, 2007. This system will ensure the optimum usages of current resources given the systems strength in financial postings and analysis. It also gives us an edge in our inventory management through the creation of a detailed virtual warehouse with bins and sections along with a logistics solution.

Our Strategy

Principal elements of our strategy are the following:

Increase geographic penetration by spreading our network of exclusive brand outlets. We will focus on maintaining and reinforcing the image of our existing exclusive brand outlets and also introduce our apparel to new geographic areas and consumer sectors that are presently less familiar with our apparel. For the "*Koutons*" brand, we have an established network in north/north western India and are expanding our network in western and eastern India. We have also opened our exclusive brand outlets in southern India. Further, we have recently launched exclusive brand stores under "*Charlie Outlaw*" brand and have opened exclusive brand outlets in the northern and north-west region. We plan to consolidate our presence across all regions in India and also seek to increase our business with our existing customers by offering them apparel that are in line with latest fashion trends and by capitalizing on our relationships with them by offering them at affordable prices.

Enhancing manufacturing capacities. We are focused on establishing and increasing our in-house manufacturing facilities as this allows us to exercise due control over both the manufacturing costs and the quality of the apparel being manufactured. As of August 20, 2007 we had an in-house capacity to manufacture 12,360,000 pieces of apparel and finishing capacity of 22,920,000 pieces of apparel, per annum. We intend to expand the finishing and manufacturing capacity of our existing in-house manufacturing facilities, as well as establish a new integrated manufacturing facility. We have been allotted approximately 13,000 square meters of land by the Haryana Urban Development Authority in Gurgaon, Haryana, where we propose to establish a new integrated manufacturing facility. We have placed purchase orders for plants and machinery to increase the finishing and manufacturing capacity of our existing units. For more information on our proposed projects, see section titled "Objects of the Issue" beginning on page 33 of this Red Herring Prospectus. We believe that an increase in manufacturing capacity will also help us to enhance economies of scale, and this would eventually translate to an improvement in the price competitiveness of our apparel.

Target the growing segments. We are focused on providing a complete menswear range in the middle to high fashion segment at affordable prices. This business strategy and brand positioning is in line with our target market, which is India focused. The Indian market is very different from mature markets as it has a rapidly growing population and a demographic profile with a young population. While the "*Koutons*" brand is focused on the 22 to 45 age bracket, the "*Charlie Outlaw*" brand is positioned to cater to the 14 to 25 year age bracket. We are focused on a fast growing segment of branded fashion wear for the young. We intend to consolidate our position by capitalizing on the growing young population which has increased spending capacity. We also intend to continue to expand the range of our product lines, thereby capitalizing on the name recognition and popularity of our brands. We are introducing a line of women's apparel under the "*Les Femme*" brand and are also introducing a brand "*Koutons Junior*" which is targeted at children. We intend to continue to undertake line extensions which are within the sphere of our core competence.

Strengthen the competitive position and recognition of our brands. We intend to continue to enhance the recognition of our brands by aggressively marketing our brands to both consumers and franchisees. We have made a strategic decision to focus on branded apparel and to market the same through exclusive brand outlets. Our brand and marketing strategy for our brands "*Koutons*" and "*Charlie Outlaw*" will continue to focus on advertisements in print and broadcast media, as well as direct marketing to consumers through billboards, event sponsorships, celebrity sponsorships, special event advertisements and advertisements in selected periodicals. In addition, we will continue to have a strong presence at trade shows and events throughout the country.

Further improving our cost structure. We believe in providing quality apparel at affordable prices. We have improved our operating margins and cost structure by consolidating our manufacturing and distribution operations, reducing our selling, general and administrative costs, and by actively seeking efficient sources of production, whether through internal sources of supply or through outsourcing. We intend to continue to: (a) identify efficient manufacturing operations and improved raw material sourcing; and (b) maintain and enhance a low cost infrastructure and a flexible supply chain.

Pursuing potential strategic acquisitions to complement our existing brand portfolio. We believe that, over the long-term, attractive opportunities will exist to increase revenues and earnings in our core operating units with acquisitions of complementary product lines and businesses. In addition to our plans to expand our in-house manufacturing capacities, we also look forward to acquiring or merging with businesses with synergetic possibilities for our designing, manufacturing and retail operations. We intend to pursue these opportunities, in a disciplined manner, to the extent that they become available. As part of the active management of our brands, we will also continue to assess our brand portfolio and may choose to rationalize certain assets over time.

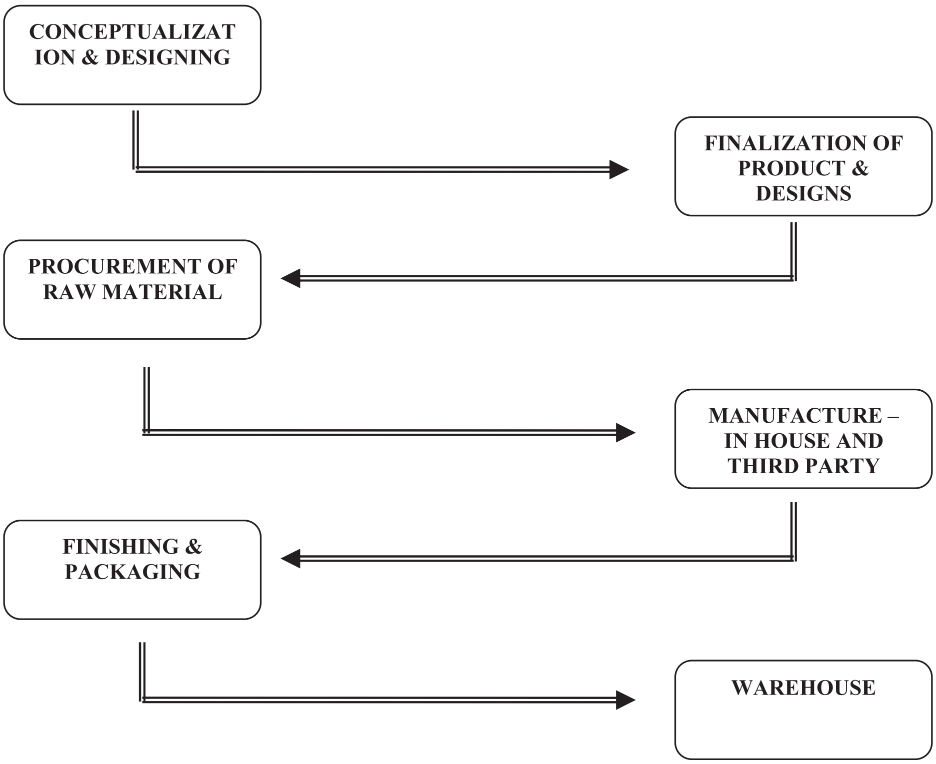
Exports of apparel under our "Koutons" and other brands. Till Fiscal 2005, we had been exporting garments and discontinued the same to concentrate on our present business model of establishing our exclusive brand outlets throughout India. We believe that our apparel would also have an acceptance outside India and consequently, as a part of our strategy, we intend to enter the overseas market as a possible business thrust.

Our Business Processes

We have set out below our business processes for: (a) our manufacturing; and (b) our sales operations.

Manufacturing processes

Our business model for manufacturing of apparel involves (i) conceptualization and designing, (ii) finalizing the product and design, (iii) procuring raw material, (iv) manufacturing apparel either through our in-house manufacturing/ finishing units or through third-party sourcing, (v) finishing and packaging, and (vi) storing in warehouses. Our manufacturing operations flow in the following manner:



Conceptualization and designing

Our business process flow commences with the conceptualization of the trends, range, choice of fabric, color, designing pattern, look of the product and other details for our apparel products. This exercise is carried out by our merchandise and designing department one year prior to the season when the apparel is intended to be marketed. The designing process commences with the creation of a fashion calendar for the season. Our design team understands the design trends and works with the aim of developing true value for money designs. Our design department is committed to design innovation in order to respond to current consumer preferences and anticipate future fashion trends, and to ensure that the design portfolio available to our Company is reflective of the latest fashion trends.

Finalization of the product and design

Upon finalization of the specifications of products for a season, our team of designers work on product samples and once the product samples are approved, the range of products for a particular season in terms of its quantities, prices, designs and other parameters are finalized.

Procurement of raw materials

Selection of the right fabric and trims for apparel is one of the most important aspects in the business of manufacturing apparel. We source most of our fabric from India, China, Taiwan and Italy using third party suppliers. We have a stable relationship with our suppliers and use services of a factoring agent to interact with the suppliers of the raw materials.

The procurement of raw material entails analyzing the quality, durability, cost etc. and also determining the right fabric for the apparel. Fabric (made of fibres, such as cotton, wool, silk, linen, polyester etc.) accounts for about 40% of our material costs and is the dominant raw material. Apart from fabric, accessories like buttons, zippers, fasteners, labels etc., are also procured by us to manufacture our apparel. We have a dedicated team of experienced professionals, headed by Mr. B.S. Sawhney, our Managing Director, which is engaged in the procurement of raw materials. Once the fabric and other accessories are procured, quality and quantity checks such as verification of the width, gramme per square meter (Gsm), shrinkage, dry, wet and light sensitivity of color fastness, tensile strength and seam slippage of the fabric are undertaken so as to ensure that the raw materials procured conform to our quality standards and are as per our desired specifications.

Manufacture

On receipt of the fabric and other raw materials, we commence the manufacture of the apparel which involves manufacture of the production sample, cutting, sewing, finishing and washing. Each stage of manufacturing is monitored by our quality assurance team to ensure conformity with our strict quality, cost and delivery requirements. We manufacture our apparel in our in-house manufacturing units. We also outsource the manufacturing of apparel to third party manufacturers.

In-house manufacture

As of March 31, 2007, we had an in-house capacity to manufacture 12,360,000 pieces of apparel and finishing capacity of 22,920,000 pieces of apparel, per annum. Our manufacturing capacity relates to our capacity to produce fabricated apparel from raw fabric. Our finishing capacity relates to our capacity to provide final finishing to the fabricated apparel.

Our annual finishing capacity, actual production of finished apparel and capacity utilization for the years ended March 31, 2005, 2006 and 2007 is set out below:

(No. of pieces of apparel)

Particulars	**Year ended March 31, 2005**	**Year ended March 31, 2006**	**Year ended March 31, 2007**
	Capacity	**Capacity**	**Capacity**
Trousers	900,000	2,040,000	6,600,000
Shirts	1,200,000	3,000,000	12,000,000
Denim	900,000	1,200,000	4,200,000
Suits and blazers	-	-	120,000
Total Capacity*	**3,000,000**	**6,240,000**	**22,920,000**
Actual Production*	**1,270,405**	**3,350,723**	**9,445,284**
Capacity Utilisation (in %)	**42.35%**	**53.70%**	**41.21%**

* Capacity utilisation calculation is based on actual production for the year ended March 31, 2005, 2006 and 2007 and total capacity as on March 31, 2005, 2006 and 2007.

Our annual manufacturing capacity, actual production and capacity utilisation for the years ended March 31, 2005, 2006 and 2007 is set out below:

(No. of pieces of apparel)

Particulars	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007
	Capacity	Capacity	Capacity
Trousers	600,000	960,000	3,240,000
Shirts	-	-	6,600,000
Denim	-	-	2,400,000
Suits and blazers	-	-	120,000
Total Capacity*	**600,000**	**960,000**	**12,360,000**
Actual Production*	**512,840**	**852,520**	**2,718,029**
Capacity Utilisation (in%)	**85.47%**	**88.80%**	**21.99%**

* Capacity utilisation calculation is based on actual production for the year ended March 31, 2005, 2006 and 2007 and total capacity as on March 31, 2005, 2006 and 2007.

The increases in our in-house capacities were driven by increased demand for our apparel products resulting from our marketing efforts and expansion of our network of exclusive brand outlets from 74 exclusive brand outlets as on March 31, 2005 to 687 exclusive brand outlets as on March 31, 2007. Furthermore, we also enhanced our in-house finishing and manufacturing capacity with a view to reduce dependence on third parties and exercise control over both the manufacturing costs and the quality of the apparel being manufactured. We added 1, 3 and 10 in-house manufacturing facilities during fiscal 2005, 2006 and 2007, respectively, and increased our in-house finishing capacity by 1,400,000, 3,240,000 and 16,680,000 pieces of apparel and our manufacturing capacity by 150,000, 360,000 and 11,400,000 pieces of apparel, during fiscal 2005, 2006 and 2007.The capacity addition during fiscal 2005, 2006 and 2007 involved a total outlay of Rs. 468.89 million and was primarily funded through term loans of Rs. 92.23 million and internal accruals and proceeds from the private equity investments aggregating to Rs. 376.66 million. For further details on the use of proceeds from the placements with UTI Venture Funds Management Company Private Limited, Argonaut Ventures and Passport India Investments (Mauritius) Limited, see section titled "History and Corporate Structure" beginning on page 83 of this Red Herring Prospectus.

We operate a total of 18 in-house manufacturing units of which one unit is owned and the balance are leased by us. In addition, we also operate 14 warehouses all of which are leased by us. Details of these properties are given below:

Sr. No.	Location	Premises being used as	Term
Leased			
1.	122-123, Sector-37, Phase-VI, Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	May 1, 2006 to April 30, 2008
2.	126-127, Sector-37, Phase-VI, Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	November 1, 2005 to September 30, 2010
3.	131-132, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	November 1, 2005 to September 30, 2010
4.	274-275, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	July 15, 2004 to November 15, 2012
5.	293, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	June 16, 2006 to June 15, 2010
6.	301, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	November 1, 2005 to October 31, 2010
7.	343, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	September 1, 2006 to July 31, 2011

Sr. No.	Location	Premises being used as	Term
8.	360, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	May 8, 2006 to March 31, 2011
9.	418, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	May 5, 2006 to March 4, 2009
10.	424, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	November 1, 2006 to October 31, 2009
11.	438, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	May 1, 2006 to March 31, 2011
12.	528, Pace City II, Sector-37 Gurgaon, Haryana	Manufacturing unit	September 1, 2006 to July 31, 2011
13.	592, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	December 15, 2006 to December 14, 2009
14.	38, EHTP, Sector 34, Gurgaon Haryana	Manufacturing unit	October 20, 2006 to September 19, 2011
15.	39, EHTP, Sector 34, Gurgaon Haryana	Manufacturing unit	October 20, 2006 to September 19, 2011
16.	18, Sector 6, IMT Manesar Gurgaon, Haryana	Manufacturing Unit	July 1, 2007 to May 31, 2010
17.	161, Sector 5, IMT Manesar Gurgaon, Haryana	Manufacturing Unit	January 15, 2007 to December 14, 2008
18.	267, Sector 6, IMT, Manesar Haryana	Warehouse	January 15, 2007 to December 14, 2008
19.	268, Sector 6, IMT, Manesar Haryana	Warehouse	January 15, 2007 to December 14, 2008
20.	269, Sector 6, IMT, Manesar Haryana	Warehouse	January 15, 2007 to December 14, 2008
21.	135 – 136, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Warehouse	December 1, 2005 to November 30, 2008
22.	95A, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Warehouse	May 1, 2006 to April 1, 2011
23.	77, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Warehouse	April 1, 2007 to November 30, 2007
24.	23, Sector 7, IMT, Manesar, Haryana	Warehouse	November 1, 2006 to October 31, 2008
25.	231, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Warehouse	June 15, 2006 to May 14, 2011
26.	236, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Warehouse	June 1, 2006 to April 30, 2011
27.	253, Sector 6, IMT Manesar Gurgaon, Haryana	Warehouse	April 20, 2007 to April 19, 2010

Sr. No.	Location	Premises being used as	Term
28.	702, Pace City II, Sector 37 Gurgaon, Haryana	Warehouse	March 1, 2007 to February 28, 2010
29.	705, Pace City II, Sector 37 Gurgaon, Haryana	Warehouse	December 1, 2006 to October 31, 2010
30.	140, Sector 7, Manesar Gurgaon, Haryana	Warehouse	May 12, 2007 to May 11, 2010
31.	175, Sector 4, Manesar Gurgaon, Haryana	Warehouse	May 27, 2007 to May 26, 2016
Owned			
32.	535, Sector-37, Phase-VI Udyog Vihar, Gurgaon, Haryana	Manufacturing unit	Conveyance deed dated December 16, 2005

Third party manufacturers

To cater to the growing demand for our brands "*Koutons*" and "*Charlie Outlaw*" we also outsource manufacturing of apparel. For this, our Company has executed 211 agreements with 211 fabricators pursuant to which the fabricators usually work for the Company on a job work basis.

We typically enter into fabrication agreements pursuant to which the Company supplies fabric to the fabricator and the fabricator stitches the apparel as instructed and desired by the Company. Under the terms of the agreement, the fabric which is in the possession of the fabricator is the exclusive property of the Company and the fabricator cannot hypothecate, sell or create any third party interest in the fabric. The agreement also provides that the fabricator is solely responsible for the safety and security of the fabric and is required to indemnify the Company for any loss caused, while it is in the possession of the fabricator.

Manufacture of production sample

A product sample is produced in house according to the specifications provided for the range of products for a particular season. The first production report is prepared on the basis of this sample. All apparent and intricate corrections are made in the sample so as to make it error free. Accordingly, a detailed production plan is devised.

Fabric cutting and stitching

We commence with creating a layout for cutting the respective products with the help of CAD plotter machines. The use of this system ensures that there is optimum usage of the fabric. The fabric is then laid on a table in multiple layers where the plotted layout is used for cutting the various parts of fabric with the help of electrical cutting machines. These pieces are sent to production lines where they are stitched as per an assembly line system with each machine and worker performing a specific job in the assembly line. This process ensures that the quality of the apparel meets the required specifications and is also an efficient system of manufacturing. This, along with a team of dedicated quality controllers ensures that the final product which comes out of the line meets the specifications.

Post stitching treatment

The stitched product from our in-house production as well as from that of the outsourced one is taken to our washing department. The apparel are washed and treated in high capacity washing machines and the hydro water expellers are used to drain the water out from the apparel. Thereafter, apparel are tumble dried. In some instances where specific washes and treatment are required like in case of denim products, we also get the same done on a job work basis.

Finishing and packaging

Upon completion of the washing process, the apparel undergo finishing and are thereafter packaged. Finishing of apparel involves labeling, putting tags, removal of loose and unwanted threads, proper and customized ironing. We attach utmost importance to the quality of our final product and hence care is taken to ensure that the apparel that is dispatched to the warehouse has undergone stringent quality checks. We are also very careful in ensuring that the apparel are packaged in a manner that will give the apparel an attractive look and at the same time protect the apparel from any wear or tear. Our packing department takes into consideration all the above factors and makes the product ready for retailing.

<u>Warehousing</u>

Once the apparel are packaged, they are directed to warehouses. We operate a total of 14 warehouses in the vicinity of our in-house manufacturing facilities where we store our finished goods and raw materials. The shipments for exclusive branch outlets are put together and dispatched through transport agencies from our warehouses. We maintain separate warehouses for both our brands.

Sales and distribution

One of the most important functions in our business operations is retailing and logistics. We have a dedicated “Sales and Marketing” team which consists of 90 employees. This team along with the merchandising and production team devises the retailing strategy at the beginning of every season on the basis of the company’s business plan, demands, preferences and other requirements of stores in various regions and on the basis of a review of the last year’s performance.

<u>Distribution and marketing</u>

To ensure that merchandise flows directly to the right outlets in a timely and cost efficient manner, the retailing plan is supported with a detailed logistics plan. This includes setting up of outlets in various regions, inventory management, warehouse management and supply chain management. The plan is then shared with the various departments, namely merchandising and production which are responsible for their respective activities.

Our distribution and marketing team members are spread across the country and work on region-wise basis. Periodic reporting to the central levels at corporate office and co-ordination with other divisions is maintained to ensure smooth and uninterrupted distribution flows. Further, our custom designed computer application permits better control of inventory thereby lowering inventory holding costs.

<u>Sales</u>

Prior to Fiscal 2003, we followed the traditional distribution set-up through a chain of distributors and retailers where the manufacturer sells to the distributor who in turn sells to the retailer. Fear of unsold stocks kept both the distributor and retailer margins high which in turn led to high retail costs and these in turn slowed down sales and resulted in dead stocks. This lead to inefficient selling, high costs and long realization periods. Accordingly, in order to overcome these issues, we started shifting to the franchisee model for retailing our apparel and adopted this model exclusively in Fiscal 2005. Under the franchisee model our products are distributed across the country through a number of exclusive brand outlets.

Our growth in sales has primarily been driven by the addition of new exclusive brand outlets and increase in sales from our existing exclusive brand outlets. The annual sales of our apparel for the year ending March 31, 2005, 2006 and 2007 are set out below:

Particulars	**Volume (No. of pieces)**		
	Year ending March 31, 2005	**Year ending March 31, 2006**	**Year ending March 31, 2007**
Shirts	595,977	1,267,995	3,659,677
Trousers and Cargos	440,963	844,145	2,344,040
Jeans (Denim)	160,387	387,864	991,394
T-Shirts	-	211,403	1,437,344
Suits and Blazers	-	37,663	68,270
Others	84,273	313,940	719,001
Total	**1,281,600**	**3,063,010**	**9,219,726**

(a) <u>Addition of exclusive brand outlets</u>

The number of our exclusive brand outlets has been steadily increasing across various regions. Set out below is a table providing a regionwise detail of the number of exclusive brand outlets where the “*Koutons*” and the “*Charlie Outlaw*” brands are sold and which is reflective of our growth over March 31, 2005, 2006, 2007 and August 20, 2007.

		Number of Exclusive Brand Outlets							
Sr. No.	Region	As of March 31, 2005		As of March 31, 2006		As of March 31, 2007		As of August 20, 2007	
		Koutons	Charlie Outlaw	Koutons	Charlie Outlaw	Koutons	Charlie Outlaw	Koutons	Charlie Outlaw
1.	North	61	-	133	-	227	166	244	287
2.	South and Central	-	-	6	-	43	4	65	32
3.	East	7	-	38	-	109	10	124	69
4.	West	6	-	29	-	108	20	133	45
	Total	**74**	**-**	**206**	**-**	**487**	**200**	**566**	**433**

Set out below is a table providing details of the increase in floor area on which our brands "*Koutons*" and "*Charlie Outlaw*" are sold.

Floor Area (in sq. ft.)							
As of March 31, 2005		As of March 31, 2006		As of March 31, 2007		As of August 20, 2007	
Koutons	Charlie Outlaw	Koutons	Charlie Outlaw	Koutons	Charlie Outlaw	Koutons	Charlie Outlaw
43,522	-	152,980	-	405,816	111,434	482,966	360,738

Our Company has entered into agreements with various entities in India to market and sell its apparel under the "*Koutons*" and "*Charlie Outlaw*" brands. The franchise arrangement of the Company is essentially structured on three models namely: (a) locations which are Company owned/ leased and Company operated (COCO); (b) franchise locations which are Company owned/ leased and franchisee operated (COFO); and (c) franchise locations which are franchisee owned/leased and franchisee operated (FOFO). Set out below is the break up of the number of exclusive brand outlets under the three models as of August 20, 2007:

COCO		COFO		FOFO	
Koutons	**Charlie Outlaw**	**Koutons**	**Charlie Outlaw**	**Koutons**	**Charlie Outlaw**
13	4	104	20	449	409

As part of our "Objects of the Issue", we have executed letters of intents / memorandum of understandings with various entities across India to tie up the physical space for opening of 140 Planned EBOs. Please refer to the section titled "Objects of the Issue" beginning on page 33 of this Red Herring Prospectus for further details. In addition to the above, we have executed letters of intent/ memorandums of understanding with a number of developers to book various locations where we plan to open our exclusive brand outlets from our internal accruals.

(b) Growth of sale from existing exclusive brand outlets

In addition to the increase in the number of exclusive brand outlets we also focus on ways to maximise sales from the existing exclusive brand outlets. In this regard, we introduce various innovative incentive schemes/discounts etc. from time to time to increase the footfalls at our exclusive brand outlets.

Our Brands

Koutons

The focus market for our "*Koutons*" brand is the male population from 22 to 45 years of age, living in metros, Tier-I (roughly corresponding to State capitals and important cities like Lucknow, Hyderabad, Chandigarh, Ahmedabad), and Tier-II cities (roughly corresponding to district headquarters) and lying within socio-economic classes namely Sec-A and Sec-B of the population. Our Company has registered the trade mark "Koutons" under the Trade Marks Act, 1999. For details see section titled "Government and other approvals" beginning on page 169 of this Red Herring Prospectus.

Charlie Outlaw

With our "*Charlie Outlaw*" brand, we have targeted the fashion conscious age group from 14 to 25 years including school goers and young professionals. This range is also priced at affordable levels with a fashion first approach. Our Company has filed an application dated July 24, 2006 before the Trade Marks Registry, New Delhi for trademark registration of the mark *"Charlie Outlaw"* under the Trade Marks Act of 1999. For details see section titled "Government and other approvals" beginning on page 169 of this Red Herring Prospectus.

Our Products

Our product range caters to the men's wear fashion requirements of the middle income segment. The range includes the following:

Trousers	Formal trousers Chinos Casual Cargos Capris
Denimwear	Jeans Shirts Jackets
Suits and Blazers	Formal and party wear Jackets
Shirts	Formal Semi formal Casual Party wear in a wide range of fabrics and designs
Knit wear	T-Shirts Sweaters Pullovers Track suits Sweat shirts

Plant and Machinery

Our manufacturing facilities have more than 3,500 machines mainly comprising of sewing machine, overlock machines, washing machine, kaz machines, bar tech, button machine, topper, spotting gun machine, edge cutter, belt attachment machine, electropneumatic pressing machines, repit machine, steam press, loop maker, fusing cutting and pasting machine, belt folder machine, vacuum iron tables, checking tables, shirt folding tables, cad/cam plotter machine, hydro expeller, tumbler, compressor, boiler, transformer and other miscellaneous machines.

Human Resources

We believe that our employees are key contributors to the success of our business. To achieve this, we focus on hiring and retaining the best talent in the industry. We have a policy of hiring fresh graduates and training and developing newly hired professionals. We view this process as a necessary tool to maximize the performance of our employees. Our work force consists of: (i) our permanent employees; and (ii) consultants who are engaged by us on a contractual basis. The third party manufacturers with whom we have entered into fabrication agreements also employ workers on a contractual basis.

The table below provides details of our permanent employees as of March 31, 2005, March 31, 2006 and March 31, 2007:

As of March 31, 2005	As of March 31, 2006	March 31, 2007
316	356	622

We conduct periodic reviews of our employees' job performance, and determine salaries and discretionary bonuses based upon those reviews. In addition, we offer internal training programs tailored to different job requirements to enhance our employees' talents and skills.

We believe that we maintain a good working relationship with our employees and we have not experienced any strikes or lockouts or other significant labour disputes. Typically, our employees are not subject to any collective bargaining agreements or represented by labour unions.

Corporate Social Responsibility

We are aware of our corporate social responsibilities and have made significant efforts to preserve the environment in and around our manufacturing facilities. As a socially responsible company, we believe that great emphasis should be placed on social and community service. This attitude has allowed us to engage in numerous social activities with the wholehearted support of our employees. From time to time we have organized free community kitchens on festive occasions.

Insurance

Our operations are subject to hazards and risks inherent in the process of manufacturing, such as mechanical failure of equipment at our facilities and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of our properties and the properties of others and environmental pollution, and may result in suspension of operations and the imposition of civil or criminal penalties. We may also be subject to claims arising from defects in our apparel. However, we do not maintain any insurance policies to cover such claims.

We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate for our business at reinstatement values. As of August 20, 2007, the Company has made insurance claims aggregating to Rs. 2.62 million, which are currently pending with the relevant insurance companies.

Information Technology

We believe that business pre-eminence can be achieved only through efficiency that gives you a competitive edge and a state of art information flow system. We are currently maintaining our sale and store inventories on a specially developed computer application. Mirror images of the data bases are maintained at the head office and the different stores. All daily transactions at either end are updated through pooling of incremental data of new transactions. This helps us to maintain a complete control from the Head Office over all the stocks and sales on a daily basis.

In order to take the data flow and automation to a further level, we have taken a state of the art enterprise resource planning system developed by Ramco Systems, which will ensure optimum usages of current resources through well mapped and transparent practices. This system is extremely strong in financial postings and analysis. It also gives an edge to us in our inventory management through the creation of a detailed virtual warehouse with bins and sections along with a logistics solution.

Competition

The apparel manufacturing and retail industry in India is highly fragmented, with a large number of small and medium sized manufacturers. Most of the established brands in men's wear cater to either one or the other product line but do not cover the entire gamut of products catering to the entire need of this class of customer. We have a product mix in the men's segment which is comprehensive and which covers formal wear, semiformal wear, party wear and casual wear including trousers, denim jeans, denim shirts, shirts, t-shirts, jackets, sweaters, pullovers, shorts, blazers, suits, cargos, track suits etc. Accordingly, we face product-wise competition from established Indian and international brands operating in India. This trend is likely to continue with our diversification into other segments like women's and youngsters' wear.

Property

Our corporate office is located at 274-275, Udyog Vihar, Phase-VI, Sector-37, Gurgaon 122001 (Haryana), India. In addition to the above, we also have 18 in house manufacturing units and 14 warehouses which are located in and around Gurgaon, Haryana, India. For details of our manufacturing units/warehouses see section titled "Our Business-Manufacturing Process" beginning on page 71 of this Red Herring Prospectus.

Collaborations

The Company has not entered into any collaborations or submitted any performance guarantees to any collaborator with respect to its business, including its marketing activities.

REGULATIONS AND POLICIES

FEMA Regulations

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, Government of India, the implementation of which is regulated by the FIPB.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 as amended ("FEMA Regulations") to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consents and approvals are required from the RBI for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

National Textile Policy 2000

The Ministry of Textiles has formulated the National Textile Policy, 2000 ("Textile Policy") with the objective of enabling the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The Textile Policy envisages a multi-pronged strategy to achieve these long term goals. It contains sector specific agendas for sectors like cotton and wool/knitwear. For instance, it encourages collaborative research projects with the leading wool producing countries of the world, private breeding farms to increase productivity; and promotes private sector linkages for marketing of wool. It also encourages, among other things, establishment of pre-loom and post-loom processing facilities and integrated development programme for angora wool.

Labour and Industrial Laws

We are required to comply with labour and industrial laws, including Industrial Disputes Act 1947 as amended, the Employees' Provident Funds and Miscellaneous Provisions Act 1952 as amended, the Minimum Wages Act, 1948 as amended, the Payment of Bonus Act, 1965 as amended, Workmen Compensation Act, 1923 as amended, the Payment of Gratuity Act, 1972 as amended, the Payment of Wages Act, 1936 as amended and the Factories Act, 1948 as amended.

In addition the Company is also governed by the provisions of the Employees' Provident Funds Act, 1952 as amended and the rules made thereunder and are accordingly required to make periodic contributions to the Employees' Provident Fund Scheme and the Employees' Pension Scheme as applicable. The Company is also required to make contributions under the Employees' State Insurance Act, 1948 as amended.

Environmental Laws

We are required to comply with various environmental legislations and relevant environmental consents have to be obtained under the Environment (Protection) Act 1985 as amended, the Water (Prevention and Control of Pollution) Act, 1974 as amended and the Air (Prevention and Control of Pollution) Act, 1981 as amended and the Hazardous Wastes (Management and Handling) Rules 1989 as amended, for the operation of our business.

Fiscal Regulations

In accordance with the Income Tax Act, 1961 as amended any income earned by way of profits by a company incorporated in India is subject to tax levied on it in accordance with the tax rate as declared as part of the annual Finance Act. The Company, like other companies, avails of certain benefits available under the Income Tax Act, 1961 as amended.

Further, the import of some of the machinery may involve levy and payment of customs duty in accordance with the prevalent rates prescribed in the Customs Act, 1962 as amended and rules and notifications issued thereunder from time to time. The Company is also required to obtain a license under the provisions of the Export Import Policy 2002 – 2007.

Contract Labour (Regulation and Abolition) Act

The Company engages for each of its stores the services of various contractors for various activities including, house keeping security, maintenance, tailoring and valet services. These contractors in turn employ contract labour whose number exceeds twenty in respect of some of the stores. Accordingly, the Company is regulated by the provisions of the Contract Labour (Regulation and Abolition) Act, 1970 as amended which requires the Company to be registered as a principal employer and prescribes certain obligations with respect to welfare and health of contract labour.

Standards of Weights and Measures Act, 1976

Our Company is required to comply with the provisions of the Standards of Weights and Measures Act, 1976 as amended and the rules made thereunder, particularly the Standards of Weights and Measures (Packaged Commodities) Rules, 1977.

Shops and Establishments legislations in various states

Our Company is governed by the various Shops and Establishments legislations, as applicable, in the states where it has exclusive brand outlets. These legislations regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of inter alia registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

HISTORY AND CORPORATE STRUCTURE

History

The Company was incorporated on November 25, 1994 under the Companies Act, 1956 as Charlie Creations Private Limited. The name of the Company was changed to Koutons Retail India Private Limited with effect from February 7, 2006. The Company was converted into a public limited company and its name was changed to Koutons Retail India Limited with effect from June 27, 2006.

The registered office of the Company was changed from T-60/1, D.C.M. School Road, New Rohtak Road, Karol Bagh, New Delhi 110 005 to J-2 Udyog Nagar, Peera Garhi Chowk, New Delhi on November 26, 2001 and thereafter on February 1, 2006 to its current registered office at T-60/1, D.C.M. School Road, New Rohtak Road, Karol Bagh, New Delhi 110 005.

Agreement to acquire the partnership firm M/s Charlie Creations

The Company was incorporated with the main object *inter alia* to take over the existing partnership firm, M/s. Charlie Creations which had Mr. BS Sawhney and Ms. Amarjit Kaur as partners (the "Firm"), along with all its assets and liabilities.

Pursuant to this object we entered into a Sale of Business Agreement with the Firm on January 2, 1995 in order to acquire the business of the Firm as a going concern with effect from January 1, 1995. Under the Sale of Business Agreement, we acquired all the assets and liabilities of the Firm appearing in its balance sheet as on December 31, 1994, including plant, machinery and fixtures owned by the Firm, cash in hand, debts due to the Firm, stock in trade, consumable stores and immovable plant and machinery, trade marks, design and licenses owned or obtained by the Firm, benefits accruing to the partners of the Firm from all contracts, pending subsisting or under execution, the loan availed from the Bank of Baroda and all other statutory dues or liability. We acquired the business of the Firm for a total consideration of Rs. 585,000. Further, the partners of the Firm had undertaken not to carry on the same business either personally or in association with any third person without our previous written consent.

Major Events

Year	Milestone
1994	The Company was incorporated as Charlie Creations Private Limited with the main objective of inter alia acquiring the business of the M/s. Charlie Creations.
1997	The Company diversified its business by introducing non-denim trousers in the existing product range of denim apparel.
	Awarded the title "Best Menwear (Casual) Collection" by Apparel Exporters and Manufacturers Association.
1998	The Company launched the brand *"Koutons"*.
	Award received for best display of denim clothing from CMAI-Ashima Group.
2000	Award received for Outstanding Domestic Sales from Clothing Manufacturers Association of India.
2002	The first exclusive brand outlet under the "*Koutons*" brand was opened
2003	Mr. DPS Kohli was awarded the title of "Entrepreneur of the Year" by the Institute of Trade and Industrial Development.
2005	Nominated for the Brand of the Year-Men's Casual Wear (Large) by the Clothing Manufacturers Association of India.
2006	The Company was converted into a public limited company and consequently its name was changed to Koutons Retail India Limited with effect from June 27, 2006.
	The Company re-launched the brand *"Charlie Outlaw"*. On October 5, 2006 104 *"Charlie Outlaw"* exclusive brand outlets were opened in a single day, which was recorded in the Limca Book of Records 2007.
	UTI Venture Funds Management Company Private Limited subscribed to 852,500 Equity Shares out of which 680,000 Equity Shares were allotted at Rs. 600 per Equity Share* and 172,500 Equity Shares were allotted at Rs. 800 per Equity Share*.

	Argonaut Ventures subscribed to 575,000 Equity Shares at Rs. 800 per Equity Share*. Awarded the title "Most Dynamic Brand of the Year 2006" by LYCRA Images Fashion Awards. Awarded the title "Value Retailer of the Year 2006" by Star Retailer-The Consumer Way. Nominated for the "Chain Store of the Year" at Apex Award, 2006 by the Clothing Manufacturers Association of India Nominated for the "Brand of the Year - Men's Casual Wear (Large)" at Apex Award, 2006 by the Clothing Manufacturers Association of India
2007	Passport India Investments (Mauritius) Limited subscribed to 600,000 Equity Shares at Rs. 350 per Equity Share. FID Funds (Mauritius) Limited purchased 1,162,791 Equity Shares from the Promoters at Rs. 430 per Equity Share Mr. DPS Kohli was awarded the title of "UDYOG VIBHUSHAN for Excellence in Industrial Performance" by the Institute of Trade and Industrial Development.

*The Company has issued 18,229,000 Equity Shares by way of a bonus issuance on February 14, 2007 in the ratio of 1:2.

Main Objects of the Company

- The main objects of the Company as stated in the Memorandum of Association include the following:
- To take over with all the assets and liabilities of the existing firm 'Charlie Creations', New Rohtak Road, New Delhi after which this firm will cease to exist.
- To carry on the business of manufacturers, importers and exporters, wholesale and retail dealers of and in men's, women's and children's clothing and wearing apparel and readymade, garments of every kind, nature and description including shirts, bush shirts, pyjama suits, vests, underwears, suits, pants, workmen's cloths, uniforms for the Army, Navy, Air force and other personnel, foundation garments for ladies dresses brasseries, maternity belts, knee caps, coats, panties, nighties etc.
- To carry on the business of manufacturers, importers and exporters, wholesale and retail dealers of all kinds of fabrics, hosiery goods of every kind, nature and description, for men, women and children including vests, underwears, socks, sockings, sweaters, laces and so on and of all or anything which is used in hosiery goods.
- To carry on all or any of the business of dealers and manufacturers of all kinds of carpets, durries, mats, rugs, namdas, blankets, shawls, tweeds, linens, flannels and all other articles of woollen and worsted materials and of all articles similar to the foregoing or any of them or connected therewith.

Changes in Memorandum of Association

Except as detailed below there have been no changes in the Memorandum of Association since the incorporation of the Company.

Date of Shareholders' Approval	Changes in the Memorandum of Association
October 5, 1996	Increase in the authorised capital from Rs. 1,000,000 divided into 100,000 Equity Shares to Rs. 5,000,000 divided into 500,000 Equity Shares
March 30, 2000	Increase in the authorised capital from Rs. 5,000,000 divided into 500,000 Equity Shares to Rs, 10,000,000 divided into 1,000,000 Equity Shares
December 15, 2004	Increase in the authorised capital from Rs. 10,000,000 divided into 1,000,000 Equity Shares to Rs. 50,000,000 divided into 5,000,000 Equity Shares
February 7, 2006	The name of the Company was changed from Charlie Creations Private Limited to Koutons Retail India Private Limited

Date of Shareholders' Approval	Changes in the Memorandum of Association
April 17, 2006	Increase in the authorised capital from Rs. 50,000,000 divided into 5,000,000 Equity Shares to Rs. 120,000,000 divided into 12,000,000 Equity Shares
May 27, 2006	The name of the Company was changed to Koutons Retail India Limited consequent to conversion into a public limited company
June 20, 2006	Increase in the authorised capital from Rs. 120,000,000 divided into 12,000,000 Equity Shares to Rs. 363,000,000 divided into 12,000,000 Equity Shares and 243,000 Preference Shares
January 30, 2007	Change in the authorised capital from Rs. 363,000,000 divided into 12,000,000 Equity Shares and 243,000 Preference Shares to Rs. 363,000,000 divided into 36,300,000 Equity Shares

Subsidiaries

Our Company does not have any subsidiaries.

Shareholders Agreement

Our Company has entered into the following agreements:

(a) Investment agreement dated June 21, 2006 and Amendment Agreement dated June 26, 2007 with UTI Venture Funds Management Company Private Limited, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney.

(b) Investment agreement dated November 9, 2006 with UTI Venture Funds Management Company Private Limited, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney.

(c) Investment agreement dated November 16, 2006 and Amendment Agreement dated June 30, 2007 with Argonaut Ventures, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney.

(d) Investment agreement dated March 21, 2007 with Passport India Investments (Mauritius) Limited, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney.

(e) Share Purchase Agreement dated June 18, 2007 with FID Funds (Mauritius) Limited, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney.

Investment Agreements with UTI

UTI Venture Funds Management Company Private Limited ("UTI") [SEBI Registration number: IN/VCF/05-06/057], entered into two investment agreements dated, June 21, 2006 and November 9, 2006 with our Company.

Pursuant to the agreement dated June 21, 2006, UTI made an investment in our Company by subscribing to redeemable optionally convertible cumulative preference shares and equity shares of our Company. Thereafter, pursuant to an agreement dated November 9, 2006 UTI made a further investment in our Company by subscribing to equity shares of our Company on the conditions that the equity shares shall have the same rights as those equity shares subscribed to by UTI pursuant to the investment of June 21, 2006.

Investment agreement dated June 21, 2006 (Round I Investment Agreement)

Our Company entered into an investment agreement dated June 21, 2006, with UTI and Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney ("Promoters"). Under this agreement, UTI agreed to subscribe to 45,000 Equity Shares of Rs. 10 each at a premium of Rs. 590 per Equity Share and 243,000 redeemable optionally convertible cumulative preference shares ("ROCCPS") of face value of Rs. 1000 each at par, issued by our Company, for a consideration of Rs. 270 million.

The main terms and conditions of the agreement are set out below:

1. The Promoters and our Company have undertaken to list the Equity Shares on the BSE or NSE, or any other Indian or International stock exchange approved by UTI within six months from June 21, 2006 or such other date as may be mutually agreed by UTI and our Company on consultation with other professionals. The agreement prescribes that the nature of the listing on the stock market shall be determined in mutual agreement between the Promoters/professionals and UTI. Further, valuation of such an initial public offering shall be approved by UTI.

2. Prior to the filing of the DRHP in relation to the IPO, the ROCCPS shall be converted to Equity Shares at a price to be agreed between our Company, the Promoters and UTI. Upon conversion, UTI shall be entitled to participate in the dividend on the Equity Shares, on a pari passu basis with the exisiting Equity Shares.

3. At the time of redemption of the ROCCPS our Company would pay a redemption premium to UTI which would provide UTI a compounded IRR of 40% on the investment amount in addition to the face value of the ROCCPS.

4. If the equity shares of our Company are not listed within 54 months from the June 21, 2006 and this agreement is not terminated, UTI shall have the right to conduct an IPO of our Company through an offer for sale of the shares held by it at a price determined by an independent merchant banker. The Promoters have undertaken to provide as many additional shares as already held by UTI which may be required to fulfil the mandatory minimum offer size requirement for achieving the IPO and listing.

5. Additionally, our Company has agreed to indemnify and hold harmless UTI for including our Company's shares in such secondary offering, from and against damages caused by any untrue or misleading statement of a material fact contained in any statement or prospectus relating to such secondary offering or caused by the omission to state therein a material fact required which was otherwise necessary to be stated.

6. Under the terms of the agreement one nominee of UTI would be appointed on the Board of our Company, till such time that UTI holds 0.20 million shares, who shall not be liable to retire by rotation or required to hold any qualification shares and such director would have voting rights at every Board meeting. Further, there are also certain reserved matters that require the affirmative vote of a nominee director of UTI on the Board.

7. Our Company and Promoters have agreed, that in the event our Company offers shares to any third parties before the IPO and the lowest price per share paid by any prior offeree is less than the price per subscription share paid by UTI, then UTI shall be entitled to convert the ROCCPS into such number of Equity Shares as is equal to the difference between the number of Equity Shares, if any held by UTI and the Equity Shares which they would have been entitled to had UTI subscribed to the ROCCPs at the lower valuation.

8. Our Company shall not issue any shares in future nor attach rights to any existing shares or shareholders of our Company which would have preference over those issued to UTI or grant any rights to third parties which are superior to UTI.

9. The Promoters agreed not to transfer or dispose of any part of their shareholding in our Company to any person without the prior written consent of UTI. Excepting without the prior written consent of UTI, the Promoters shall not, encumber, pledge or create lien on the shares held by them, (save lien in favour of banks and/or financial institutions) or appoint any experts or professionals as independent directors on the Board.

10. If our Promoters or its affiliates intend to sell part or whole of their shareholding in our Company to any other person, they would provide a tag-along right and a right of first refusal to UTI.

    Further, our Company entered into an amendment agreement dated June 26, 2007 with UTI and the Promoters, whereby the Round I, Investment Agreement was amended. Under this amendment agreement, the provision of the Round I Investment Agreement relating to the right of UTI post IPO of the Company, with respect to any decision made or action taken relating to liquidation or dissolution of the Company or any action that authorises the issue or creation of any new class of security having preferences or terms superior to the Equity Shares held by UTI, taken in any of the meetings of the shareholders or the Board or any committees thereof to require the majority approval of the Directors including the nominee director of UTI, was deleted.

Investment agreement dated November 9, 2006 (Round II, Investment Agreement)

Our Company entered into an investment agreement dated November 9, 2006, with Unit Trust of India Investment Advisory Services Limited A/C Ascent India Fund, acting through its duly appointed manager UTI, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney. Under this agreement, UTI agreed to subscribe to 230,000 Equity Shares of Rs. 10 each at a premium of Rs. 590 per Equity Share and 172,500 Equity Shares at a premium of Rs. 790 per Equity Share, issued by our Company, for a total consideration of Rs. 276 million.

The main terms and conditions of the agreement are set out below:

- The equity shares being issued pursuant to this agreement shall rank *pari passu* with and have all the rights and privileges as attached to the Round I subscription shares under the Round I Investment Agreement.

- UTI shall have the same rights and privileges as it held under the Round I Investment Agreement.

Investment agreement dated November 16, 2006 (Round IIA, Investment Agreement)

Our Company entered into an investment agreement dated November 16, 2006, with Argonaut Ventures ("Argonaut") [SEBI Registration number: IN-US-FD-1457-07], Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney. Under this agreement, Argonaut agreed to subscribe to 575,000 Equity Shares of Rs. 10 each at a premium of Rs. 790 per Equity Share for a consideration of Rs. 460 million.

The main terms and conditions of the agreement are set out below:

- The Promoters and our Company have undertaken to make an IPO, and list its shares on the National Stock Exchange, on the BSE or NSE, or any other Indian or International stock exchange approved by Argonaut within 24 months from November 16, 2006, such that the Draft Red Herring Prospectus in respect of the IPO is filed with SEBI on or before 18 months or such other dated as may be mutually agreed between Argonaut and our Company and other professionals. Further, valuation of such an initial public offering shall be approved by Argonaut.
- If the shares of our Company are not listed within 24 months from the November 16, 2006 and this agreement is not terminated, Argonaut shall have the right to conduct an IPO of our Company through an offer for sale of the shares held by it at a price determined by an independent merchant banker. The Promoters have undertaken to provide as many additional shares as already held by Argonaut which may be required to fulfil the mandatory minimum offer size requirement for achieving the IPO and listing.
- Additionally, our Company has agreed to indemnify and hold Argonaut harmless for including our Company's shares in such secondary offering, from and against damages caused by any untrue or misleading statement of a material fact contained in any statement or prospectus relating to such secondary offering or caused by the omission to state therein a material fact required which was otherwise necessary to be stated.
- Our Company and Promoters have agreed, that in the event our Company offers shares to any third parties before the IPO and the lowest price per share paid by any prior offeree is less than the price per subscription share paid by Argonaut, then Argonaut shall be entitled to issue such number of additional Equity Shares, at no additional consideration, as is equal to the difference between the number of subscription shares and Equity Shares, which they would have been entitled to had Argonaut subscribed to the subscription shares at the lower valuation.
- Our Company shall not issue any shares in future nor attach rights to any existing shares or shareholders of our Company which would have preference over those issued to Argonout or grant any rights to third parties which are superior to Argonaut.
- The Promoters agreed not to transfer or dispose of any part of their shareholding in our Company to any person without the prior written consent of Argonaut. Excepting without the prior written consent of Argonaut, the Promoters shall not, encumber, pledge or create lien on the shares held by them, (save lien in favour of banks and/or financial institutions) or appoint any experts or professionals as independent directors on the Board.
- If our Promoters or its affiliates intend to sell part or whole of their shareholding in our Company to any other person, they would provide a tag-along right and a right of first refusal to Argonaut.
- After the shares of our Company are listed on a recognized stock exchange and till such time the investor holds at least 862,500 Equity Shares in the Company, the investor shall have the right to appoint one Director on the Board and no decision shall be taken by or with respect to our Company whether in general meetings of the Board or committees thereof, in relation to the liquidation or dissolution of our Company, or any action that would authorise, create or issue shares of any class of stock having preferences or terms superior to the Equity Shares held by the investor without a vote of a majority of the Directors including the investor Director. The investor would have also have certain information rights and our Company is required to furnish the investor with the unaudited quarterly, unaudited semi-annual and unaudited annual financial statements within 45 days of the end of each quarter, half-year and annual period respectively. The financial statements are also required to be accompanied by a report from the Chief Executive Officer of our Company and a discussion of key issues and variances to the budget. The investor would also be entitled to reasonable inspection and visitation rights until such time that our Company completes the IPO.

Further, our Company entered into an amendment agreement dated June 30, 2007 with Argonaut and the Promoters, whereby the Round IIA, Investment Agreement was amended. Under this amendment agreement, the provision of the Round IIA Investment Agreement relating to the right of Argonaut post IPO of the Company, with respect to any decision made or action taken relating to liquidation or dissolution of the Company or any action that authorises the issue or creation of any new class of security having preferences or terms superior to the Equity Shares held by Argonaut, taken in any of the meetings of the Shareholders or the Board or any committees thereof to require the majority approval of the Directors including the nominee director of Argonaut, was deleted.

Investment agreement dated March 21, 2007

Our Company entered into an investment agreement dated March 21, 2007, with Passport India Investments (Mauritius) Limited ("Passport") [SEBI Registration number: IN-US-FA-1016-005], Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney. Under this agreement, Passport agreed to subscribe to 600,000 Equity Shares of Rs. 10 each at a premium of Rs. 340 per Equity Share for a consideration of Rs. 210 million.

Investment agreement dated June 18, 2007

Our Company entered into a share purchase agreement dated June 18, 2007 with FID Funds (Mauritius) Limited acting through Fidelity Investments International ("Fidelity") [SEBI Registration number: IN-UK-FA-0574-99], Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney ("Promoters"). Under this agreement, the Promoters agreed to transfer and Fidelity agreed to purchase 1,162,791 Equity Shares of Rs. 10 each aggregating to 4.16% of the total issued and paid up equity share capital of the Company at a price of Rs. 430 per Equity Share, for a total consideration of approximately Rs. 500 million. The Company will not receive any proceeds from the purchase price consequent to the aforementioned share purchase agreement.

Use of Proceeds from placements

As described above, the total proceeds received by the Company from the placements with UTI Venture Funds Management Company Private Limited, Argonaut Venture and Passport India Investments (Mauritius) Limited was Rs. 1,216.00 million. As per the certificate dated August 24, 2007 received from R. Chadha & Associates, Chartered Accountants, the Company utilized the abovementioned proceeds for the following purposes as on August 24, 2007:

- Rs. 826.85 million was utilized towards maintenance of working capital margins;
- Rs. 277.19 million was used for investments in fixed assets (not forming a part of the objects of the Issue) including purchase and installation of plant and machinery at the Company's production facilities in Gurgaon, Haryana, renovation of existing outlets and information technology for integrating the Company's manufacturing facilities;
- Rs. 98.71 million was utilized as security deposits for booking exclusive brand outlets (not forming a part of the objects of the Issue); and
- Rs. 13.25 million as part-payment to the Haryana Urban Development Authority for allotment of 13,000 square meters of land in relation to the establishment of a new integrated manufacturing facility in Gurgaon, Haryana.

Other Agreements

Franchise Agreements

As of August 20, 2007 our Company had entered into 982 franchise agreements with 935 parties for opening exclusive brand outlets. The typical terms of majority of the agreements are set out below:

- The agreements are for a term of three years with the option to renew the same for 2 further periods of 3 years each.
- Obligations to make payments of all operating and staffing expenses, taxation returns is of the franchisee and the Company is to bear all promotion and advertisement charges. Further, the franchisee is prohibited from displaying or dealing with any other products except that of the Company. The agreements are terminable at the option of our Company any time by giving a notice of two months and without any prior notice if the franchisee amongst other things, fails to comply with any of the provisions of the agreement or fails to provide proper services to the customers.

- As consideration, our Company would pay a commission to the franchisee and the franchisee in turn would make a security deposit and keep certain amounts with our Company in the form of blank cheques to be encashed in case of default by it.

Fabrication Agreements

As of August 20, 2007 our Company has entered into 211 fabrication agreements with 211 parties for supply of finished products, upon the condition that the fabricator shall work on the fabric strictly in accordance with the instructions of our Company.

The typical terms of the agreements are set out below:

- All such agreements have been entered into for a period of one year. The agreements stipulate that the fabricator is to supply all information as demanded by our Company within three to four days of such demand or within the time stipulated by us. In case the fabricator fails to honour the supply schedule, our Company is entitled to recover damages due to non-receipt of the goods on time.
- Under the agreements, the fabric is the exclusive property of our Company and the fabricator has no right of lien on the fabric. Further the fabricator is to indemnify our Company for any loss caused to a fabric while the fabric is in the fabricator's possession.
- As consideration, our Company would pay the fabricator, fabrication charges or as mutually agreed from time to time after delivery of finished good and after goods are cleared by the inspection officer of our Company. In case of rejection of any goods by our Company, the fabricator is under an obligation to pay our Company the cost of fabric and cost for other accessories along with damages as determined by the Company.
- Further the fabricator is not entitled to any transportation charges for receiving the delivery of fabric/finish goods either to or from the factory of our Company or from any other third party, as may be instructed by our Company. Additionally the fabricator is entitled to certain percentage of payment, which varies from one work order to the other, on account of wastage and any wastage of more than the permissible limit shall be debited to the fabricator.
- The fabricator is under an obligation for compliance with all labour legislations like that of employees' insurance, provident fund, tax, work contract tax etc.

Strategic and Financial Partners

Our Company has no strategic or financial partners.

KOUTONS

OUR MANAGEMENT

Board of Directors

Under the Articles of Association, our Company is required to have at least three Directors and not more than twelve Directors. As at the date of this Red Herring Prospectus, the Company has twelve Directors.

The following table sets out certain details of the Directors as at the date of this Red Herring Prospectus.

Name	Age (years)	Address	Other Directorships
Mr. DPS Kohli S/o. Mr. H.S. Kohli **Designation:** Chairman-cum- Whole Time Director **Occupation:** Business DIN No.: 00087996	48	A/152, Green Wood City, Gurgaon 122001, Haryana, India	Klone Infrastructure Private Limited
Mr. BS Sawhney S/o Mr. Basant Singh **Designation:** Managing Director **Occupation:** Business DIN No.: 00086356	47	A-53/1, DLF City Phase-I, Gurgaon 122001, Haryana, India	Klone Infrastructure Private Limited
Mr. GS Sawhney S/o. Mr. Basant Singh **Designation:** Deputy Managing Director **Occupation:** Business DIN No.: 00076546	36	1345, DLF Phase-IV, Gurgaon 122001, Haryana, India	Klone Infrastructure Private Limited K&S Knitwears Private Limited Klone Avinash Infrastructure Private Limited
Mr. Kailash Chand Sharma S/o. Late Mr. Devi Dayal Sharma **Designation:** Executive Director **Occupation:** Service DIN No.: 00221437	57	P-416, Jalvayu Tower, Sector-56, Gurgaon 122002, Haryana, India	Nil
Mr. Grish Chandra Raghubir S/o. Mr. S.C. Raghubir **Designation:** Non Executive Independent Director **Occupation:** Chartered Accountant DIN No.: 00579965	77	321/II, Vasant Vihar, Dehradun 248006, Uttrakhand, India	Tuticorin Alkali Chemicals and Fertilizers Limited Sanshadow Consultants Private Limited
Mr. Vinod Chander Sinha S/o. Mr. Bhup Kishore Sinha **Designation:** Non Executive Independent Director **Occupation:** Chartered Accountant DIN No.: 01045162	58	D-3, Sector 20, Noida, 201301, Uttar Pradesh, India	Span Metals Private Limited

Name	Age (years)	Address	Other Directorships
Mr. Krishnamurthy Santhanam S/o. Mr. Ramamrutha Krishnamurthy **Designation:** Non Executive Independent Director **Occupation:** Scientist DIN No.: 01095588	69	S-523A, First Floor, Greater Kailash Part II, New Delhi 110048, India	Nil
Mr. Ajay Mittal S/o. Late Mr. S.C. Mittal **Designation:** Additional Non Executive Director **Occupation:** Service DIN No.: 00025546	38	UTI Venture Funds Management Company Private Limited Concorde Block, 16th Floor, U.B. City, #24, Vittal Mallya Road–Bangalore - 560001 Karnataka, India	Cybermotion Technologies Private Limited Marksans Pharma Limited Semantic Space Technologies Limited Zylog Systems Limited
Mr. Anil K Khatod S/o Mr. Prahlad Dass Khatod **Designation:** Additional Non Executive Director **Occupation:** Service DIN No.: 01740073	50	8560, St. Marlo Fairway Drive, Duluth, GA 30097, USA	Omniguide Inc. Blue River Capital I LLC Midas Communications Technologies Private Limited Air Defense Inc. VentureEast Proactive Fund ePayware
Mr. Virendra Kumar Gupta S/o. Late Mr. BD Gupta **Designation:** Additional Non Executive Independent Director **Occupation:** Service DIN No.: 00006461	59	House No. 589, Sector 7B, Faridabad 121006, Haryana, India	Cenlub Industries Limited
Dr. Rajiv Grover S/o Mr. Chaman Lal Grover **Designation:** Additional Non Executive Independent Director **Occupation:** Professor DIN No.: 01408557	53	1639, Stonecliff Drive, Decatur, GA 30033-1319, USA	Nil
Mr. Gurdarshan Singh Bhalla S/o Late Sardar Kehar Singh Bhalla **Designation:** Additional Non Executive Independent Director **Occupation:** Academic DIN No.: 01350463	78	40, National Media– DLF Phase - I, Gurgaon 122002, Haryana, India	Nil

Brief profiles of the Directors

Our Directors, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney are also Promoters of the Company. A brief profile of our Promoters is included in the section titled "Promoter and Promoter Group" beginning on page 103 of this Red Herring Prospects. A brief profile of our remaining Directors is set forth below.

Mr. Kailash Chand Sharma, 57 years, is a whole time Director of our Company. He joined our Company as factory manager on March 1, 2006 and was subsequently appointed as a Director on March 16, 2006. He holds a bachelors degree in commerce from the Delhi University and a post graduate diploma in industrial relations and personnel management from Bharatiya Vidya Bhawan. Prior to joining our Company he worked as a Manager with Allied Export Industries Private Limited. He looks after the factory administration and labour matters in our Company.

Details of Mr. Kailash Chand Sharma's experience are set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1.	Koutons Retail India Limited	Whole time Director	2006	Till date
2.	Koutons Retail India Limited	Manager	2004	2006
3.	Allied Export Industries Private Limited	Manager, Human Resources	2002	2004
4.	Charlie Creations Private Ltd.	Manager HRD/Admn	1998	2002
5.	Shauken Cotsyn Ltd	Manager HRD/Admn	1996	1997
6.	Sahibabad Impex Pvt. Ltd.	Manager HRD/Admn	1994	1996
7.	RMX Joss	Dy. Manager HRD	1987	1994
8.	United Wheel Pvt Ltd.	Manager HRD	1986	1987
9.	Old Village Industries Limited	Personnel Officer	1976	1986
10.	Continental Device Limited	Executive Personnel	1971	1976
11.	Mohta Offset Works	Office Assistant	1965	1969

Mr. Grish Chandra Raghubir, 77 years, is an Independent Director of our Company. He was appointed as a director on our Board on June 7, 2006. He holds a masters degree in economics from Allahabad University. He has in the past worked for M/s. Abbott Laboratories and has also served in the Indian Audit and Accounts Service. Mr. Raghubir has participated in many national and international seminars focusing on areas such as financial and project management. He was also Member (Finance) (a board level position) at Oil and Natural Gas Corporation Limited.

Details of Mr. Grish Chandra Raghubir's experience are set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1	M/s Abbott Laboratories	Representative	1948	1950
2	The Indian Audit & Accounts Service	At Various Level (Member IAAS)	1952	1976
3	ONGC	Senior Executive to Member of the Board	1976	1987
4	DSP Financial Consultant	Advisor	1987	1993
5	Koutons Retail India Ltd	Director	07.06.2006	Till Date

Mr. Vinod Chander Sinha, 58 years, is an Independent Director of our Company. He was appointed as a director on our Board on June 7, 2006. He holds a bachelors degree in economics from Delhi University. He is a member of the Institute of Chartered Accountants of India and is a partner with Bansal Sinha and Co., Chartered Accountants. Mr. Sinha has been involved in the central statutory audit of various banks such as State Bank of India and Oriental Bank of Commerce.

Details of Mr. Vinod Chander Sinha's experience are set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1.	Bansal Sinha & Co.	Partner of C.A. Firm	1972	Till Date

Mr. Krishnamurthy Santhanam, 69 years, is an Independent Director of our Company. He was appointed as a director on our Board on June 7, 2006. He holds a masters degree in physics from the Madras University and a certificate from the Atomic Energy Training School and a certificate from the International Institute for Nuclear Science and Engineering, Argonne National Laboratory. Prior to joining our Board he served as a scientist with the Atomic Energy Establishment, Trombay and held the positions of Deputy Director in policy analysis, Cabinet Secretary, Advisor (Science) in Ministry of External Affairs, Chief Advisor in Defence Research and Development Organization and Director General in Institute for Defence Studies and Analysis (IDSA), New Delhi. He has been involved in various defence projects and was Mission Director, Pokhran II Tests and Chairman of the Review Committee on War Gaming Software Projects. He has also been conferred with the Padma Bhushan award in 1999.

Details of Mr. Santhanam's experience are set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1.	Bhabha Atomic Research Centre, Mumbai	Scientist	1958	1973
2.	Cabinet Secretariat, New Delhi	Strategic Analyst	1973	1986
3.	Defence R&D Organisation New Delhi	Technology Adviser	1986	2001
4.	Institute for Defence Studies and Analyses, New Delhi	Director	2001	2004
5.	India – Central Asia Foundation, New Delhi	President	2004	Present

Mr. Ajay Mittal, 38 years, is a Non Executive Director of our Company. He was appointed as a director on our Board on July 25, 2006. He holds a bachelor's degree in commerce from Shri Ram College of Commerce, Delhi University. He is a member of the Institute of Chartered Accountants of India and also a member of the Insitutute of Costs and Works Accountant of India. He is a nominee of UTI Venture Funds Management Company Private Limited.

Details of Mr. Ajay Mittal's experience are set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1.	Unit Trust of India	Manager	December 1993	January 1996
2.	Unit Trust of India	AGM	January 1996	March 2001
3.	UTI Venture Funds	AVP	March 2001	February 2002
4.	UTI Venture Funds	Vice President	March 2002	March 2006
5.	UTI Venture Funds	Director Private Equity and CFO	March 2006	Till date

Mr. Anil K Khatod, 50 years, is a Non Executive Director of our Company and the Managing Director of Argonaut Private Equity. He was appointed as a director on our Board on December 15, 2006. He holds a masters degree in business administration from Rajasthan University and is a member of the Institute of Chartered Accountants of India. Mr. Khatod has also worked for Air Defense Inc., a market leader in wireless network security, as the Chief Executive Officer. He is a nominee of Argonaut Ventures.

Details of Mr. Anil. K. Khatod's experience are set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1.	Argonaut Private Equity	Managing Director	June 2006	Current
2.	AirDefense, Inc.	Chief Executive Officer	November 2003	May 2006
3.	Atlas Venture	Partner	April 2002	November 2003
4.	Nortel Networks	Chief Marketing & Strategy Officer	2000	2001
5.	Nortel Networks	Group President Global Internet Solutions	1999	2000
6.	Nortel Networks	President Optical Networks	1997	1999
7.	Nortel Networks	Senior VP Marketing & Sales	1994	1997
8.	Nortel Networks	Several executive level roles	1982	1994
9.	Ladcor, Inc.	Founder, CFO	1980	1982

Dr. Rajiv Grover, 53 years, is an Independent Director of our Company. He was appointed as a director on our Board on January 30, 2007. He holds an engineering degree in Electronics from the Indian Institute of Technology and has also done post graduation in business administration from the Indian Institute of Management. Mr. Grover also has a doctorate from the University of Massachusetts, Amherst. Dr. Grover was a faculty member at various universities including the University of Pittsburgh and Penn State University. He is also a visit faculty member at Johns Hopkins University, Duke University and Stanford University.

Details of Mr. Rajiv Grover's experience are set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1.	John Hopkins University	Visiting Professor	1986	1988
2.	Duke University	Visiting Professor	1996	1996
3.	Stanford University	Visiting Professor	1999	2000
4.	Penn State University	Faculty Member	1983	1986
5.	University of Pittsburg	Faculty Member	1986	1995
6.	The University of Georgia in Athens	Head of the Department and holder of Terry Chair marketing at the Terry Colllege of Business	1995	2007
7.	Marketing and Business Development at Silicon Valley	SPV	1999	2000
8.	Fogelman College of Business & Economics, University of Memphis	Dean	2007	Present

Mr. Virendra Kumar Gupta, 59 years, is an Independent Director of our Company. He was appointed as a director on our Board on January 30, 2007. He holds a Diploma in Mechanical Engineering from Kashmeri Gate Polytechnic, 1967. Mr. Gupta has worked in various capacities in Cenlub Industries Limited and is currently a whole time director of Cenlub Industries Limited. Mr. Gupta has worked with Neo Plyback Private Limited as General Manager till 1991.

Details of Mr. Virendra Kumar Gupta's experience are set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1.	M/s NEO PLYPACK PVT. LTD	General Manager	1972	1991
2.	CENLUB Industries Ltd.	Whole Time Director	1992	Till Date

Mr. Gurdarshan Singh Bhalla, 78 years, is an Independent Director of our company. He was appointed as a director on our Board on January 30, 2007. He holds a master degree in Maths from Punjab University and a master degree in economics from Agra University. Additionally, he also holds a doctorate in Economics from London School of Economics, London. He has had a distinguished academic career as an economist and is currently Professor Emeritus in the Centre for the Study of Regional Development (CSRD), School of Social Sciences, Jawaharlal Nehru University, New Delhi. Prior to that he has held various positions like Member, Planning Commission, Government of India; Chairman, Commission for Agricultural Costs and Prices; Professor of Economics, Centre for the Study of Regional Development; Dean, School of Social Sciences, Jawaharlal Nehru University.

Details of Mr. Gurdarshan Singh Bhalla's experience is set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1.	Centre for the Study of Regional Development	Professor of Economics	1975	1985
2.	Dean School of Social Science, Jawaharlal Nehru University	Professor of Economics	1986	1988
3.	Punjab University Chandigarh	Reader and Professor	1966	1975
4.	Economic Department, University of Rajasthan, Jaipur	Lecturer and Reader	1956	1962
5.	Carleton University, Ottawa Canada	Visiting Associate Professor	1963	1965

Note: Mr. BS Sawhney and Mr. GS Sawhney are brothers and Mr. DPS Kohli is their brother in law. None of our other Directors are related to each other.

Terms and Conditions of Employment of Executive Directors

Mr. DPS Kohli was appointed as Chairman cum Whole Time Director by a resolution of the Board of Directors with effect from July 1, 2006 for a period of five years. His appointment was approved by the shareholders at the EGM held on June 28, 2006.

Mr. BS Sawhney was appointed as Managing Director by a resolution of the Board of Directors with effect from July 1, 2006 for a period of five years. His appointment was approved by the shareholders at the EGM held on June 28, 2006.

Mr. GS Sawhney was appointed as Deputy Managing Director by a resolution of the Board of Directors with effect from July 1, 2006 for a period of five years. His appointment was approved by the shareholders at the EGM held on June 28, 2006.

Mr. Kailash Chand Sharma was appointed as Additional Director by a resolution of the Board of Directors with effect from March 16, 2006, pursuant to which on June 28, 2006 he was appointed as a whole time director of our Company. His appointment as a whole time Director was approved by the shareholders at the EGM held on June 28, 2006.

Pursuant to an EGM dated August 16, 2007, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney, our executive Directors are with effect from August 1, 2007 entitled to a salary of Rs. 12 million per annum and a commission not exceeding 3% of the profits of the Company during a financial year.

The amount drawn by each of our executive Directors in fiscal 2007 is set forth below:

(In Rs.)

Name	Basic	HRA	Bonus	Rent free accommodation	Other allowances	Provident Fund	Total
Mr. D.P.S Kohli*	3,600,000	-	2,500	610,000	3,126,100	86,400	7,425,000**
Mr. Bhupinder Singh Sawhney*	3,600,000	-	2,500	570,000	3,166,100	86,400	7,425,000**
Mr. Gurmeet Singh Sawhney*	3,600,000	-	2,500	590,000	3,146,100	86,400	7,425,000**
Mr. Kailash Chand Sharma	160,800	80,400	-	-	112,300	-	353,500

**Commission not to exceed 3% of the profits of the Company during the financial year.*

** *Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney were drawing a salary of Rs. 750,000 per month from the period beginning April 1, 2006 till June 30, 2006.*

Terms and Conditions of Employment of Non-Executive Directors

The non-executive Directors do not have service contracts with the Company. Each non-executive Director has been appointed pursuant to a resolution of the Board of Directors. The Company will pay each non-executive Director sitting fees for Board and committee meetings.

Changes in the Board of Directors

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

Name	Date of Appointment	Date of Cessation	Reason
Mr. Kailash Chand Sharma	March 16, 2006	Continuing	Appointment
Mr. Grish Chandra Raghubir	June 7, 2006	Continuing	Appointment
Mr. V.C. Sinha	June 7, 2006	Continuing	Appointment
Mr. Krishnamurthy Santhanam	June 7, 2006	Continuing	Appointment
Mr. Ajay Mittal	July 25, 2006	Continuing	Appointment
Mr. Anil K Khatod	December 15, 2006	Continuing	Appointment
Mr. Virendra Kumar Gupta	January 30, 2007	Continuing	Appointment
Dr. Rajiv Grover	January 30, 2007	Continuing	Appointment
Mr. Gurdarshan Singh Bhalla	January 30, 2007	Continuing	Appointment

Borrowing powers of the Board of Directors

Pursuant to a resolution passed by our shareholders on January 30, 2007 in accordance with provisions of the Companies Act, our Board has been authorised to borrow sums of money for the purpose of the Company upon such terms and conditions and with or without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by the Company shall not exceed, at any time, a sum of Rs. 10,000 million.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges in connection with corporate governance will apply to the Company upon listing of the Equity Shares on such Stock Exchanges. The Company has complied with the corporate governance code in accordance with Clause 49 of the Listing Agreement including adoption of a code of conduct for Directors and senior management in the required form.

In complying with clause 49 of the Listing Agreement, the Company has appointed six independent non-executive directors, comprising half of the total membership of the Board, and constituted the following committees:

I. Audit Committee

We have constituted an Audit Committee on July 25, 2006. The committee currently comprises the following Directors:

(a) V.C. Sinha (Chairman)

(b) Mr. Ajay Mittal

(c) Mr. Grish Chandra Raghubir

Mr. DPS Kohli, Chairman-cum-Whole time Director is a permanent invitee.

General Functions:

The terms of reference of the Audit Committee includes the following*:*

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to
- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956, or any statutory modifications or re-enactment thereof (the Act).
- Changes, if any, in accounting policies and practices and reasons for the same.
- Major accounting entries involving estimates based on the exercise of judgment by management.
- Significant adjustments made in the financial statements arising out of audit findings.
- Compliance with listing and other legal requirements relating to financial statements.
- Disclosure of any related party transactions.
- Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly and half yearly financial statements before submission to the Board for approval.
- Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

- Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the whistle blower mechanism in case the same is existing.
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

The Audit Committee has the following powers:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee is also required to review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal Audit Reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the chief internal auditor.

The Audit Committee has the authority and function in accordance with Section 292A of the Act and the Listing Agreement with the Stock Exchanges, on which the Company is listed, as amended from time to time.

The members of the Audit Committee may elect the Chairman from amongst themselves. The Chairman of the Committee shall be an Independent Director. The Chairman of the Committee shall attend the Annual General Meetings to provide any clarification on matters relating to Audit.

The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

The company secretary shall assist the Audit Committee and submit to it all relevant papers and information as may be required for consideration by the Committee.

II. Remuneration Committee

We have constituted a remuneration committee on July 25, 2006. The committee currently comprises the following Directors:

(a) Mr. Grish Chandra Raghubir (Chairman)

(b) Mr. Ajay Mittal

(c) Mr. BS Sawhney

(d) Mr. Anil K Khatod

General Functions:

The functions of the remuneration committee are as follows:-

- Decision on any change in remuneration and terms and conditions of employment of whole time directors and senior key personnel of the Company drawing a salary 1.5 million and above
- Post facto approval of any change in the employment and compensation of key employees decided by the whole time director

The remuneration committee is also required to undertake the following:

- Recommend the remuneration for non-executive Directors to the members, if any
- Determine the terms of any compensation package in the event of early termination of the contract of any executive Director.
- Where necessary for fulfilling its duties, to obtain any outside legal or other professional advice.
- Delegate any of its powers to one or more of its members.

III. Shareholders / Investors Grievance Committee

We have also constituted a Shareholders/ Investors Grievance Committee on July 25, 2006. The committee currently comprises the following Directors:

(a) Mr. Krishnamurthy Santhanam (Chairman)

(b) Mr. GS Sawhney

(c) Mr. Grish Chandra Raghubir

General Functions:

The Shareholders/ Investors Grievance Committee has been constituted to consider, determine, approve and review shareholders/ investor grievances and complaints including complaints relating to the following subject matter:

- Issuance of Duplicate Share Certificates;
- Review of all matters connected with transfer of securities of the Company;
- Redressed of shareholders'/ investors' complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.;
- Review of performance of the registrars and transfer agents of the Company;
- Review of the measures recommended for overall improvement in the quality of investor services; and
- The Committee also monitors implementation and compliance of the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.

IV. Miscellaneous Committee

We have also constituted a miscellaneous committee on July 25, 2006 to look after day to day operations of the Company such as leasing premises for opening exclusive outlets; approving short term loans; and execution of legal documents. The committee currently comprises the following Directors:

(a) DPS Kohli (Chairman)

(b) BS Sawhney

(c) GS Sawhney

(d) V.C. Sinha

(e) K.C. Sharma

Key Management Personnel

Mr. Ajay Mahajan, 38 years, is the Finance Controller of our Company. He holds a bachelors degree in commerce and a degree in law from Delhi University. He is also an associate member of the Institute of Costs and Works Accountant of India and a member of the Institute of Company Secretaries of India. Mr. Mahajan has 17 years of experience in finance, accounting, legal and secretarial work in private and public sector undertakings. Prior to joining our Company he was employed with Wings Pharmaceutical Private Limited as Finance Controller cum Company Secretary. He joined our Company on November 4, 2005. He is in charge of supervision of finance, accounting, legal and secretarial related matters of our Company. The remuneration paid to him in fiscal 2007 was Rs. 771,000.

Mr. Harbir Singh Sidhu, 55 years, is the Executive Vice President of our Company. He holds a bachelors degree in Economics from Cambridge University. Mr. Sidhu has 32 years of experience as an economist and in the management of various companies. Prior to joining our Company he was employed with Vishal Retail Private Limited as General Manager (Retail) and was responsible for business operations including marketing and sales, systems development, administration human resources. He has also worked for Ebony Retail Holdings Private Limited as Senior GM (Operations) from February, 2002 to May, 2005. He joined our Company on September 25, 2005. He is in charge of business operations including marketing and sales, system development, administration and human resources. The remuneration paid to him in fiscal 2007 was Rs. 861,000.

Mr. Pradeep Sachdeva, 42 years, is the General Manager (Retail) of our Company. He holds a bachelors degree in arts from the Indira Gandhi National Open University. Mr. Sachdeva has 20 years of experience in the retail industry. Prior to joining our company he was employed with Woodland as General Manager (Sales). He joined our Company on January 27, 2006. He is in charge of the North India sales team for the brand *"Charlie Outlaw"*. The remuneration paid to him in fiscal 2007 was Rs. 571,142.

Mr. Bharat Grover, 29 years, is the Country Manager (Retail) of our Company. He holds a bachelors degree in commerce from Delhi University and a post graduate diploma in Apparel Marketing and Merchandising Management from National Institute of Fashion Technology, New Delhi. Mr. Grover has five years of experience in the apparel industry. Prior to joining our Company he was employed with Ebony Retail Holdings Limited as a merchandiser. He joined our Company on August 8, 2002. He is in charge of the brand "*Koutons*" as a team leader. The remuneration paid to him in fiscal 2007 was Rs. 580,500.

Ms. Ritu Chabbra, 31 years is the Manager of merchandising of our Company. She holds a degree in garment export merchandising from National Institute of Fashion Technology, New Delhi. Ms. Chabbra has over eight years of experience in the apparel industry. Prior to joining our Company she was employed with Aeroclub, as a merchandiser. She joined our Company on February 1, 2001. She is in charge of looking after product development of our Company. The remuneration paid to her in fiscal 2007 was Rs. 724,200.

Mr. Sanjay Handa, 30 years, is the Regional Manager (Gujarat / Maharashtra) of our Company for the "*Koutons*" brand. He holds a bachelors degree in arts from Punjab University and holds a diploma in masters in business administration from GIMT Ghaziabad. Mr. Handa has six years of experience in the apparel industry. Prior to joining our Company he was employed with Aero Club as Assistant Sales Manager. He joined our Company on April 24, 2006. He is in charge of managing the product sales in Gujarat and Maharashtra. The remuneration paid to him in fiscal 2007 was Rs. 309,626.

Mr. Gurjot Singh, 33 years, is the Regional Sales Manager of our Company for the "*Koutons*" brand. He holds a bachelors degree in commerce from Punjab University and a diploma in masters in business administration from Centre for Management Development, Modinagar, Uttar Pradesh. Mr. Singh has eight years of experience in the apparel industry. Prior to joining our Company he was employed with Amartex Industries Limited as Regional Sales Manager. He is responsible for managing the sales in the eastern region. He joined our Company on May 1, 2006. The remuneration paid to him in fiscal 2007 was Rs. 304,250 per annum.

Mr. Ravindra Yadav, 44 years, is the Manager (Human Resources) of our Company. He holds a masters degree in Geography from Rajasthan University and a masters degree in social work from Rajasthan Vidyapeeth, Udaipur. Mr. Yadav has 19 years of experience. Prior to joining our Company he was employed with BHP Engineers Limited as a senior manager. He joined our Company on February 1, 2006. The remuneration paid to him in fiscal 2007 was Rs. 350,100.

Mr. Ramit Rastogi, 28 years, is the Company Secretary of our Company. He holds a bachelors degree in commerce and a master's degree in law from CCS University, Meerut and is an associate member of the Institute of Company Secretaries of India. He has over five years of experience and prior to joining our Company he was associated with M/s. Sanjay Grover & Associates, Practicing Company Secretaries. He joined our Company on August 4, 2007.

All our key managerial personnel are permanent employees of our Company. None of the key managerial personnel are related to each other.

Changes in Key Managerial Personnel

The changes in our key managerial employees during the last three years are as follows:

Name	Designation	Date of appointment	Whether continuing, if not, date of cessation	Reason
Mr. Ashwini Garg	Company Secretary	November 19, 2005	October 17, 2006	Resignation
Mr. Ajay Mahajan	Finance Controller	November 4, 2005	Continuing	Appointment
Mr. Harbir Singh Sidhu	Executive Vice President	September 25, 2005	Continuing	Appointment
Mr. Vishnu Kumar Das	Production (Head)	February 1, 2006	May 10, 2007	Resignation
Mr. Sanjay Handa	Regional Manager (Gujarat / Maharashtra)	April 24, 2006	Continuing	Appointment
Mr. Gurjot Singh	Regional Sales Manager	May 1, 2006	Continuing	Appointment
Mr. Anuj H Goswami	Assistant General Manager (Retail)	April 12, 2006	May 31, 2007	Resignation
Mr. Pradeep Sachdeva	General Manager (Retail)	January 27, 2006	Continuing	Appointment
Mr. Ravindra Yadav	Manager (Human Resources)	February 1, 2006	Continuing	Appointment
Mr. Divijay Chadha	Company Secretary	January 22, 2007	August 3, 2007	Resignation
Mr. Kamal J. S. Soi	General Manager	February 20, 2007	May 31, 2007	Resignation
Mr. Ramit Rastogi	Company Secretary	August 4, 2007	Continuing	Appointment

Employees Share Purchase Scheme/Employee Stock Option Scheme

We do not have any stock option scheme or stock purchase scheme for the employees of our Company.

Payment or benefit to officers of our Company

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. Except to the extent of remuneration and reimbursement of expenses and as stated in the section titled– "Financial Statements - Related Party Transactions" beginning on page 138 of this Red Herring Prospectus, there has been no payment of benefits to our officers during the last two years from the date of filing of this Red Herring Prospectus.

Interests of Directors and key managerial personnel

All of the Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under the Articles of Association and to the extent of remuneration and commissions payable to them for services rendered as a Director 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 companies, firms and trusts in which they are interested as directors, members, partners, trustees and/ or promoters pursuant to this Issue. 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 Equity Shares. Further, the Directors may be deemed to be interested to the extent of the fees and other payments that may be made to companies of which they are Directors.

The interests of those Directors who hold shares in the Company as at the date of this Red Herring Prospectus are set out in the table below:

Name	Number of Equity Shares
Mr. DPS Kohli	4,740,153
Mr. BS Sawhney	4,740,153
Mr. GS Sawhney	4,740,153

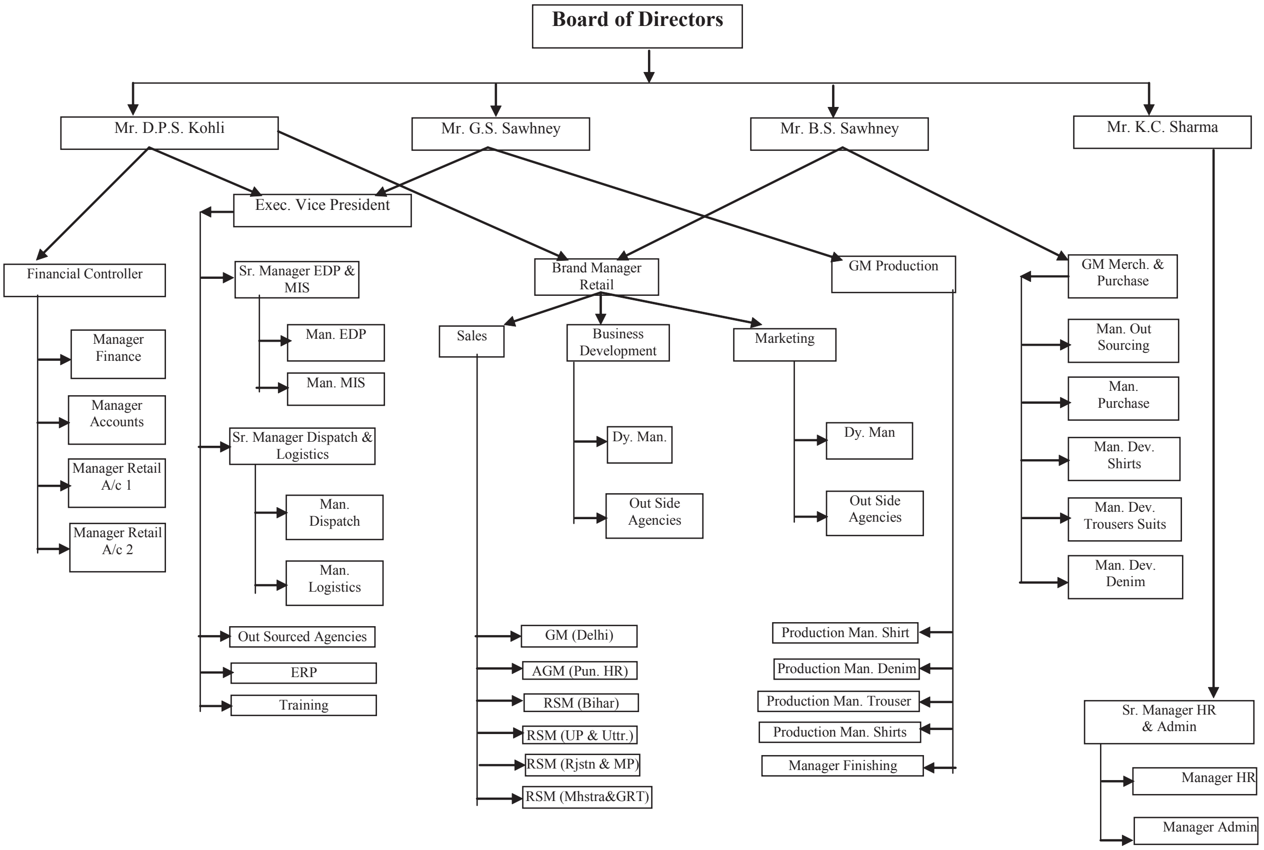
None of our Directors have any interest in any property acquired by the Company in the preceding two years or proposed to be acquired by our Company.

Our key managerial personnel may be deemed to be interested to the extent of remuneration and reimbursement of expenses. There is no bonus or profit sharing plan for our key managerial employees. None of our key managerial employees hold any Equity Shares.

Except statutory benefits upon termination of their employment in our Company or superannuation, no Director or key managerial employee of our Company is entitled to any benefit upon termination of his directorship/employment in our Company.

Organizational Structure:

Our management organization structure is set forth below:



PROMOTERS AND PROMOTER GROUP

PROMOTERS

Our Promoters are Mr. Davinder Pal Singh Kohli, Mr. Bhupinder Singh Sawhney and Mr. Gurmeet Singh Sawhney.

Mr. Davinder Pal Singh Kohli, 48 years, (Passport No. F7949428, Voter Identification No. DL/02/015/147321, Driving License No. P04121999165596, PAN APRPK9704M) graduated with a bachelor of technology degree in mechanical engineering from Sambalpur University in 1980. He has been actively involved in the business of the Company since incorporation and has played a key role in the growth of the Company with his inputs in strategic planning and business development. He received the "Entrepreneur of the year" award from Institute of Trade and Industrial Development in 2003.

Details of Mr. DPS Kohli's experience are set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1.	Kohli & Sons (Export Business)	Proprietor	1980	1982
2.	Koutons Retail India Limited (Formerly Charlie Creations Private Limited)	Chairman-cum-Wholetime Director (Formerly Chief Executive Officer)	1994	2007

Mr. Bhupinder Singh Sawhney, 46 years, (Passport No. A4738199, Voter Identification No. DL/07/068/309327, PAN AAOPS3419B, Mr. BS Sawhney does not have a driving license) graduated with a degree in commerce from Delhi University. He has been associated with the Company since incorporation and has been instrumental in the growth of Company and development of new products and brands.

Details of Mr. BS Sawhney's experience are set forth below:

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1.	Singh Handloom Centre (Wholesale Business of readymade garments)	Proprietor	1982	1991
2.	Koutons Retail India Limited (Formerly Charlie Creations Private Limited) Prior to 1995 it was a partnership firm.	Managing Director	1992	2007

Mr. Gurmeet Singh Sawhney, 36 years, (Passport No. E5129242, PAN BFNPS3161M, Mr. GS Sawhney does not have a driving license) has been associated with the Company since its incorporation. He has played a key role in the expansion of the Company and the development of its brands.

Details of Mr. GS Sawhney's experience are set forth below :

Sl. No.	Name of Organisation	Designation	Tenure	
			From	To
1	Charlie Creations	Head , Production	1992	1996
2.	Form Finishers	Proprietor	1997	2001
3.	GEE Fashions	Proprietor	2001	2005
4.	Koutons Retail India	Deputy Managing Director	2003	2007

Mr. BS Sawhney and Mr. GS Sawhney are brothers and Mr. DPS Kohli is their brother in law.

Interest in promotion of our Company

The Company is promoted by Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney. Each of them holds 4,740,153 Equity Shares.

Payment of benefits to our Promoters during the last two years

Except as stated in the section titled "Financial Statements - Related Party Transactions" beginning on page 138 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Red Herring Prospectus.

Common Pursuits

K & S Knitwears Private Limited and PBP Marketing Private Limited are allowed by their constitutional documents to undertake business similar to our Company's business. These companies have not yet commenced any business activities. Investors are advised to see the section titled "Risk Factors" beginning on page xi of this Red Herring Prospectus titled "*Our Promoters have interests in certain companies, which may engage in similar businesses, which may create conflicts of interest* ".

Other Confirmations

We confirm that the details of the permanent account numbers, bank account numbers and passport numbers of our individual Promoters shall be submitted to the Stock Exchanges at the time of filing the Red Herring Prospectus with the Stock Exchanges.

Further, our Promoters and Promoter group entities, including relatives of the Promoters have confirmed that they have not been detained as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

PROMOTER GROUP

In addition to the Promoters named above, the following natural persons, HUFs and companies constitute our Promoter group.

The natural persons who are part of our Promoter group (due to their relationship with our Promoter) other than the Promoter named above are as follows:

(1) Ms. Amarjit Kaur wife of Mr. DPS Kohli and sister of Mr. BS Sawhney and Mr. GS Sawhney

(2) Ms. Satinder Kaur wife of Mr. BS Sawhney

(3) Ms. Parvinder Kaur wife of Mr. GS Sawhney

(4) Mr. Banpreet Singh Kohli son of Mr. DPS Kohli

(5) Ms. Gurleen Kaur daughter of Mr. DPS Kohli

(6) Mr. Prabhjot Singh Sawhney son of Mr. BS Sawhney

(7) Mr. Jaskaran Singh Sawhney son of Mr. BS Sawhney

(8) Mr. Gurashish Singh Sawhney son of Mr. GS Sawhney

(9) Mr. Ekveer Singh Sawhney son of Mr. GS Sawhney

(10) Mr. HS Kohli father of Mr. DPS Kohli

(11) Ms. Ranjit Kaur mother of Mr. DPS Kohli

(12) Mr. RPS Kohli brother of Mr. DPS Kohli

(13) Ms. Gurvinder Kaur sister of Mr. DPS Kohli

(14) Mr. Basant Singh Sawhney father of Mr. BS Sawhney and Mr. GS Sawhney

(15) Ms. Amrit Kaur mother of Mr. BS Sawhney and Mr. GS Sawhney

(16) Ms. Gursharan Kaur Kohli sister of Mr. DPS Kohli

(17) Ms. Inderjeet Kaur Chadha sister of Mr. BS Sawhney and Mr. GS Sawhney

The HUFs which are part of our Promoter group (due to their relationship with our Promoter), other than the Promoter named above are as follows:

(1) DPS Kohli (HUF)

(2) BS Sawhney (HUF)

(3) GS Sawhney (HUF)

The companies which are part of our Promoter group, other than the Promoters are as follows:

(1) Klone Infrastructure Private Limited

(2) K & S Knitwears Private Limited

(3) PBP Marketing Private Limited

(4) Klone Avinash Infrastructure Private Limited

Klone Infrastructure Private Limited ("Klone")

Klone was incorporated on July 6, 2006. The main objects are *inter alia* to purchase, sell, own, develop otherwise acquire or dispose or let out or give on rent lands for any tenure or interest therein and to carry on the business of builders, contractors of all kinds of buildings including residential, commercial, hotels, motels etc.

Its registered office is located at T-59, DCM School Road, New Rohtak Road, Karol Bagh, New Delhi. The equity shares of the company are not listed on any stock exchange.

The shareholding pattern of Klone as of the date of filing of this Red Herring Prospectus is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Mr. Sushil Gaba	5,000	50.00
Mr. BS Sawhney	5,000	50.00
Total	10,000	100.00

There has been no change in the capital structure of Klone in the last six months.

Board of Directors

As of the date of filing of this Red Herring Prospectus, the board of directors of Klone comprises Mr. Sushil Gaba, Mr. BS Sawhney, Mr. DPS Kohli and Mr. GS Sawhney.

Financial Performance

(In Rs. million except where otherwise stated)

	March 31, 2007
Equity Capital	0.10
Reserves (excluding revaluation reserves)	Nil
Sales	Nil
Profit After Tax	(0.22)
Earning Per Share (in Rs.)	Nil
Net Asset Value	(0.13)
Asset value per share (in Rs.)	Nil

K & S Knitwears Private Limited ("KS Knitwear")

KS Knitwear was incorporated on February 3, 2006. The main objects are inter alia to carry on the business of manufacturing, trading, producing, processing, job work, import, export, knitting and otherwise dealing in all kinds of readymade garments, undergarments, leather garments, inner wear, caps, handloom and hosiery products.

Its registered office is located at J-3/56, Rajouri Garden, New Delhi. The equity shares of the company are not listed on any stock exchange.

The shareholding pattern of KS Knitwear as of the date of filing of this Red Herring Prospectus is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Ms. Amarjit Kaur Kohli	5,000	33.33
Mr. GS Sawhney	5,000	33.33
Ms. Satinder Kaur Sawhney	5,000	33.33
Total	**15,000**	**100.00**

There has been no change in the capital structure of KS Knitwear in the last six months.

Board of Directors

As of the date of filing of this Red Herring Prospectus, the board of directors of KS Knitwear comprises Ms. Amarjit Kaur Kohli, Mr. GS Sawhney and Ms. Satinder Kaur Sawhney.

Financial Performance

Since, KS Knitwear was incorporated on February 3, 2006 audited financial results are only available for fiscal 2007.

(In Rs. million except where otherwise stated)

	March 31, 2007
Equity Capital	0.15
Reserves (excluding revaluation reserves)	Nil
Sales	Nil
Profit After Tax	Nil
Earning Per Share (in Rs.)	Nil
Net Asset Value	0.07
Asset value per share (in Rs.)	4.99

PBP Marketing Private Limited ("PBP Marketing")

PBP Marketing was incorporated on January 17, 2006. The main objects are inter alia to carry on the business of general importers, exporters, distributors, stockists, agents, broker, consultants, designers and dealers in all manner of goods or merchandise of any description and to act as international suppliers, commission agents, brokers, dealers and traders in all types of articles. Its registered office is located at T -59, DCM School Road, New Rohtak Road, Karol Bagh, New Delhi. The equity shares of the company are not listed on any stock exchange.

The shareholding pattern of PBP Marketing as of the date of filing of this Red Herring Prospectus is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Mr. Banpreet Singh Kohli	5,000	33.33
Mrs. Parvinder Kaur	5,000	33.33
Mr. Prabhjot Singh	5,000	33.33
Total	**15,000**	**100.00**

There has been no change in the capital structure of PBP Marketing in the last six months.

Board of Directors

As of the date of filing of this Red Herring Prospectus, the board of directors of PBP Marketing comprises Mr. Banpreet Singh Kohli, Mrs. Parvinder Kaur, and Mr. Prabhjot Singh.

Financial Performance

Since PBP Marketing was incorporated on January 17, 2006 audited financial results are only available for fiscal 2007.

(In Rs. million except where otherwise stated)

	March 31, 2007
Equity Capital	0.15
Reserves (excluding revaluation reserves)	Nil
Sales	Nil
Profit After Tax	Nil
Earning Per Share (in Rs.)	Nil
Net Asset Value	0.07
Asset value per share (in Rs.)	4.91

Klone Avinash Infrastructure Private Limited ("Klone Avinash")

Klone Avinash was incorporated on June 19, 2007. The main objects are *inter alia* to purchase, sell, own, develop any land or immovable property and to develop and construct thereon residential, commercial complex for sale or for earning rental income and to purchase any movable or immovable property including industrial, commercial, residential or farm lands, houses, buildings, flats in India and to divide the same into suitable plots and to rent or sell the plots. Its registered office is located at J-3/24, Second Floor, Rajouri Garden, New Delhi. The equity shares of the company are not listed on any stock exchange.

The shareholding pattern of Klone Avinash as of the date of filing of this Red Herring Prospectus is as follows:

Name of Shareholder	Number of Shares	% of Shareholding
Mr. GS Sawhney	5,000	50.00
Mr. Banpreet Singh Kohli	5,000	50.00
Total	**10,000**	**100.00**

There has been no change in the capital structure of Klone Avinash in the last six months.

Board of Directors

As of the date of filing of this Red Herring Prospectus, the board of directors of Klone Avinash comprises Mr. GS Sawhney and Mr. Banpreet Singh Kohli

Financial Performance

Klone Avinash was incorporated on June 19, 2007. Hence, no audited financial results have been prepared for the company.

Other information

None of our Promoters has interest in any property acquired by our Company in the preceding two years or proposed to be acquired.

None of our Promoter group companies (a) is a listed company, (b) has made any public or rights issue in the preceding three years, (c) is a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, or (d) is subject to a winding-up order.

Companies with which Promoters have dissociated in the last three years

On October 12, 2006, Mr. DPS Kohli and Mr. BS Sawhney, our Promoters sold all the equity shares held by them in Ritco Charlie Retails Private Limited to Mr. Harjinder Singh Chadha. Prior to the transfer of equity shares by Mr. DPS Kohli and Mr. BS Sawhney, Ritco Charlie Retails Private limited was a group company. Mr. DPS Kohli and Mr. BS Sawhney sold their shareholding in the company as they wanted to exit from the venture. They currently do not hold any equity shares in Ritco Charlie Retails Private Limited.

Related Party Transactions

For details of the related party transactions, see the section titled "Financial Statements-Related Party Transactions" beginning on page 138 of this Red Herring Prospectus."

Litigation

For details relating to legal proceedings involving our Promoters and members of the Promoter Group, see the section titled "Outstanding Litigation and Material Developments" beginning on page 164 of this Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. No dividends have been paid by our Company during the last five fiscal years.

FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our significant outstanding secured borrowings as of the date of this Red Herring Prospectus together with a brief description of certain significant terms of such financing arrangements.

Nature of Borrowing	Amount	Interest	Security Created
Working Capital Loan *vide* sanction letter dated May 22, 2007 granted by Standard Chartered Bank* [(x)]	Rs. 300 million	At the rate negotiated with and agreed by the Bank	(i) First pari passu charge over Stock & book debts of the Company. (ii) First pari passu charge over the fixed assets of the Company both moveable and immoveable. (iii) First pari passu charge over immovable properties in the name of promoters/directors.
Working Capital Loan Agreement dated February 15, 2007 with HDFC Bank Limited[(w)]	Rs. 200 million	The loan will carry interest at such rate as may be prescribed by the Bank; payable with monthly rests. In case of default by the Company in payment of dues orof any of the terms and conditions herein, the Company is liable to an additional interest charge of 4% on the entire loan from the date of occurrence of the default.	Hypothecation by way of first charge on the Company's stock in trade both present and future consisting of raw materials, finished goods, goods in process of manufacturing and other merchandise, being movable properties and also all the book debts, outstanding monies receivables, claims and bills due.
Working capital consortium agreement dated January 31, 2007 with Indian Overseas Bank, Punjab and Sind Bank, Yes Bank Limited and ICICI Bank Limited.** [a)(b)(c)(d)(e)(f)(g)(h)(i)(j)(o)(t)(u)]	Rs. 1,050 million	Interest shall be charged on the outstanding amount at such rate or rates as may be determined by the Banks from time to time and if such rate is linked to the Prime Lending Rate, then the effective rate of interest on such account shall correspondingly stand changed on account of any revision therein from the date of such revision.	First charge by way of hypothecation and/or pledge of our Company's current assets namely raw materials, semi-finished and finished goods, stores and spares not relating to plant and machinery (consumable stores and spares), bills receivable and book-debt and all other movables of our Company, both present and future, excluding such movables as may be permitted by the Banks from time to time.
Term loan vide common loan agreement dated September 4, 2006 with Indian Overseas Bank and Punjab and Sind Bank.[(c)(e)(k)(l)(m)(n)(o)(p)(q)]	Rs. 133 million	Bank Prime Lending Rate with a minimum of 11.50% per annum.	First charges on all remaining assets of our Company present and future (save and except charge of Indian Overseas Bank consortium (that is Indian Overseas Bank, Punjab and Sind Bank and Yes Bank) and on current assets of our Company such as stocks and raw materials, semi and finished goods, consumable stores and others. Mortgage of the premises situated at: MCD No. 7134, Plot No. 14/12 WEA, Karol Bagh, New Delhi. T-59, Plot No. 38, New Rohtak Road, Karol Bagh, New Delhi. 535, Sector 37, Phase VI, Sector 73, Udyog Vihar, Gurgaon, Haryana.
Term Loan Agreement dated October 4, 2005 with Indian Overseas Bank and Punjab and Sindh Bank	Rs. 17.3 million	Bank Prime Lending Rate with a minimum of 11% per annum.	Exclusive first charge on the entire block assets of the Company on a pari passu basis with Punjab and Sindh Bank.

***** *The Consortium vide its meeting dated May 30, 2007 has approved the induction of HDFC Bank and Standard Chartered Bank to the consortium. A fresh consortium agreement is in the process of being executed.*

***Please note that the working capital consortium agreement dated January 31, 2007 explicitly provides that all obligations and* *liabilities of the Company in respect of the earlier consortium agreement dated September 4, 2006, unless otherwise agreed would be valid, effectual and binding on the Company as if those obligations and liabilities are set out in extenso and the security created by the Company for the earlier limits authorised shall stand modified automatically.*

**** The Selling Shareholders namely Mr. DPS Kohli, Mr. BS Sawhney, Mr. GS Sawhney have given personal guarantee of Rs. 55.41 million, Rs. 86.69 million and Rs. 54.99 million, respectively towards working loans taken by the Company. In addition Mrs. Parvinder Kaur, Mrs. Amarjeet Kaur and Mrs. Satinder Kaur have also given personal guarantees of Rs. 42.25 million, Rs. 70.87 million and Rs. 43.12 million towards such working capital loans.*

Under the terms of the agreement, our Company shall not during the subsistence of the liability with respect to the facility, without the prior written consent/consent of the Lead Bank, do any of the following:

(a) Compound or release any of the book-debts, whereby the recovery of the same may be impeded, delayed or prevented.

(b) Avail of any credit facility funded from any other bank or financial institution or any person, firm or company in any manner, nor shall open current account with any other bank etc. deal with or through any other bank or financial institution.

(c) Declare any dividend on our Company's share capital except where the installments of principal and interest payable to the Bank in respect of the credit facilities availed are being paid regularly and there are no irregularities whatsoever in respect of any of the availed credit facilities.

(d) Effect any change in its capital structure.

(e) Formulate any scheme of amalgamation or reconstruction.

(f) Implement and scheme of expansion/diversification/modification other than incurring routine capital expenditure.

(g) Make any corporate investments or investment by way of share capital or debentures or lend or advance funds to or place deposits with, any other concern except give normal trade credits or place on security deposits in the normal course of busiceness or make advances to employees;' provided that our Company may make such investments by way of deposits or advances that are required statutorily to be made as per the existing laws of the country or the rules or regulations or guidelines issued from time to time by the Authorities concerned.

(h) Undertake guarantee obligations on behalf of any third party or any other company.

(i) Withdraw moneys brought in by the principal shareholder/director/depositors/other associate firm group companies for financing the programme and the working capital needs of our Company.

(j) Dismantle any of its assets to be compromised in as security, except in any case where such removal or dismantling shall in the opinion of our Company be rendered necessary by reason of the same being worn out, obsolete, discarded injured, damaged or broken.

(k) Sell its undertaking or dispose off its immovable property or except in the ordinary course of business, part with its other assets, present and future or create any further charge or other interest in the security to be furnished by our Company provided however that the restriction hereby imposed shall not apply to any disposal of any assets of a value of less than Rs. 25,000 so however that the total value of assets so disposed of shall not exceed Rs. 250,000 per financial year.

(l) Radically change its accounting system.

(m) Make any inter-corporate investments or loans.

(n) Alter or amend its Memorandum of Association or Articles of Association.

(o) Create any mortgage, further charge, pledge, hypothecation, lien or other encumbrance or create any interest on or in the security to be furnished by our Company.

(p) Change its practice with regard to remuneration of Directors whether by means of ordinary remuneration or commission save the sitting fees of the Directors.

(q) Make any sole selling arrangement for its products or effect any change in the selling arrangement.

(r) Make any changes in the existing management set-up which would have an effect on the production, sale or general financial condition of our Company.

(s) Cancel any part of the loan amounts agreed to be advanced.

(t) Withdraw additional funds that may be procured by the Company to meet any shortfall that may arise in cash accruals or requirements of the Company.

(u) Change or utilise the facility for any other purpose then for what it has been borrowed.

(v) During the subsistence of the liability of our Company under or in respect of the credit facilities availed of from the bank, the Banks, shall have a right to appoint and/ or remove, from time to time, a Director or Directors on the Board of Directors of our Company as nominee Director(s) to protect the interests of the Banks, subject to however that the Director or Directors so appointed by the Banks shall not be liable to retire by rotation and need not possess any share qualification prescribed by the Articles of Association. The total number of Directors to be appointed by the Financial Institutions and lenders shall not exceed three out of which one Director will be nominee of the lenders.

(w) The Company shall not permit any change in its ownership or control which may change the effective beneficial ownership or control of the Company and also not effect any material change in the management of the business, not to make any amendments in the Company's Memorandum and Articles without the prior written consent of the Bank.

(x) For so long as the loan amount is still outstanding, the Company shall not without the prior written consent of the Bank: (i) create any charge, mortgage, pledge, hypothecation, lien or other encumbrance over the security in favour of any person other than the Bank; and (ii) permit any change in its constitution or management.

FINANCIAL STATEMENTS

AUDITORS' REPORT

The Board of Directors
Koutons Retail India Limited
T-60/1, D.C.M. School Road,
Karol Bagh, New Delhi – 110 005

Dear Sirs,

We have examined the annexed financial information of Koutons Retail India Limited as on and for the financial years ended March 31, 2003, 2004, 2005, 2006 and 2007 ("Financial Information"), March 31, 2007 being the last date to which the accounts of the Company have been audited. The Financial Information has been prepared in accordance with the requirements of:

(i) Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 ('the Act');

(ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India Act,1992 and related amendments and

(iii) Our terms of reference with the Company dated December 16, 2006 requesting us to carry out work in connection with the Offer Document as aforesaid.

The Financial Information is based on the accounts audited by us for the above-mentioned periods. The Financial Information is the responsibility of the Company's management. Our responsibility is to express an opinion on these accounts based on our audit. These accounts were approved by the Board of Directors of the Company for the purpose of disclosure in the Offer Document being issued by the Company in connection with the Public Issue of Equity Shares of the Company (referred to as 'the issue').

Financial information as per the audited financial statements:

1) We have examined:

   i. the restated profits/losses of the Company for the financial years ended March 31, 2003, 2004, 2005, 2006 and 2007 as set out in Annexure I to this report. These profits/losses have been arrived at after charging all expenses including depreciation and after making such adjustments/restatements and regrouping as in our opinion are appropriate and subject to the accounting policies and notes thereon appearing in Annexure IV, V & VI to this report.

   ii. the restated assets and liabilities of the Company as at March 31, 2003, 2004, 2005, 2006 and 2007 as set out in Annexure II to this report after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the accounting policies and notes thereon appearing in Annexure IV, V & VI to this report.

   iii. the restated cash flow statements for the financial years ended March 31, 2003, 2004, 2005, 2006 and 2007 as set out in Annexure III to this report.

2) Based on our examination of these statements, we confirm that:

   - the changes in accounting policies which required adjustments to arrive at the statements have been carried out [refer to Annexure VI]
   - Material amounts relating to adjustments for the previous period/years have been identified and adjusted [refer to Annexure VI]
   - there are no extraordinary items, which need to be disclosed separately in the statements; and
   - there are no qualifications in the auditors' reports, which require any adjustments to the statements.

Other financial information

3) We have also examined the following financial information of the Company proposed to be included in the Offer Document as approved by you and annexed to this report:

   i. Contingent liabilities of the company as on March 31, 2003, 2004, 2005, 2006 and 2007 (note no. 1 of Annexure V).

   ii. Details of security in relation to secured loans outstanding as on March 31, 2007 (Annexure VII)

   iii. Details of secured loans outstanding as on March 31, 2003, 2004, 2005, 2006 and 2007 (Annexure VIII).

   iv. Detail of unsecured loans outstanding as on March 31, 2007 (Annexure IX).

   v. Capitalization statement as on March 31, 2007 (Annexure X).

   vi. Statement of tax shelters (Annexure XI).

   vii. Statement of debtors for as on March 31, 2003, 2004, 2005, 2006 and 2007 (Annexure XII).

   viii. Statement of loans & advances given as on March 31, 2003, 2004, 2005, 2006 and 2007 (Annexure XIII).

   ix. Statement of other income for the financial years ended March 31, 2003, 2004, 2005, 2006 and 2007 (Annexure XIV).

   x. Detail of transaction with the related parties (Related parties with in the meaning of Accounting Standard 18 issued by the Institute of Chartered Accountants of India) for the financial years ended March 31, 2003, 2004, 2005, 2006 and 2007(Annexure XV).

   xi. Statement of restated accounting ratios (Annexure XVI).

4) We further report that as per the books and records produced to us, no dividend has been paid by the Company in respect of the financial years ended March 31, 2003, 2004, 2005, 2006 and 2007 on the equity shares. The Company has no other class of shares as on March 31, 2007.

5) In our opinion the financial information of the Company as stated above read with significant accounting policies attached in Annexure IV to this report, after making adjustments/restatements and regroupings as considered appropriate and has been prepared in accordance with Part II of schedule II of the Act and the SEBI guidelines.

6) This report is intended solely for your information and for inclusion in the Offer document in connection with the specific 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 **R. CHADHA & ASSOCIATES**
CHARTERED ACCOUNTANTS

RAKESH CHADHA
PARTNER
M. No. 83135

PLACE: NEW DELHI
DATED: 03rd Aug., 2007

Annexure – I

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

(Rupees in million)

	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
A	**Income**					
	Sales:					
	Of products traded by the Company	-	27.96	46.36	174.18	603.60
	Of products manufactured by the Company	210.49	282.71	533.09	1,409.26	3,420.37
	Other Income	12.69	6.86	2.01	0.41	12.20
	Total Income	**223.18**	**317.53**	**581.46**	**1,583.85**	**4,036.17**
B	**Expenditure**					
	Materials consumed, manufacturing expenses & cost of goods sold	160.52	207.55	375.66	922.43	2,163.14
	Payment to & Provision for Employees	6.99	10.55	22.64	31.86	76.20
	Administrative & General expenses	7.13	12.04	18.15	41.34	86.23
	Selling expenses	32.89	58.21	114.71	332.01	993.91
	Interest & Financial charges	7.42	13.83	15.52	34.37	149.06
	Miscellaneous expenditure written off	0.02	0.02	0.04	0.05	1.84
	Total Expenditure	**214.97**	**302.20**	**546.72**	**1,362.06**	**3,470.38**
C	**Net Profit Before Tax, Depreciation and Prior Period Items (A-B)**	**8.21**	**15.33**	**34.74**	**221.79**	**565.79**
D	**Depreciation**	2.66	3.72	4.24	10.36	39.67
E	**Net Profit before tax and Prior Period Items (C-D)**	**5.55**	**11.61**	**30.50**	**211.43**	**526.12**
	Income tax Provision	1.09	2.67	10.97	75.17	161.95
	Tax Paid/Provisions Written back for the previous years	0.01	-	-	0.57	-
	Deferred Tax Liabilities	0.13	0.12	0.24	2.14	17.27
	FBT Provision	-	-	-	1.57	2.03
	Prior Period expenses	-	-	-	-	-
	Profit After Tax	**4.32**	**8.82**	**19.29**	**131.98**	**344.87**
	Profit Brought Forward from Previous year	**15.55**	**19.87**	**28.82**	**18.55**	**150.77**
	Add: Deferred tax liability for earlier year written back	**-**	**0.13**	**0.12**	**0.24**	**-**
	Less: Bonus Shares Issued during the year	**-**	**-**	29.68	-	207.24
	Profit Carried Forward to Balance Sheet	**19.87**	**28.82**	**18.55**	**150.77**	**288.40**

Annexure – II

STATEMENT OF RESTATED ASSETS AND LIABILITIES

(Rupees In Million)

	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
	Assets					
A	**Fixed Assets- Gross Block**	31.80	36.60	51.88	137.08	505.98
	Less: Depreciation	13.70	16.31	20.33	30.69	70.36
	Net Block	18.10	20.29	31.55	106.39	435.62
	Less: Revaluation Reserve	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	**18.10**	**20.29**	**31.55**	**106.39**	**435.62**
B	**Investments**	-	-	-	-	-
C	**Current Assets, Loans and Advances**					
	Inventories	105.16	146.99	191.67	977.32	3,738.40
	Sundry Debtors	50.29	43.17	51.97	81.58	203.92
	Cash & Bank balances	4.63	4.97	28.09	21.42	172.57
	Other Current Assets					
	Loans & Advances	9.16	17.89	74.87	172.95	509.85
	Total of C	**169.24**	**213.03**	**346.60**	**1,253.27**	**4,624.74**
D	**Current Liabilities and Provisions**					
	Sundry liabilities	75.40	62.61	118.21	582.00	1,114.69
	Provisions	5.60	11.97	18.22	62.66	205.41
	Total of D	**81.00**	**74.58**	**136.43**	**644.66**	**1,320.10**
E	**Net Current Assets (C-D)**	**88.24**	**138.45**	**210.17**	**608.61**	**3,304.64**
F	**Total Assets (A+B+E)**	**106.34**	**158.74**	**241.72**	**715.00**	**3,740.26**
G	**Liabilities and Provisions**					
	Loan Funds					
	Working Capital Loans	50.28	86.31	110.83	282.41	1,522.82
	Secured Loans	6.49	7.76	22.16	43.39	101.52
	Unsecured Loans	16.26	22.40	41.82	186.78	469.96
	Total of G	**73.03**	**116.47**	**174.81**	**512.58**	**2,094.30**
H	**Deferred Tax Liability**	0.13	0.12	0.24	2.14	19.42
	Net worth (F-G-H)	**33.18**	**42.15**	**66.67**	**200.28**	**1,626.54**
	Net worth Represented by:					
	Shareholders Funds					
	Share Capital	9.89	9.89	47.39	49.90	273.44
	Share Application Money (Pending Allotment)	3.55	3.55	1.05	-	-
	Share Premium Account	-	-	-	-	1,070.94
	Reserves and Surplus	19.87	28.82	18.55	150.77	288.40
	Less: Revaluation Reserve	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	19.87	28.82	18.55	150.77	288.40
	Less: Miscellaneous expenditure (not written off)	0.13	0.11	0.32	0.39	6.24
	Total	**33.18**	**42.15**	**66.67**	**200.28**	**1,626.54**

Annexure - III

RESTATED CASH FLOW STATEMENT

(Rupees in million)

	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
A	**Cash flow from Operating Activities**					
	Net (Loss)/Profit before tax but after exceptional/extraordinary items	5.55	11.61	30.50	211.43	526.12
	Depreciation	2.66	3.72	4.24	10.36	39.67
	Interest & Financial Charges	7.42	13.83	15.52	34.37	149.06
	Interest Income	(0.22)	(0.18)	(0.08)	(0.05)	(4.10)
	Other Income	-	-	-	(0.07)	(0.07)
	(Profit)/Loss on Sales of Fixed Assets	-	0.01	-	(0.27)	1.47
	Miscellaneous Expenditure written off	0.17	0.44	0.04	-	-
	Deferred Revenue expenditure written off	0.02	0.02	0.04	0.05	1.84
	Provision for Bad & Doubtful Debts	-	-	-	-	1.80
	Provision for Gratuity & Leave Encashment	0.11	0.36	0.48	0.55	2.94
	Exchange Fluctuation Gain	-	-	-	-	(7.95)
	Operating Profit before working capital changes	**15.71**	**29.81**	**50.74**	**256.37**	**710.78**
	Adjustments for changes in working capital:					
	(Increase)/Decrease in Sundry Debtors	(3.86)	7.13	(8.81)	(29.61)	(124.13)
	(Increase)/Decrease in other Receivable	(3.11)	(6.23)	(24.64)	(69.44)	(237.78)
	(Increase)/Decrease in Inventories	(43.61)	(41.84)	(44.67)	(785.65)	(2,761.08)
	Increase/(Decrease) in Trade and Other Payables	25.58	(9.68)	50.73	430.94	516.47
	Cash generated from Operations	**(9.29)**	**(20.81)**	**23.35**	**(197.39)**	**(1,895.74)**
	Taxes (Paid)/Received (Net of TDS)	(1.11)	(1.75)	(8.65)	(37.47)	(159.18)
	Prior Period (Expenses/Income (Net)	-	-	-	(0.57)	-
	Extraordinary/Exceptional Item	0.04	-	1.15	4.26	42.45
	Net Cash from Operating Activities	**(10.36)**	**(22.56)**	**15.85**	**(231.17)**	**(2,012.47)**
B	**Cash flow from Investing Activities**					
	Purchase of Fixed Assets	(6.16)	(6.30)	(15.59)	(85.20)	(368.90)
	Proceeds from sale of Fixed Assets	-	0.39	0.09	-	-
	Miscellaneous Expenditure not written off	(0.10)	-	(0.26)	(0.12)	(7.69)
	Proceeds from sale of Chit fund	1.05	1.03	0.80	20.43	19.76
	Purchase of Chit fund	(1.51)	(1.98)	(25.98)	(15.51)	(2.68)
	Interest Received (Revenue)	0.17	0.14	0.07	0.01	0.96
	Net cash used in Investing Activities	**(6.55)**	**(6.72)**	**(40.87)**	**(80.39)**	**(358.55)**

Annexure - III

RESTATED CASH FLOW STATEMENT

(Rupees in million)

	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
C	**Cash flow from Financing Activities**					
	Proceeds from fresh issue of Share Capital (Including Share Premium)	3.55	-	5.32	1.46	1,087.24
	Net Proceeds from Long term borrowings	7.18	7.41	33.82	166.19	341.31
	Net Proceeds from Short terms borrowings	14.44	36.04	24.52	171.57	1,240.41
	Interest paid	(7.42)	(13.83)	(15.52)	(34.37)	(149.06)
	Interest income	-	-	-	0.04	2.27
	Net Cash used in Financing Activities	**17.75**	**29.62**	**48.14**	**304.89**	**2,522.17**
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)		0.84	0.34	23.12	(6.67)	151.15
Cash and Cash Equivalents at the beginning of the year/period		3.79	4.63	4.97	28.09	21.42
Cash and Cash Equivalents at the end of the year/period		**4.63**	**4.97**	**28.09**	**21.42**	**172.57**

NOTES:-

1) In this statement Interest Income is shown net of TDS.

2) Investment shown in cash flow statement has been included in other receivable in the Balance Sheet of respective year.

3) Cash and cash equivalents consists of cash in hand and debit balances with bank and FDR ‘s.

4) Chit Fund transactions have been included in the Balance Sheet for the respective years under the head “Other Receivables/Other Payables”.

5) Advance money paid for properties is included in “Other Receivables”. Inflow from the sale of properties is shown as proceeds from sale of Investment in the respective year of sale. The Profit/ (Loss) on sale of properties is treated accordingly from/to the Net Profits Before Tax.

6) Details of Tax Paid:

	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Advance Tax Paid for the year	1.1	1.75	7.5	31.5	115.00
Tax paid for Previous Year	0.01	-	1.15	5.97	44.18
Total	**1.11**	**1.75**	**8.65**	**37.47**	**159.18**

ACCOUNTING POLICIES, NOTES AND ADDITIONAL INFORMATION

A. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of Accounting:

The Financial statements have been prepared on historical cost convention and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant disclosure requirements of Companies Act, 1956 as adopted consistently by the Company. The accounting policies have been consistently applied by the company & are consistent with those used in the previous year.

(b) Recognition of Income & Expenditure:

1) Revenue recognition of all the items of costs/expenditure and revenue/income have been accounted for on accrual basis.

2) (a) Consignment Sales:

Sales are recognized after the receipt of sales report from respective consignee agents and recorded at Net Realizable value i.e. net of all discounts & sales tax.

(b) Direct Sales:

Sales are recognized when goods are delivered which coincide with risk and rewards of ownership of goods have been passed to buyer.

3) Other income consists of interest on F.D.R/ Profit on chit fund, Forex gain on material purchased and insurance claims and the same has been accounted for on accrual basis.

(c) Fixed Assets:

Fixed Assets are stated at cost of acquisition/installation less accumulated depreciation and include directly attributable cost including installation and freight charges for bringing the assets to working conditions for intended use. Capital Work in Progress includes expenditure during construction period on substantial expansion / new industrial units of the company.

1) Depreciation:

Depreciation on fixed assets has been provided on WDV method at the rate prescribed under Schedule XIV of the Companies Act, 1956. Proportionate depreciation is charged for additions/ deletions during the year. Individual assets costing less than Rs. 5,000/- are depreciated in full in the year of purchase.

2) Impairment:

Impairment Loss is recognized whenever the carrying amount of assets is in excess of its recoverable amount and the same is recognized as an expense in the Statement of Profit and Loss and the carrying amount of Asset is reduced to recoverable amount. However as on date there is no such case.

(d) Foreign exchange transactions:

Foreign currency transactions are recorded at the exchange rate prevailing at the time of the transaction. Any further gain/loss arising at the time of actual realization/payment is accounted for as currency fluctuation in the year of realization/payment.

(e) Inventory Valuation:

1) Inventories of raw material, stores and spares, consumables, finished goods, packing material are valued at lower of cost or net realizable value as certified by the management.

2) Process stocks are valued at direct raw material cost and appropriate cost of the completed process.

3) The Stock lying with the Franchisee stores are valued at lower of cost or net realizable value as certified by the management.

4) Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

(f) Taxation:

1) Direct Tax is measured at the amount expected to be paid/received from the taxation authorities, using the applicable tax rates and tax laws and is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the Balance Sheet date.

2) Deferred Tax is recognized subject to consideration of prudence on timing differences, being difference between taxable and accounting income that originate in one period and capable of reversal in one or more subsequent periods.

(g) Retirement Benefits:

1) Contribution to Provident Fund is recognized on accrual basis with the corresponding contribution to Recognized Fund.

2) The Company has been following accrual basis of accounting for retirement benefits as per AS-15.

(h) Segment Reporting:

The Board of directors is of the opinion that the Company has only one segment comprising group of related products as all products manufactured by the Company are Readymade Garments only. Therefore no separate disclosure of segment wise information is required.

(i) Miscellaneous Expenses

1) Preliminary Expenses:

The expenses incurred on formation of Company and additions to authorized capital are amortized over a period of 10 years.

2) Deferred Revenue Expenditure:

This includes expenditure incurred on factory license fees, Trade mark fee and rental paid for pre-commencement of retail store and has been amortized over the period of life of concerned item in accordance with the AS -26 (Intangible Assets) issued by the ICAI.

(j) Income from Investment:

Income from investment, where appropriates is taken into revenue on accrual basis and tax deducted at source is treated as advance tax.

(k) Borrowing Cost:

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

(l) Earning Per Share:

The Company considers the net profit after tax for determining the Earning Per Share. The number of shares used in computing basic earning per share is the weighted average number of Equity Shares outstanding during the period. The number of shares used in computing diluted Earning Per Share comprises the Weighted Average number of Equity Shares that would have been issued on the conversion of all potential Equity Shares. Dilutive potential Equity Shares have been deemed converted as of the beginning of the period, unless issued at a later date.

(m) Cash Flow Statement:

The cash flow statement is prepared by the indirect method set out in Accounting Standard 3 on cash flow statements and present the cash flow by Operating, Investing and Financing activities of the Company. Cash and cash equivalents presented in cash flow statement consists of cash in hand, bank balances and demand deposits with Banks.

(n) Provisions, Contingent Assets and Liabilities:

Provisions are recognized when the Company has a present obligation as a result of past events and it is more likely that an outflow of resources will be required to settle the obligations and the amount has been reliably estimated.

(o) Lease Policy:

Company take premises for its showroom for nine years Lease/License period with Lock-in-period of one to three years. Escalation clause is variable between 5% to 15% after every three years and 30-45 days rent free time is taken from the date of possession given by the landlord.

Annexure – V

NOTES ON ACCOUNTS

1. **Contingent Liabilities not Provided for:**

(Rupees in million)

Particulars		As on 31.03.2003	As on 31.03.2004	As on 31.03.2005	As on 31.03.2006	As on 31.03.2007
I	Outstanding Bank Guarantees	-	-	0.84	0.47	120.47
II	Claims against the Company not acknowledged as debt	-	-	1.40	1.52	9.38
III	On account of corporate guarantees to the bankers & others on behalf of related parties for facilities availed by them	-	-	-	11.00	15.00
IV	Bills Discounted with Bankers & others	-	-	-	10.17	0.00
V	Civil Suits against the Company	-	-	-	3.78	6.91
VI	Civil Suits by the Company for recovery of Cheque bounced	1.56	1.96	1.96	1.96	0.00
VII	Arbitration case with distributors & suppliers	-	-	5.67	5.67	0.00
VIII	On account of reinstatement of Employees against the Company ordered by Under Secretary Labour, Govt. of Delhi	-	-	-	-	1.69
	Total	**1.56**	**1.96**	**9.87**	**34.57**	**153.45**

2. **Auditors Remuneration is as under:**

(Rupees In Million)

Particulars		As on 31.03.2003	As on 31.03.2004	As on 31.03.2005	As on 31.03.2006	As on 31.03.2007
I	Statutory Audit fee	0.01	0.01	0.01	0.25	0.50
II	Tax Audit Fee	0.01	0.01	0.01	0.13	0.35
III	Company Law & Other Matters	0.01	0.01	0.01	0.08	0.16
	Total	**0.03**	**0.03**	**0.03**	**0.46**	**1.01**

3. **Additional information in pursuance of the provisions of the paragraph 3, 4, Part II of Schedule VI of the Companies Act,1956, as certified by the Management of the Company:**

a) Licensed/Installed annual capacity and production and finishing of apparel (Pieces in million)

Particulars	Shirts	Trousers	Jeans	Suits & Blazers	Jackets	Others
Licensed Capacity	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Installed Capacity finishing	12.00	6.60	4.20	0.12	-	-
Installed Capacity production	5.50	3.24	2.40	0.12	-	-
Actual Production	4.09	3.47	1.46	0.11	0.28	0.04

b) Quantitative Movement of Finished, Semi-finished goods and of Raw material (Qty. in Pcs and value in Rupees In Million) as at 31.03.2007

Particulars	Opening (Qty.)	Prod./Issued/ Purchase (Qty.)	Sales/Recd./ Issued (Qty.)	Closing (Qty.)	Closing Values (Qty.)
Finished Goods:					
I) Manufactured	0.94	9.45	7.06	3.33	-
II) Traded	0.18	3.17	2.16	1.19	-
Total Finished Goods	1.12	12.62	9.22	4.52	1,551.75
Semi Finished	1.58	14.49	9.45	6.62	1,450.97
Raw Material (in mtrs)	1.64	33.48	27.94	7.18	636.52

Notes:

i) Company has got in house production capacity of Non Denim Trousers, Denim Trousers, Shirts & Suits. A part of products like Jeans, Shirts, Suits, Jackets are produced by dedicated fabricating units and finishing process for all products is in house. Installed capacity of finishing of products of the Company are as certified by the management and have not been verified by the auditor as a technical matter.

ii) The Company is manufacturing a range of men's wear/ladies wear hence it is not possible to give details of each and every item in quantitative terms.

4. **Earning Per Share (Basic and Diluted)**

(Rupees in million)

Particulars	As on 31.03.2003	As on 31.03.2004	As on 31.03.2005	As on 31.03.2006	As on 31.03.2007
Opening number of shares	0.99	0.99	0.99	4.74	4.99
Closing numbers of shares	0.99	0.99	4.74	4.99	27.34
Weighted Average number of shares outstanding	**17.81**	**17.81**	**17.82**	**21.70**	**24.25**
Effect of Dilutive Securities:					
Share application money pending for allotment	3.55	3.55	1.05	-	-
Conversion of Share application money in shares	-	-	1.50	-	-
Weighted Average number of shares (Diluted)	**17.96**	**22.74**	**22.73**	**22.12**	**24.25**
Profit After Tax (Rupees in million)	4.32	8.82	19.29	131.98	344.87
EPS (In Rupees) (Basic)	0.24	0.50	1.08	6.08	14.22
EPS (In Rupees) (Diluted)	0.24	0.39	0.85	5.97	14.22

5. **As per Accounting Standard (AS) 22 on Accounting for taxes on Income by ICAI, the deferred tax Asset/ Liability comprises the following:**

(Rupees in million)

Particulars	As on 31.03.2003	As on 31.03.2004	As on 31.03.2005	As on 31.03.2006	As on 31.03.2007
Deferred tax liabilities					
Difference between book and Tax depreciation	0.33	0.32	0.61	6.31	46.68
Difference in Preliminary Expenses	0.02	0.02	0.04	0.05	5.87
Expenses disallowed U/s 40(a) of IT Act	-	-	-	-	1.23

Annexure - VI

NOTES ON SUMMARY STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

As required in terms of Security and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, the following adjustments have been carried out while preparing the Restated Profit and Loss Account.

(Rupees in million)

Sr. No.	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
1.	**Sales as per Audited Profit and Loss Account**	**227.89**	**373.20**	**963.27**	**1,583.44**	**4,023.97**
	Less: Discount transferred from Selling Expenses	15.57	58.06	363.47	-	-
	Less: Sales tax transferred from Selling Expenses	1.83	4.47	20.35	-	-
	Net Sales as per Restated Profit and Loss Account	**210.49**	**310.67**	**579.45**	**1,583.44**	**4,023.97**
	Sales of products traded by the Company	-	27.96	46.36	174.18	603.60
	Sale of products manufactured by the Company	210.49	282.71	533.09	1,409.26	3,420.37
	Total	**210.49**	**310.67**	**579.45**	**1,583.44**	**4,023.97**

Note: The Company has recognized sales on Maximum Retail Price ("MRP") basis during the financial year ended March 31, 2003, 2004 and 2005. The difference between MRP and realized value has been booked under the subhead "Discounts" and "Sales Tax on Consignment Goods" under the main heading "Selling Expenses". During the year 2005-06 and onwards the Company has booked sales at Net realized value consequently the sales figure for year ended March 31, 2003, 2004 and 2005 have been restated and shown as net of discounts and sales tax on consignment goods i.e. the realized value, in the Restated financial statement for the above mentioned years.

(Rupees in million)

Sr. No.	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
2.	**Other Income as per Audited Profit and Loss Account**	**12.69**	**6.86**	**2.01**	**0.39**	**22.77**
	Add: Forex gain on consumables imported not provided for	-	-	-	0.02	-
	Less: Net cost of pilferage in stock transferred to Material Consumed, Manufacturing Expenses & Cost of Goods Sold.	-	-	-	-	10.57
	Other Income as per Restated Profit and Loss Account	**12.69**	**6.86**	**2.01**	**0.41**	**12.20**

Note: a) During the year 2005-06, the Company has not accounted for the gains on the foreign currency transaction for purchase of consumable stores as per AS-11 issued by the ICAI. The same has been taken into consideration in the restated financial statement.

b) During the financial year ended March 31, 2007, the Company has made loss on account of pilferages in stock. The same has been booked at cost price less insurance claim as per the prudent accounting norms as expenditure under the Profit and Loss Account and the same has been taken to credit of Trading Account at cost price and has been included under the head "Other Income". In the Restated financial statement the cost of stock loss has been adjusted under the head of "Material Consumed, Manufacturing Expenses & Cost of Goods Sold" to have the same effect.

(Rupees in million)

Sr. No.	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
3.	Increase/(Decrease) in Stock as per Audited Profit and Loss Account	10.65	20.63	21.27	296.30	2,295.74
	Transferred to Material Consumed, Manufacturing Expenses & Cost of Goods Sold	10.65	20.63	21.27	296.30	2,295.74
	Increase/(Decrease) in Stock as per Restated Profit and Loss Account	**-**	**-**	**-**	**-**	**-**

Note: The accounting treatment for increase/decrease in finished goods stock has been shown in income side of Profit and Loss Account. In the Restated financial statement the same has been merged under the heading “Material Consumed, Manufacturing Expenses & Cost of Goods Sold”.

(Rupees in million)

Sr. No.	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
4.	**Raw Material Consumed as per Audited Profit and Loss Account**	**122.48**	**105.78**	**251.48**	**826.11**	**2,337.64**
	Less: Increase/(decrease) in Stock	10.65	20.63	21.27	296.30	2,295.74
	Add: Finished goods purchased	-	18.60	25.24	139.30	547.71
	Add: Manufacturing expenses	46.67	100.80	115.35	242.63	1,570.32
	Add: Rent for factory transferred from Administrative & General expenses	1.79	2.56	4.26	7.78	-
	Add: Security expenses for factory transferred from Administrative & General expenses	0.23	0.44	0.60	2.33	13.78
	Add: Forex fluctuation not effected earlier	-	-	-	0.02	-
	Less: Net cost of pilferage in stock transferred from Other Income	-	-	-	-	10.57
	Add: Prior period expenses as on 31.03.07 related to year 2005-06	-	-	-	0.56	-
	Material Consumed, Manufacturing Expenses & Cost of Goods Sold as per Restated Profit and Loss Account	**160.52**	**207.55**	**375.66**	**922.43**	**2,163.14**

Note: a) The Company had booked rent paid and security expenses for factory premises under the head “Administrative & General Expenses”.

b) Trading goods purchased, manufacturing expenses have been shown separately in the Audited Financials.

c) Cost of pilferage stock has been booked under the head “Other Income” and the same amount has been debited as expense.

d) Gains on foreign currency fluctuation at the time of purchase of consumable store has been booked during the year ending March 31, 2006. All the above items have been regrouped/ booked in the Restated financial statements for respective years accordingly.

(Rupees in million)

Sr. No.	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
5.	**Payment To & Provision for Employees as per Audited Profit** and Loss Account	**6.49**	**9.31**	**19.79**	**34.76**	**76.20**
	Add: Conveyance Allowance transferred from Administrative & General expenses	0.39	0.88	2.37	1.88	-
	Add: Gratuity provision made during 2005-06 allocated in related period	0.10	0.35	0.42	0.39	-
	Add: Leave encashment provision made during 2005-06 allocated in related period	0.01	0.01	0.06	0.16	-
	Less: Gratuity provision reversed	-	-	-	5.10	-
	Less: Leave encashment provision reversed	-	-	-	0.23	-
	Payment to & Provision for Employees as per Restated Profit and Loss Account	**6.99**	**10.55**	**22.64**	**31.86**	**76.20**

Note: a) The Company has shown Conveyance Allowance to staff under head "Administrative & General Expenses" in Audited Financial Statements. The same has been regrouped under the "Payment to & Provision for Employees".

b) During the year ending March 31, 2006, provision for Gratuity and Leave Encashment was made on the basis of actual calculation in compliance of the Accounting Standard 15 issued by the ICAI, which was earlier accounted for cash basis. Accordingly provisions for Gratuity and Leave Encashment have been recomputed for each year and consequently the adjustment have been made in the expense for the year ended March 31, 2003, 2004, 2005 and 2006.

c) During the year ending March 31, 2006 provisions for Gratuity and Leave Encashment debited to Profit and Loss Account was higher; the same has been reversed in the Restated financial statements.

(Rupees in million)

Sr. No.	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
6.	**Administrative & General Expenses as per Audited Profit and Loss Account**	**10.04**	**18.10**	**31.18**	**79.70**	**101.85**
	Less: Rent for factory transferred to Material Consumed, Manufacturing Expenses & Cost of Goods Sold	1.79	2.56	4.26	7.78	-
	Less: Rent for Gallery transferred to Selling expenses	-	0.36	1.91	11.07	-
	Less: Miscellaneous expenditure & Deferred revenue expenditure transferred to Miscellaneous Expenditure written off	0.02	0.02	0.04	0.05	1.84
	Less: Security expenses transferred to Material Consumed, Manufacturing Expenses & Cost of Goods Sold.	0.23	0.44	0.60	2.33	13.78
	Less:Travelling expenses transferred to Selling expenses	0.48	0.66	1.84	9.38	-
	Less: Bank charges transferred to Interest & Financial charges	-	1.14	2.12	5.86	-
	Less : Conveyance Allowance transferred to Payment to & Provision for employees	0.39	0.88	2.37	1.88	-
	Add: Prior period expenses	-	-	0.11	0.10	-
	Less: Prior period expenses	-	-	-	0.11	-
	Administrative & General Expenses as per Restated Profit and Loss Account	**7.13**	**12.04**	**18.15**	**41.34**	**86.23**

Note: The Company has booked certain expenses relating to "Manufacturing" and "Selling & Distribution" under the head of "Administrative and General expenses" in the year ending March 31, 2003, 2004, 2005, 2006 and 2007. The same has been transferred and regrouped to respective head in the Restated financial statement of each year.

Sr. No.	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
7.	**Selling Expenses as per Audited Profit and Loss Account**	**49.81**	**119.72**	**494.78**	**309.17**	**993.91**
	Less: Discount on sales transferred to Sales Account	15.57	58.06	363.47	-	-
	Less:Sales taxon consignment sales transferred to Sales Account	1.83	4.47	20.35	-	-
	Add: Rent for Galleries transferred from Administrative & General expenses	-	0.36	1.91	11.07	-
	Add: Travelling expenses transferred from Administrative & General expenses	0.48	0.66	1.84	9.38	-
	Add: Prior period expenses as on 31.01.07 related to year 2005-06	-	-	-	2.39	-
	Selling Expenses as per Restated Profit and Loss Account	**32.89**	**58.21**	**114.71**	**332.01**	**993.91**

Note: The Company has booked certain expense items relating to Selling expenses under the head of "Administrative and General" expenses in the financial year ending March 31, 2003, 2004, 2005 and 2006. The same has been transferred and regrouped to respective head in the Restated Financial Statement of each year.

(Rupees in million)

Sr. No.	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
8.	**Interest & Financial Charges as per Audited Profit and Loss Account**	**7.42**	**12.69**	**13.40**	**29.26**	**149.06**
	Add: Bank charges transferred from Administrative & General expenses	-	1.14	2.12	5.86	-
	Add: Prior period expenses as on 31.03.07 related to year 2005-06	-	-	-	0.04	-
	Less:Interest expenses capitalized under the head "Building"	-	-	-	0.81	-
	Interest & Financial Charges as per Restated Profit and Loss Account	**7.42**	**13.83**	**15.52**	**34.37**	**149.06**

Note: The Company has booked bank charges under the head "Administrative and General Expenses" during the year ending March 31, 2004, 2005 and 2006. The same has been regrouped in the Restated financial statements. The Company has booked certain prior period interest in the year ending March 31, 2007 relating to year 2005-06. The same has been booked in the year 2005-06 in the Restated financial statements

(Rupees in million)

Sr. No.	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
9.	**Miscellaneous Expenditure Written off as per Audited Profit and Loss Account**	-	-	-	-	-
	Add:Transferred from Administrative & General expenses	0.02	0.02	0.04	0.05	1.84
	Miscellaneous Expenditure Written off as per Restated Profit and Loss Account	**0.02**	**0.02**	**0.04**	**0.05**	**1.84**

Note: The Company has booked miscellaneous expenditure written off under the head "Administrative and General Expenses". The same has been regrouped in the restated financial statements for year ending March 31, 2003, 2004, 2005, 2006, and 2007.

(Rupees in million)

Sr. No.	For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
10.	**Depreciation as per Audited Profit and Loss Account**	**2.54**	**3.74**	**4.14**	**9.86**	**39.67**
	Add: Difference in depreciation as per AS-6	0.12	(0.02)	0.10	0.50	-
	Total as per Restated Profit and Loss Account	**2.66**	**3.72**	**4.24**	**10.36**	**39.67**

Note: The Company has not charged the fixed assets purchased during the period costing below Rupees 5000/- to 100% depreciation during the year ending March 31, 2003, 2004, 2005 and 2006. In the Restated financial statements the same has been provided in the respective years.

Annexure – VII

DETAILS OF SECURED LOANS OUTSTANDING AS ON March 31, 2007

(Rupees in million)

Particulars of loan	Name of the bank	Nature of loan	Sanction amount	Outstanding as on 31.03.2007	Installment amount	Rate of interest p.a. (%)	Repayment of terms (months)	Securities offered
Term Loan	ICICI Bank Ltd. car loan (Esteem)	Car loan	0.42	0.21	0.01	15.00	36	Car
	ICICI Bank Ltd. A/c (Honda city)	Car loan	1.75	0.59	0.06	10.00	35	Car
	ICICI Bank Ltd A/c (Santro-0509)	Car loan	0.33	0.12	0.01	12.00	35	Car
	ICICI Bank Ltd. car loan (Skoda)	Car loan	1.00	0.29	0.03	14.00	36	Car
	ICICI Bank Ltd. car loan (Wagon-R)	Car loan	0.30	0.25	0.01	12.25	36	Car
	ICICI Bank Ltd. car loan (Tata Indica)	Car loan	0.31	0.23	0.01	12.00	35	Car
	ICICI Bank Ltd. car loan (Alto)	Car loan	0.20	0.14	0.01	12.26	24	Car
	HDFC Bank Ltd. car loan (Wagon-R-6074)	Car loan	0.34	0.30	0.01	12.25	36	Car
	HDFC Bank Ltd. car loan (Wagon-R-6075)	Car loan	0.34	0.30	0.01	12.25	36	Car
	HDFC Bank Ltd. car loan (Wagon-R-6070)	Car loan	0.34	0.29	0.01	12.25	36	Car
	HDFC Bank Ltd. car loan (Wagon-R-6071)	Car loan	0.34	0.29	0.01	12.25	36	Car
	ICICI Bank Ltd. car loan (Skoda car no.14)	Car loan	1.25	0.23	0.04	13.00	36	Car
	HDFC Bank Ltd. car loan (Accent)	Car loan	0.60	0.39	0.02	16.00	36	Car
	HDFC Bank Ltd. car loan (Esteem)	Car loan	0.45	0.38	0.01	12.02	36	Car
	HDFC Bank Ltd. car loan (Mercedes)	Car loan	6.10	4.99	0.19	12.00	36	Car
	HDFC Bank Ltd. car loan (Mercedes)	Car loan	6.10	5.15	0.19	12.00	36	Car
	HDFC Bank Ltd. car loan (Mercedes)	Car loan	6.10	5.15	0.19	12.00	36	Car
	TML Finance Services (Indica-DLG)	Car loan	0.34	0.32	0.01	12.75	36	Car
	TML Finance Services (Indica-LS)	Car Loan	0.42	0.41	0.01	12.75	36	Car
	ABN AMRO Bank Ltd	Property loan	6.70	5.73	0.05	7.25	216	Property
	HSBC Ltd	Property loan	8.00	7.52	0.07	7.25	180	Property
	Indian Overseas Bank (Loan-II)	Plant & Machines/ Factory Building Construction	80.00	38.71	1.67	11.50	48	Plant & Machinery and property
	Punjab & Sind Bank (Loan-II)	Plant & Machines/ Factory Building Construction	53.00	24.42	0.27	11.50	48	Plant & Machinery and property

(Rupees in million)

Particulars of loan	Name of the bank	Nature of loan	Sanction amount	Outstanding as on 31.03.2007	Installment amount	Rate of interest p.a. (%)	Repayment of terms (months)	Securities offered
	Indian Overseas Bank (Loan-I)	Plant & Machines/ Factory Building Construction	10.40	0.48	0.68	11.75	15	Plant & Machinery and property.
	Punjab & Sind Bank (Loan-I)	Plant & Machines/ Factory Building Construction	6.90	4.63	0.12	11.75	60	Plant & Machinery and property.
Working Capital Loan	Punjab & Sind Bank	Cash Credit	180.00	178.96	-	11%	-	Stock & Book Debt
	Indian Overseas Bank	Cash Credit	420.00	484.06	-	11%	-	Stock & Book Debt
	Yes Bank Ltd	Cash Credit	250.00	252.84	-	10%	-	Stock & Book Debt
	ICICI Bank Ltd	Cash Credit	450.00	200.00	-	12.50%	-	First charge on Stock & Current Assets, and Second charge on Fixed Assets
	Standard Chartered Bank	WCDL	220.00	206.96	-	9.75%	-	First charge on Stock & Current Assets, and Second charge on Fixed Assets
	HDFC Bank Ltd.	WCDL	200.00	200.00	-	11.00%	-	First charge on Stock & Current Assets, and Second charge on Fixed Assets
	Total			**1,624.34**				

Annexure – VIII

DETAILS OF SECURED LOANS

(Rupees in million)

For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Particulars of Loan					
1. Term Loans From Banks					
American Express Bank Ltd. (car loan)	-	-	-	-	-
ICICI Bank Ltd. (car loan)	1.10	3.69	5.40	3.48	2.06
HDFC Bank Ltd. (car loan)	-	-	-	0.57	17.24
IOB Term Loan	-	-	-	8.11	39.19
Punjab & Sind Bank Term loan	5.39	4.07	-	6.24	29.05
ABN AMRO Bank Ltd. (Property loan)	-	-	5.30	5.81	5.73
CITI Bank Property loan	-	-	2.34	11.66	-
ICICI Bank Ltd. (Property loan)	-	-	9.12	-	-
HSBC Ltd. (Property loan)	-	-	-	7.52	7.52
TML Finance Services (Car Loan)	-	-	-	-	0.73
Sub total	**6.49**	**7.76**	**22.16**	**43.39**	**101.52**
2. Working Capital Loans					
Bank of Baroda	-	-	-	-	-
Punjab & Sind Bank	41.43	79.32	33.34	84.64	178.96
Indian Overseas Bank	-	-	77.49	197.77	484.06
Packing Credit	8.85	2.00	-	-	-
Bill of Exchange	-	-	-	-	-
Foreign Bill Discounted	-	-	-	-	-
F.O.B.L.C	-	3.66	-	-	-
F O B P	-	1.33	-	-	-
YES Bank Ltd	-	-	-	-	252.84
ICICI Bank Ltd	-	-	-	-	200.00
Standard Chartered Bank	-	-	-	-	206.96
HDFC Bank Ltd.	-	-	-	-	200.00
Sub total	**50.28**	**86.31**	**110.83**	**282.41**	**1,522.82**
Total Secured Loan	**56.77**	**94.07**	**132.99**	**325.80**	**1,624.34**

Annexure – IX

DETAILS OF UNSECURED LOAN AS ON March 31, 2007

(Rupees in million)

Particulars	
Deposited from Shareholders and friends *	1.07
Security Deposit from parties (Franchisee)	468.07
Other loans	0.82
Total	**469.96**

**Friends & Associates*

(Rupees in million)

Sr. No.	**Name**	**Amount**
1	Mr. Gagan Deep Singh	0.05
2	Mr. Gurdeep Singh Bhatia	0.10
3	Mr. Rajendra Kaur	0.12
4	Mr. Narinder Pal Singh	0.05
5	Mr. Sukhdev Raj	0.55
6	Mr. Saurabh Sharma	0.20
	Total	**1.07**

Promoter group — Nil –

Annexure – X

CAPITALISATION STATEMENT

(Rupees in million)

Particular		Pre issue as at 31.03.2007	Post Issue *
Debt			
Short Term Debt		1,522.82	1,522.82
Long Term Debt	**(A)**	571.48	571.48
Total Debt		**2,094.30**	**2,094.30**
Shareholders Fund			
Share Capital		273.44	-
Share Premium Account		1.070.94	-
Reserves and Surplus		288.40	-
Less:- Misc. Expenditures to the extent not written off		6.24	-
Total Shareholders Fund	**(B)**	**1.626.54**	**-**
Long Term Debt/Total Shareholders Fund	**(A/B)**	**0.351**	**-**

**Share Capital and Reserves, post issue can be ascertain only on the conclusion of book building process.*

Annexure – XI

TAX SHELTER

(Rupees in million)

For the year ended	**31.03.2003**	**31.03.2004**	**31.03.2005**	**31.03.2006**	**31.03.2007**
Tax Rate	35.00%	35.00%	35.00%	30.00%	30.00%
Surcharge	5.00%	2.50%	2.50%	10.00%	10.00%
Education Cess	0.00%	0.00%	2.00%	2.00%	2.00%
Effective Tax Rate	36.75%	35.88%	36.59%	33.66%	33.66%
Profit Before Tax as per Books	**5.78**	**11.96**	**31.19**	**209.32**	**526.12**
Tax at Notional rates (A)	**2.12**	**4.29**	**11.41**	**70.46**	**177.09**
Adjustments :					
Permanent Differences					
Expenses Disallowed u/s 36(i)(va)	-	-	-	-	(0.44)
Deduction u/s 80HHC	0.93	0.48	-	-	-
Deduction u/s 80 IA/IB	1.33	3.35	-	-	-
Deduction u/s 80G	(0.03)	(0.01)	(0.06)	(0.07)	(0.06)
Expenses of earlier year	-	-	-	(1.22)	-
Gratuity	-	-	-	-	(2.53)
Short Term Capital Gain/(Loss)	-	-	-	-	(1.47)
Provision for Doubtful Debts	-	-	-	**-**	**(1.79)**
Disallowances u/s 43B	-	-	-	(0.06)	-
Total Permanent Differences (B)	**2.29**	**3.84**	**(0.06)**	**(1.35)**	**(6.29)**
Timing Differences					
Difference between depreciation under Income Tax Act and Companies Act.	0.45	0.31	0.71	6.81	46.68
Expenses Disallowed u/s40(a)(i)	-	-	-	-	(1.23)
Difference between Preliminary/ Deferred Expenses under Income Tax Act and . Companies Act	-	-	-	-	5.87
Total Timing Differences (C)	**0.45**	**0.31**	**0.71**	**6.81**	**51.32**
Net Adjustments (B+C)	2.68	4.13	0.65	5.46	45.03
Tax saving thereon (Effective Tax Rate)(D)	**0.98**	**1.48**	**0.24**	**1.84**	**15.16**
Total Taxation (A-D)	**1.14**	**2.81**	**11.17**	**68.62**	**161.94**
Minimum Alternative Tax (MAT)	NA	NA	NA	NA	NA
Tax payable	1.14	2.81	11.17	68.62	161.94
Taxable Income	3.10	7.83	30.54	203.86	481.09
Income Tax	1.14	2.81	11.17	68.62	161.94
Interest u/s 234 of Income Tax Act	-	0.14	0.60	5.33	-
Tax as per Income Tax Return	**1.14**	**2.95**	**11.77**	**73.95**	**161.94**

Annexure – XII

STATEMENT OF DEBTORS

(Rupees in million)

For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
(Unsecured)					
Debts Outstanding Over Six Months	16.67	19.17	18.71	17.95	36.05
- Considered Goods	16.67	19.17	18.71	17.95	36.05
- Considered Doubtful	-	-	-	-	-
Others	33.62	24.00	33.26	63.63	167.87
Total	**50.29**	**43.17**	**51.97**	**81.58**	**203.92**

The above include the following receivable for Promoters/ Promoters group or those related to promoters.

Debts Outstanding Over Six Months					
M/s CK Retail Holdings	-	-	-	-	20.85
Others					
M/s CK Retail Holdings	4.31	2.07	11.52	19.33	-
M/s Kohli & Sons	-	-	-	-	1.38
Total	**4.31**	**2.07**	**11.52**	**19.33**	**22.23**

(Rupees in million)

List of Top 10 Debtors as on 31.03.2007*	
M/S VRIDHI FABRICS	2.92
M/S RAJAT COLLECTION (SAI CMP), MORADA	2.17
M/S BHURA BROTHERS	1.63
M/S VIS ALLIANCE IMPEX PVT. LTD. (KOCHIN)	1.61
M/S YANKEE JEANS	1.58
M/S FASHION WEB (JODHPUR)	1.53
M/S PLANET, VASAI (W)	1.41
M/S CUTE LOOKS	1.29
M/S CHINKI CREATIONS	1.19
M/S TALK OF THE TOWN	1.16
	16.50

** Parties as identified by the company and relied upon by us.*

Annexure - XIII

STATEMENT OF LOANS AND ADVANCES GIVEN

(Rupees in million)

For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Unsecured, Considered Good					
Advances Recoverable in Cash or in kind or for value to be received	5.38	9.64	57.38	132.52	271.63
Security Deposit	1.65	6.31	9.98	40.30	122.35
Advance Income Tax	-	1.79	7.51	-	115.87
Cenvat	2.13	0.15	-	-	-
Vat	-	-	-	0.13	-
Total	**9.16**	**17.89**	**74.87**	**172.95**	**509.85**

The above include the following receivable for Promoters/ Promoters group or those related to promoters. *

Mrs Amarjit Kaur	-	-	-	3.60	4.63
Mrs Satinder Kaur	-	-	-	3.60	4.63
Mrs Parvinder Kaur	-	-	-	3.60	4.63
Total	-	-	-	**10.80**	**13.90**

*__Note:__

1. Security deposit: Out of total security deposit of Rs. 122.35 million an amount of Rs. 13.90 million is given to Mrs. Amarjit Kaur, Mrs. Satinder Kaur and Mrs. Parvinder Kaur on account of security deposit for getting premises no. 274-275, Sec. 37, Udyog Vihar Phase-VI, Gurgaon (Haryana) & Plot No. 27, Sec- 5, IMT, Manesar, Gurgaon (Haryana) owned by them on lease for running Company's business and manufacturing operation.
2. Advance Income Tax is netted of Income tax provision till the year 2005-06.

Annexure – XIV

STATEMENT OF OTHER INCOME

(Rupees in million)

For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007	Nature (Recurring /Non-Recurring)	Related/ Not Related to Business Activity
Interest	0.22	0.18	0.08	0.01	4.10	Recurring	Related
Exchange Fluctuation	-	1.59	0.45	0.02	8.03	Non-Recurring	Related
Duty Drawback	7.60	4.71	1.48	-	-	Non-Recurring	Related
Miscellaneous Income							
i) Deemed Credit in Excise Duty	4.87	-	-	-	-	Non-Recurring	Related
ii) Sale of Quota	-	0.38	-	-	-	Non-Recurring	Related
iii) Profit on Chit Fund	-	-	-	0.07	0.07	Non-Recurring	Non-Related
iv) Interest on Debtors /Franchisee	-	-	-	0.04	-	Non-Recurring	Related
v) Profit on Sale of Property	-	-	-	0.27	-	Non-Recurring	Non-Related
Total	**12.69**	**6.86**	**2.01**	**0.41**	**12.20**		

Annexure-XV

For the year ended 31.03.2003

Related Party Information:

i) List of Related Parties with whom transactions have taken place and relationships:-

Name of Related Parties	Nature of Relationship	Relationship
M/s Gurmeet Singh (HUF)	Associate Concerns	Mr. Bhupinder Singh Sawhney's Brother's HUF
M/s Bhupinder Singh (HUF)	Associate Concerns	Mr. Bhupinder Singh Sawhney's HUF
M/s CK Retail Holdings	Associate Concerns	Mrs. Amarjit Kaur's Husband's HUF concern
M/s DPS Kohli (HUF)	Associate Concerns	Mrs. Amarjit Kaur's Husband's HUF
Mrs. Amarjit Kaur	Key Management personnel	Director
Mr. Bhupinder Singh Sawhney	Key Management personnel	Director
Mr. DPS Kohli	Key Management personnel	Mrs. Amarjit Kaur's Husband
Mrs. Amrit Kaur	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Mother
Mr. Basant Singh	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Father
Mrs. Parvinder Kaur	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Brother's Wife
Mrs. Satinder Kaur	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Wife
Mr. Gurmeet Singh Sawhney	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Brother

Note: - Related party relationship is as identified by the Company and relied upon by the auditors.

ii) Transactions carried out with the related parties listed above in (i) above, in ordinary course of business:

(Rupees in million)

Nature of Transactions	Key Management Personnel	Others	Associate Concerns	Subsidiary Company
	As on 31.03.2003	As on 31.03.2003	As on 31.03.2003	As on 31.03.2003
Loans				
Taken during the year				
Mr. Bhupinder Singh Sawhney	0.20	-	-	-
Mr. DPS Kohli	0.15	-	-	-
Mr. Gurmeet Singh Sawhney	-	0.02	-	-
M/s DPS Kohli (HUF)	-	-	-	-
M/s Bhupinder Singh (HUF)	-	-	-	-
M/s Gurmeet Singh (HUF)	-	-	-	-
Mrs. Parvinder Kaur	-	0.08	-	-
Mrs. Satinder Kaur	-	0.08	-	-
Mrs. Amrit Kaur	-	-	-	-
Mrs. Amarjit Kaur	0.08	-	-	-
Sub Total	**0.43**	**0.18**	-	-

Nature of Transactions	Key Management Personnel	Others	Associate Concerns	Subsidiary Company
	As on 31.03.2003	As on 31.03.2003	As on 31.03.2003	As on 31.03.2003
Repaid during the year				
Mr. DPS Kohli	0.25	-	-	-
Mr. Basant Singh	-	-	-	-
M/s DPS Kohli (HUF)	-	-	-	-
Mr. Bhupinder Singh Sawhney	-	-	-	-
M/s Gurmeet Singh (HUF)	-	-	-	-
Sub Total	**0.25**	**-**	**-**	**-**
Balance for the year ended				
Mrs. Amarjit Kaur	0.34	-	-	-
Mrs. Amrit Kaur	-	0.27	-	-
M/s Bhupinder Singh (HUF)	-	-	0.04	-
M/s Gurmeet Singh (HUF)	-	0.02	-	
Mrs. Parvinder Kaur	-	0.36	-	-
Mrs. Satinder Kaur	-	0.48	-	-
Mr. Basant Singh	-	0.15	-	-
M/s DPS Kohli (HUF)	-	-	-	-
Mr. Bhupinder Singh Sawhney	0.20	-	-	-
Mr. DPS Kohli	0.27	-	-	-
Mr. Gurmeet Singh Sawhney	-	0.02	-	-
Sub Total	**0.81**	**1.28**	**0.06**	**-**
Sundry Debtors				
M/s CK Retail Holdings	-	-	4.31	-
Sub Total	-	**-**	**4.31**	-
Sundry Creditors	-	-	-	-
Sales				
M/s CK Retail Holdings		-	30.78	-
Sub Total	**-**	**-**	**30.78**	-
Purchases	**-**	**-**	-	-
Expenses				
Payment to & Provisions for Salary				
Mr. Bhupinder Singh Sawhney	0.66	-	-	-
Mr. DPS Kohli	0.66	-	-	-
Mr. Basant Singh	-	0.12	-	-
Sub Total	**1.32**	**0.12**	**-**	-
Travelling Expenses	**0.21**	**0.08**	**-**	-
Sub Total	**0.21**	**0.08**	**-**	-
Share Application Money Received				
Mrs. Amarjit Kaur	-	-	-	-
Mrs. Satinder Kaur	-	-	-	-
Mr. DPS Kohli	-	-	-	-
M/s Bhupinder Singh (HUF)	-	-	-	-
M/s Gurmeet Singh (HUF)	-	-	-	-
Sub Total	-	-	-	-
Total	**3.02**	**1.66**	**35.15**	**-**

Annexure-XV

For the year ended 31.03.2004

Related Party Information:

i) List of Related Parties with whom transactions have taken place and relationships:-

Name of Related Parties	Nature of Relationship	Relationship
M/s CK Retail Holdings	Associate Concerns	Mr. DPS Kohli's HUF Concern
M/s Unitech Fabricators	Associate Concerns	Mr. DPS Kohli's Father's Concern
M/s Preet Fabricators	Associate Concerns	Mr. RPS Kohli's HUF Concern
M/s Bhupinder Singh (HUF)	Associate Concerns	Mr. Bhupinder Singh Sawhney's HUF
M/s Gurmeet Singh (HUF)	Associate Concerns	Mr. Gurmeet Singh Sawhney's HUF
M/s HS Kohli (HUF)	Associate Concerns	Mr. DPS Kohli's Father's HUF
M/s DPS Kohli (HUF)	Associate Concerns	Mr. DPS Kohli's HUF
M/s RPS Kohli (HUF)	Associate Concerns	Mr. RPS Kohli's HUF
Mr. Bhupinder Singh Sawhney	Key Management personnel	Director
Mr. RPS Kohli	Key Management personnel	Director
Mr. Gurmeet Singh Sawhney	Key Management personnel	Director
Mr. DPS Kohli	Key Management personnel	Director
Mr. Banpreet Singh	Relative of Key Management personnel	Mr. DPS Kohli's Son
Mrs. Amarjit Kaur	Relative of Key Management personnel	Mr. DPS Kohli's Wife
Mrs. Amrit Kaur	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Mother
Mr. HS Kohli	Relative of Key Management personnel	Mr. DPS Kohli's Father's
Mrs. Parvinder Kaur	Relative of Key Management personnel	Mr. Gurmeet Singh Sawhney's Wife
Mrs. Ranjit Kaur	Relative of Key Management personnel	Mr. DPS Kohli's Mother
Mrs. Satinder Kaur	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Wife
Mr. Basant Singh	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Father

Note: - Related party relationship is as identified by the Company and relied upon by the auditors

ii) Transactions carried out with the related parties listed above in (i) above, in ordinary course of business:

(Rupees in million)

Nature of Transactions	Key Management Personnel		Others		Associate Concerns		Subsidiary Company	
	As on 31.03.2004	As on 31.03.2003	As on 31.03.2004	As on 31.03.2003	As on 31.03.2004	As on 31.03.2003	As on 31.03.2004	As on 31.03.2003
Loans								
Taken during the year								
Mrs. Amarjit Kaur	-	0.08	1.28	-	-	-	-	-
Mr. Basant Singh	-	-	0.11	-	-	-	-	-
Mr. Bhupinder Singh Sawhney	1.53	0.20		-	-	-	-	-
Mr. DPS Kohli	2.51	0.15		-	-	-	-	-
Mr. Gurmeet Singh Sawhney	0.05	-	0.02	-	-	-	-	
Mrs. Parvinder Kaur	-	-	0.82	0.08	-	-	-	-
M/s RPS Kohli (HUF)	-	-	-	-	0.07	-	-	-
Mr. RPS Kohli	-	-	-	-	0.05	-	-	-
Mrs. Satinder Kaur	-	-	1.02	0.08	-	-	-	-
M/s DPS Kohli (HUF)	-	-	-	-	-	-	-	-
Sub Total	**4.09**	**0.43**	**3.23**	**0.18**	**0.12**	**-**	**-**	**-**
Repaid during the year								
Mrs. Amarjit Kaur	-	-	1.25	-	-	-	-	-
Mrs. Amrit Kaur	-	-	0.27	-	-	-	-	-
Mr. Basant Singh	-	-	0.26	-	-	-	-	-
Mr. Bhupinder Singh	1.73	-	-	-	-	-	-	
M/s Bhupinder Singh (HUF)	-	-	-	-	0.04	-	-	-
Mr. DPS Kohli	2.78	0.25	-	-	-	-	-	
M/s Gurmeet Singh (HUF)	-	-	-	-	0.02	-	-	-
Mr. Gurmeet Singh Sawhney	0.07	-		-	-	-	-	-
Mr. HS Kohli	-	-	0.02	-	-	-	-	-
Mrs. Parvinder Kaur	-	-	0.80	-	-	-	-	-
M/s RPS Kohli (HUF)	-	-	-	-	0.10	-	-	-
Mr. RPS Kohli	-	-	-	-	0.06	-	-	-
Mrs. Satinder Kaur	-	-	1.13	-	-	-	-	-
Sub Total	**4.58**	**0.25**	**3.73**	**-**	**0.22**	**-**	**-**	**-**
Balance for the year ended								
Mrs. Amarjit Kaur	-	0.34	0.37	-	-	-	-	-
Mrs. Amrit Kaur	-	-	-	0.27	-	-	-	-
Mr. Gurmeet Singh Sawhney	-	-	-	0.02	-	-	-	-
Mrs. Parvinder Kaur	-	-	0.38	0.36	-	-	-	-
M/s HS Kohli (HUF)	-	-	-	-	-	-	-	-
M/s Bhupinder Singh (HUF)	-	-	-	-	-	0.04	-	-
Mr. DPS Kohli	-	0.27	-	-	-	-	-	-
M/s DPS Kohli (HUF)	-	-	-	-	-	-	-	-
M/s Gurmeet Singh (HUF)	-	-	-	-	-	0.02	-	-

Nature of Transactions	Key Management Personnel		Others		Associate Concerns		Subsidiary Company	
	As on 31.03.2004	As on 31.03.2003	As on 31.03.2004	As on 31.03.2003	As on 31.03.2004	As on 31.03.2003	As on 31.03.2004	As on 31.03.2003
Mr. HS Kohli	-	-	0.21	-	-	-	-	-
Mrs. Satinder Kaur	-	-	0.37	0.48	-	-	-	-
Mr. RPS Kohli	-	-	-	-	0.05	-	-	-
Mr. Basant Singh	-	-	-	0.15	-	-	-	-
Mr. Bhupinder Singh	0.20	-	-	-	-	-	-	
Sub Total	**-**	**0.81**	**1.33**	**1.28**	**0.05**	**0.06**	-	-
Sundry Debtors								
M/s CK Retail Holdings	-	-	-	-	2.07	4.31	-	-
Sub Total	-	-	-	-	**2.07**	**4.31**	-	-
Sundry Creditors	-	-	-	-	-	-	-	-
Sales								
M/s CK Retail Holdings	-	-	-	-	54.83	30.78	-	-
Sub Total	-	-	-	-	**54.83**	**30.78**	-	-
Purchases (Job Work)								
M/s Preet Fabricators	-	-	-	-	3.81	-	-	-
M/s Unitech Fabricators	-	-	-	-	3.43	-	-	-
Sub Total	-	-	-	-	**7.24**	-	-	-
Expenses								
Payment to & Provisions for Salary								
Mr. Banpreet Singh	-	-	0.11	-	-	-	-	-
Mr. Bhupinder Singh	0.66	0.66	-	-	-	-	-	-
Mr. DPS Kohli	0.66	0.66	-	-	-	-	-	-
Mr. HS Kohli	-	-	0.12	-	-	-	-	-
Mr. Basant Singh	-	-	0.12	0.12	-	-	-	-
Mr. RPS Kohli	0.65	-	-	-	-	-	-	-
Mr. Gurmeet Singh Sawhney	0.63	-	-	-	-	-	-	-
Sub Total	**2.60**	**1.32**	**0.35**	**0.12**	**-**	-	-	-
Traveling Expenses	**0.16**	**0.21**	**0.08**	**0.08**	-	-	-	-
Sub Total	**0.16**	**0.21**	**0.08**	**0.08**	-	-	-	-
Share Application Money Received								
Mrs. Amarjit Kaur	-	-	0.50	-	-	-	-	-
Mrs. Satinder Kaur	-	-	0.50	-	-	-	-	-
Mrs. Parvinder Kaur	-	-	0.50	-	-	-	-	-
Sub Total	-	-	**1.50**	-	-	-	-	-
Total	**11.43**	**3.02**	**8.72**	**1.66**	**64.53**	**35.15**	**-**	**-**

Annexure-XV

For the year ended 31.03.2005

Related Party Information:

i) List of Related Parties with whom transactions have taken place and relationships:-

Name of Related Parties	Nature of Relationship	Relationship
M/s CK Retail Holdings	Associate Concerns	Mr. DPS Kohli's HUF Concern
M/s Bhupinder Singh (HUF)	Associate Concerns	Mr. Bhupinder Singh Sawhney's HUF
M/s Gurmeet Singh (HUF)	Associate Concerns	Mr. Gurmeet Singh Sawhney's HUF
M/s HS Kohli (HUF)	Associate Concerns	Mr. DPS Kohli's Father's HUF
M/s Preet Fabricators	Associate Concerns	Mr. DPS Kohli's Brother's Concern
M/s Unitech Fabricators	Associate Concerns	Mr. DPS Kohli's Father's Concern
M/s DPS Kohli (HUF)	Associate Concerns	Mr. DPS Kohli's HUF
M/s RPS Kohli (HUF)	Associate Concerns	Mr. DPS Kohli's Brother's HUF
Mr. Bhupinder Singh Sawhney	Key Management personnel	Director
Mr. DPS Kohli	Key Management personnel	Director
Mr. Gurmeet Singh Sawhney	Key Management personnel	Director
Mr. RPS Kohli	Relative of Key Management personnel	Mr. DPS Kohli's Brother
Mrs. Amrit Kaur	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Mother
Mr. Basant Singh	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Father
Mr. HS Kohli	Relative of Key Management personnel	Mr. DPS Kohli's Father's
Mr. Banpreet Singh	Relative of Key Management personnel	Mr. DPS Kohli's Son
Mrs. Amarjit Kaur	Relative of Key Management personnel	Mr. DPS Kohli's Wife
Mrs. Parvinder Kaur	Relative of Key Management personnel	Mr. Gurmeet Singh Sawhney's Wife
Mrs. Ranjit Kaur	Relative of Key Management personnel	Mr. DPS Kohli's Mother
Mrs. Satinder Kaur	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Wife

Note: - Related party relationship is as identified by the Company and relied upon by the auditors

ii) Transactions carried out with the related parties listed above in (i) above, in ordinary course of business:

(Rupees in million)

Nature of Transactions	Key Management Personnel		Others		Associate Concerns		Subsidiary Company	
	As on 31.03.2005	As on 31.03.2004	As on 31.03.2005	As on 31.03.2004	As on 31.03.2005	As on 31.03.2004	As on 31.03.2005	As on 31.03.2004
Loans								
Taken during the year								
Mr. Bhupinder Singh Sawhney	3.94	1.53	-	-	-	-	-	-
M/s RPS Kohli (HUF)	-	-	-	-	-	0.07	-	-
Mr. RPS Kohli	-	-	-	-	0.07	0.05	-	-
Mr. Basant Singh	-	-	-	0.11	-	-	-	-
Ms Amarjit Kaur	-	-	-	1.28	-	-	-	-
Mr. DPS Kohli	3.00	2.51	-	-	-	-	-	-
Mr. Gurmeet Singh Sawhney	1.15	0.05	-	-	-	-	-	-
Mrs. Parvinder Kaur	-	-	-	0.82	-	-	-	-
Mrs. Satinder Kaur	-	-	-	1.02	-	-	-	-
Sub Total	**8.09**	**4.09**	**-**	**3.23**	**0.07**	**0.12**	-	-
Repaid during the year								
Mrs. Amarjit Kaur	-	-	0.37	1.25	-	-	-	-
Mrs. Amrit Kaur	-	-	-	0.27	-	-	-	-
Mr. Bhupinder Singh	3.45	1.73	-	-	-	-	-	-
Mr. Basant Singh	-	-	-	0.26	-	-	-	-
M/s Bhupinder Singh (HUF)	-	-	-	-	-	0.04	-	-
Mr. DPS Kohli	3.00	2.78	-	-	-	-	-	-
M/s Gurmeet Singh (HUF)	-	-	-	-	-	0.02	-	-
M/s RPS Kohli (HUF)	-	-	-	-	-	0.10	-	-
Mr. RPS Kohli	-	-	-	-	0.12	0.06	-	-
Mr. Gurmeet Singh Sawhney	1.14	0.07	-	-	-	-	-	-
Mr. HS Kohli	-	-	0.21	0.02	-	-	-	-
Mrs. Parvinder Kaur	-	-	0.38	0.80	-	-	-	-
Mrs. Satinder Kaur	-	-	0.37	1.13	-	-	-	-
Sub Total	**7.59**	**4.58**	**1.33**	**3.73**	**0.12**	**0.22**	-	-
Balance for the year ended								
Mrs. Amarjit Kaur	-	-	-	0.37	-	-	-	-
M/s H.S. Kohli (HUF)	-	-	-	-	-	0.24	-	-
Mr. Bhupinder Singh Sawhney	0.49	-	-	-	-	-	-	-
Mr. DPS Kohli	-	-	-	-	-	-	-	-
Mr. Gurmeet Singh Sawhney	0.01	-	-	-	-	-	-	-
Mr. HS Kohli	-	-	-	0.20	-	-	-	-
Mrs. Satinder Kaur	-	-	-	0.37	-	-	-	-
Mrs. Parvinder Kaur	-	-	-	0.37	-	-	-	-
Sub Total	**0.50**	**-**	**-**	**1.31**	**-**	**0.24**	-	-

Nature of Transactions	Key Management Personnel		Others		Associate Concerns		Subsidiary Company	
	As on 31.03.2005	As on 31.03.2004	As on 31.03.2005	As on 31.03.2004	As on 31.03.2005	As on 31.03.2004	As on 31.03.2005	As on 31.03.2004
Sundry Debtors								
M/s CK Retail Holdings	-	-	-	-	11.52	2.07	-	-
Sub Total	**-**	**-**	**-**	**-**	**11.52**	**2.07**	**-**	**-**
Sundry Creditors	-	-	-	-	-	-	-	-
Sales								
M/s CK Retail Holdings	-	-	-	-	118.90	54.83	-	-
Sub Total	**-**	**-**	**-**	**-**	**118.90**	**54.83**	**-**	**-**
Purchases (Job Work)								
M/s Preet Fabricators	-	-	-	-	-	3.81	-	-
M/s Unitech Fabricators	-	-	-	-	-	3.43	-	-
Sub Total	**-**	**-**	**-**	**-**	**-**	**7.24**	**-**	**-**
Expenses								
Payment to & Provisions for Salary								
Mr. DPS Kohli	1.11	0.66	-	-	-	-	-	-
Mr. Gurmeet Singh Sawhney	1.11	0.63	-	-	-	-	-	-
Mr. Bhupinder Singh Sawhney	1.11	0.66	-	-	-	-	-	-
Mr. RPS Kohli	0.10	0.65	-	-	-	-	-	-
Mr. HS Kohli	-	-	0.08	0.12	-	-	-	-
Mr. Banpreet Singh	-	-	0.12	0.11	-	-	-	-
Mr. Basant Singh	-	-	0.18	0.12	-	-	-	-
Sub Total	**3.43**	**2.60**	**0.38**	**0.35**	**-**	**-**	**-**	**-**
Traveling Expenses	0.69	0.16	-	0.08	-	-	-	-
Sub Total	**0.69**	**0.16**	**-**	**0.08**	**-**	**-**	**-**	**-**
Share Application Money Received								
Mr. DPS Kohli	1.50	-	-	-	-	-	-	-
M/s. DPS Kohli (HUF)	-	-	-	-	1.82	-	-	-
Mrs. Amarjit Kaur	-	-	-	0.50	-	-	-	-
Mrs. Satinder Kaur	-	-	-	0.50	-	-	-	-
Mrs. Parvinder Kaur	-	-	-	0.50	-	-	-	-
Mr. Bhupinder Singh Sawhney	1.50	-	-	-	-	-	-	-
Mr. Gurmeet Singh Sawhney	1.50	-	-	-	-	-	-	-
Sub Total	**4.50**	**-**	**-**	**1.50**	**1.82**	**-**	**-**	**-**
Total	**24.80**	**11.43**	**1.71**	**10.20**	**132.43**	**64.72**	**-**	**-**

Annexure-XV

For the year ended 31.03.2006

Related Party Information:

i) List of Related Parties with whom transactions have taken place and relationships:

Name of Related Parties	Nature of Relationship	Relationship
M/s CK Retail Holdings	Associate Concerns	Mr. DPS Kohli's HUF Concern
M/s Kohli Sons	Associate Concerns	Mr. DPS Kohli's Sister's Concern
Mr. Bhupinder Singh Sawhney	Key Management personnel	Director
Mr. DPS Kohli	Key Management personnel	Director
Mr. Gurmeet Singh Sawhney	Key Management personnel	Director
Mr. RPS Kohli	Relative of Key Management personnel	Mr. DPS Kohli's Brother
Mr. Banpreet Singh	Relative of Key Management personnel	Mr. DPS Kohli's Son
Mr. Prabhjot Singh	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Son
Mrs. Amarjit Kaur	Relative of Key Management personnel	Mr. DPS Kohli's Wife
Mrs. Satinder Kaur	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Wife
Mrs. Parvinder Kaur	Relative of Key Management personnel	Mr. Gurmeet Singh Sawhney's Wife
Mr. Basant Singh	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Father

Note: - Related party relationship is as identified by the Company and relied upon by the auditors

ii) Transactions carried out with the related parties listed above in (i) above, in ordinary course of business:

(Rupees in million)

Nature of Transactions	Key Management Personnel		Others		Associate Concerns		Subsidiary Company	
	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005
Loans								
Taken during the year								
Mr. Bhupinder Singh Sawhney	0.07	3.94	-	-	-	-	-	-
M/s RPS Kohli (HUF)	-	-	-	-	-	-	-	-
Mr. RPS Kohli	-	-	-	-	-	0.07	-	-
Mr. Basant Singh	-	-	-	-	-	-	-	-
Ms Amarjit Kaur	-	-	-	-	-	-	-	-
Mr. DPS Kohli	1.88	3.00	-	-	-	-	-	-
Mr. Gurmeet Singh Sawhney	2.65	1.15	-	-	-	-	-	-
Mrs. Parvinder Kaur	-	-	-	-	-	-	-	-
Mrs. Satinder Kaur	-	-	-	-	-	-	-	-
Sub Total	**4.60**	**8.09**	**-**	**-**	**-**	**0.07**	**-**	**-**
Repaid during the year								
Mrs. Amarjit Kaur	-	-	-	0.37	-	-	-	-
Mrs. Amrit Kaur	-	-	-	-	-	-	-	-
Mr. Bhupinder Singh Sawhney	0.56	3.45	-	-	-	-	-	-
Mr. Basant Singh	-	-	-	-	-	-	-	-
M/s Bhupinder Singh (HUF)	-	-	-	-	-	-	-	-

Nature of Transactions	Key Management Personnel		Others		Associate Concerns		Subsidiary Company	
	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005
Mr. DPS Kohli	1.88	3.00	-	-	-	-	-	-
M/s Gurmeet Singh (HUF)	-	-	-	-	-	-	-	-
M/s RPS Kohli (HUF)	-	-	-	-	-	-	-	-
Mr. RPS Kohli	-	-	-	-	-	0.12	-	-
Mr. Gurmeet Singh Sawhney	2.66	1.14	-	-	-	-	-	-
Mr. HS Kohli	-	-	-	0.21	-	-	-	-
Mrs. Parvinder Kaur	-	-	-	0.38	-	-	-	-
Mrs. Satinder Kaur	-	-	-	0.37	-	-	-	-
Sub Total	**5.10**	**7.59**	**-**	**1.33**	**-**	**0.12**	**-**	**-**
Balance for the year ended								
Mrs. Amarjit Kaur	-	-	-	-	-		-	-
M/s H.S. Kohli (HUF)	-	-	-	-	-	-	-	-
Mr. Bhupinder Singh Sawhney	-	0.49	-	-	-	-	-	-
Mr. DPS Kohli	-	-	-	-	-	-	-	-
Mr. Gurmeet Singh Sawhney	-	0.01	-	-	-	-	-	-
Mr. HS Kohli	-	-	-	-	-	-	-	-
Mrs. Satinder Kaur	-	-	-	-	-	-	-	-
Mrs. Parvinder Kaur	-	-	-	-	-	-	-	-
Sub Total	**-**	**0.50**	**-**	**-**	**-**	**-**	**-**	**-**
Sundry Debtors								
M/s CK Retail Holdings	-	-	-	-	**19.33**	11.52	-	-
Sub Total	**-**	**-**	**-**	**-**	**19.33**	**11.52**	**-**	**-**
Sundry Creditors	-	-	-	-	**-**	-	-	-
Sales								
M/s Ck Retail Holdings	-	-	-	-	227.19	118.90	-	-
Sub Total	**-**	**-**	**-**	**-**	**227.19**	**118.90**	**-**	**-**
Purchases	-	-	-	-	-	-	-	-
Expenses								
Services rendered (Commission)								
M/s Kohli Sons	-	-	-	-	0.44	-	-	-
Sub Total	**-**	**-**	**-**	**-**	**0.44**	**-**	**-**	**-**
Rent								
Mrs. Amarjit Kaur	-	-	1.73	-	-	-	-	-
Mrs. Satinder Kaur	-	-	1.73	-	-	-	-	-
Mrs. Parvinder Kaur	-	-	1.73	-	-	-	-	-
Sub Total	**-**	**-**	**5.19**	**-**	**-**	**-**	**-**	**-**
Payment to & Provisions for Salary								
Mr. Banpreet Singh	-	-	0.20	0.12	-	-	-	-
Mr. Prabhjot Singh	-	-	0.16	-	-	-	-	-
Mr. Basant Singh	-	-	0.24	0.18	-	-	-	-
Mr. HS Kohli	-	-	-	0.08	-	-	-	-
Mr. DPS Kohli	4.39	1.11	-	-	-	-	-	-

Nature of Transactions	Key Management Personnel		Others		Associate Concerns		Subsidiary Company	
	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005
Mr. Gurmeet Singh Sawhney	4.39	1.11	-	-	-	-	-	-
Mr. Bhupinder Singh Sawhney	4.39	1.11	-	-	-	-	-	-
Mr. RPS Kohli	-	0.10	-	-	-	-	-	-
Sub Total	**13.17**	**3.43**	**0.60**	**0.38**	**-**	**-**	**-**	**-**
Travelling Expenses	0.84	0.69	-	-	-	-	-	-
Sub Total	**0.84**	**0.69**	**-**	**-**	**-**	**-**	**-**	**-**
Share Application Money Received								
Mr. Gurmeet Singh Sawhney	0.01	1.50	-	-	-	-	-	-
Mr. DPS Kohli	-	1.50	-	-	-	-	-	-
Mr. Bhupinder Singh Sawhney	-	1.50	-	-	-	-	-	-
M/s. DPS Kohli (HUF)	-	-	-	-	-	1.82	-	-
Sub Total	**0.01**	**4.50**	**-**	-	**-**	**1.82**	-	-
Security Deposit Paid								
Mrs. Amarjit Kaur	-	-	3.60	-	-	-	-	-
Mrs. Satinder Kaur	-	-	3.60	-	-	-	-	-
Mrs. Parvinder Kaur	-	-	3.60	-	-	-	-	-
Sub Total	-	-	**10.80**	-	-	-	-	-
Total	**23.72**	**24.80**	**16.59**	**1.71**	**246.96**	**132.43**	-	-

Annexure-XV

For the year ended 31.03.2007

Related Party Information:

Name of Related Parties	Nature of Relationship	Relationship
M/s CK Retail Holdings	Associate Concerns	Mr. DPS Kohli's HUF Concern
M/s Kohli Sons	Associate Concerns	Mr. DPS Kohli's Sister's Concern
Mr. Bhupinder Singh Sawhney	Key Management personnel	Director
Mr. DPS Kohli	Key Management personnel	Director
Mr. Gurmeet Singh Sawhney	Key Management personnel	Director
Mr. Kailash Chand Sharma	Key Management personnel	Director
Mr. Banpreet Singh	Relative of Key Management personnel	Mr. DPS Kohli's Son
Mr. Prabhjot Singh	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Son
Mrs. Amarjit Kaur	Relative of Key Management personnel	Mr. DPS Kohli's Wife
Mrs. Satinder Kaur	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Wife
Mrs. Parvinder Kaur	Relative of Key Management personnel	Mr. Gurmeet Singh Sawhney's Wife
Mr. Basant Singh	Relative of Key Management personnel	Mr. Bhupinder Singh Sawhney's Father

i) List of Related Parties with whom transactions have taken place and relationships:-

Note: - Related party relationship is as identified by the Company and relied upon by the auditors.

ii) Transactions carried out with the related parties listed above in (i) above, in ordinary course of business.

(Rupees in million)

Nature of Transactions	Key Management Personnel		Others		Associate Concerns		Subsidiary Company	
	As on 31.01.2007	As on 31.03.2006	As on 31.01.2007	As on 31.03.2006	As on 31.01.2007	As on 31.03.2006	As on 31.01.2007	As on 31.03.2006
Loans								
Taken during the period								
Mr. Bhupinder Singh Sawhney	0.94	0.07	-	-	-	-	-	-
Mr. DPS Kohli	1.00	1.88	-	-	-	-	-	-
Mr. Gurmeet Singh Sawhney	0.85	2.65	-	-	-	-	-	-
Sub Total	**2.79**	**4.60**	**-**	**-**	**-**	**-**	**-**	**-**
Repaid during the period								
Mr. Bhupinder Singh Sawhney	0.94	0.56	-	-	-	-	-	-
Mr. DPS Kohli	1.00	1.88	-	-	-	-	-	-
Mr. Gurmeet Singh Sawhney	0.85	2.66	-	-	-	-	-	-
Sub Total	**2.79**	**5.10**	**-**	**-**	**-**	**-**	**-**	**-**
Balance for the period ended	-	-	-	-	-	-	-	-
Sundry Debtors								
M/s CK Retail Holdings	-	-	-	-	20.85	19.33	-	-
M/s Kohli Sons	-	-	-	-	1.38	-	-	-
Sub Total	-	-	-	-	**22.23**	**19.33**	-	-

(Rupees in million)

Nature of Transactions	Key Management Personnel		Others		Associate Concerns		Subsidiary Company	
	As on 31.01.2007	As on 31.03.2006	As on 31.01.2007	As on 31.03.2006	As on 31.01.2007	As on 31.03.2006	As on 31.01.2007	As on 31.03.2006
Sundry Creditors	-	-	-	-	-	-	-	-
Sales								
M/s CK Retail Holdings	-	-	-	-	-	227.19	-	-
Sub Total	**-**	**-**	**-**	**-**	**-**	**227.19**	**-**	**-**
Purchases	-	-	-	-	-	-	-	-
Expenses								
Services rendered (Commission)								
M/s Kohli Sons	-	-	-	-	2.63	0.44	-	-
Sub Total	-	-	-	-	**2.63**	**0.44**	-	-
Rent								
Mrs. Amarjit Kaur	-	-	2.40	1.73	-	-	-	-
Mrs. Satinder Kaur	-	-	2.40	1.73	-	-	-	-
Mrs. Parvinder Kaur	-	-	2.40	1.73	-	-	-	-
Sub Total	-	-	**7.20**	**5.19**	-	-	-	-
Payment to & Provisions for Salary								
Mr. Banpreet Singh	-	-	0.02	0.20	-	-	-	-
Mr. Prabhjot Singh	-	-	0.02	0.16	-	-	-	-
Mr. Basant Singh	-	-	0.24	0.24	-	-	-	-
Mr. DPS Kohli	7.43	4.39	-	-	-	-	-	-
Mr. Gurmeet Singh Sawhney	7.43	4.39	-	-	-	-	-	-
Mr. Bhupinder Singh Sawhney	7.43	4.39	-	-	-	-	-	-
Mr. Kailash Chand Sharma	0.36	-	-	-	-	-	-	-
Sub Total	**22.64**	**13.17**	**0.28**	**0.60**	**-**	-	-	-
Travelling Expenses	2.94	0.84	-	-	-	-	-	-
Sub Total	**2.94**	**0.84**	-	-	-	-	-	-
Share Application Money Received								
Mr. Gurmeet Singh Sawhney	-	0.01	-	-	-	-	-	-
Sub Total	-	**0.01**	-	-	-	-	-	-
Security Deposit Paid								
Mrs. Amarjit Kaur	-	-	4.63	3.60	-	-	-	-
Mrs. Satinder Kaur	-	-	4.63	3.60	-	-	-	-
Mrs. Parvinder Kaur	-	-	4.63	3.60	-	-	-	-
Sub Total	-	-	**13.90**	**10.80**	-	-	-	-
Total	**31.16**	**23.72**	**21.38**	**16.59**	**24.86**	**246.96**	**-**	**-**

Annexure - XVI

STATEMENT OF RESTATED ACCOUNTING RATIOS

For the year ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Weighted average number of equity shares of Rs. 10/- each					
i) Number of Shares at the beginning of the year	989,430	989,430	989,430	4,739,430	4,990,000
ii) Number of Shares at the end of the year	989,430	989,430	4,739,430	4,990,000	27,343,500
iii) Weighted average number of Outstanding Equity Shares	17,809,740	17,809,740	17,819,378	21,703,793	24,248,832
iv) Share Application Money (Rs.)	3,550,000	3,550,000	1,050,000	-	-
v) Weighted average number of Outstanding Equity Shares (Diluted)	17,964,343	22,742,480	22,733,440	22,121,984	24,248,832
Net Profit after tax available for Equity Shareholders (Rs.)	4,313,288.85	8,821,646.42	19,300,425.68	131,974,988.63	344,873,566.35
Basic Earning Per Share (EPS) (Rs)	0.24	0.50	1.08	6.08	14.22
Dilutive Earning Per Share (EPS) (Rs)	0.24	0.39	0.95	5.97	14.22
Return on Net Worth (%)	13.00%	20.93%	28.95%	65.90%	21.20%
Net Asset Value Per Share (Rs)	33.54	42.60	14.07	40.14	59.49

Formulae.

The Ratios have been computed as below:-

1. Earning per share (EPS) is calculated after adjusting for 2968290, 2495000 & 18229000 bonus shares issued, vide resolution passed at the extra-ordinary general meeting held on 11.03.2005, 06.06.2006 & 30.01.2007 respectively and allotted on 30.03.2005, 09.06.2006 and 14.02.2007 respectively with retrospective effect as provided in Accounting Standard (AS -20) – Earning Per Share.

Earning Per Share(Basic):

$$\frac{\text{Net profit attributable to Equity Shareholders}}{\text{Weighted Average number of Equity Shares outstanding during the year}}$$

Earning Per Share(Diluted):

$$\frac{\text{Net profit attributable to Equity Shareholders}}{\text{Weighted Average number of Diluted Equity Shares outstanding during the year}}$$

Return On Net worth (%):

$$\frac{\text{Net Profit After Tax}}{\text{Net Worth at the end of the year}}$$

Net Asset Value per Share (Rs.):

$$\frac{\text{Net Worth at the end of the year}}{\text{Equity Share outstanding during the year}}$$

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our audited financial statements (as restated) for the last four financial years ended on March 31, 2007, including the notes thereto and the reports thereon, beginning on page 113 of this Red Herring Prospectus. You are also advised to read the section titled "Risk Factors" beginning on page xi of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. The Financial Statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and restated as described in the Auditors' Report of M/s. R. Chadha & Associates, Chartered Accountants dated August 03, 2007.

The following discussion is based on our restated financial statements for the three financial years ended March 31, 2007 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and on information available from other sources. Our fiscal year ends on March 31 of each year, so all references to a particular year are to the twelve- month period ended on March 31 of that year. Our historical financial performance may not be considered as indicative of future financial performance.

Overview

We are an integrated apparel manufacturing and retail company in India. We are in the business of designing, manufacturing and retailing apparel under the "*Koutons*" and "*Charlie Outlaw*" brands through a network of 999 exclusive brand outlets (as of August 20, 2007) across India.

We are focused on providing a complete men's wear range including apparel like denim and non-denim trousers, formal and casual shirts, t-shirts, suits, blazers, sweat shirts, cargos in the middle to high fashion segment, predominantly through our network of EBOs. We are also introducing a line of women's apparel under the "Les Femme" brand and introducing a brand "Koutons Junior" which is targeted at children.

Income

Our total income comprises income from operations, which includes:

- income from sale of finished apparel (manufactured and outsourced);
- other income, which mostly comprises interest income;

Sale of finished apparel

We are in the business of designing, manufacturing and retailing of apparel under the "*Koutons*" and "*Charlie Outlaw*" brands. A major portion of our apparel garments are manufactured at our in-house plants, spread across various locations in and around Gurgaon in Haryana, India, with the remaining garments and accessories being outsourced. For consignment sales, sales are recognised after the receipt of sales report from the respective consignee agents to customers. In case of few stores, sales are recognised when goods are delivered to the store, which coincide with the transfer of risk and rewards of ownership of goods.

Other Income

Other income includes income from, among other things, interest earned from securities / bank deposits, interest charged from debtors/ franchisee, duty drawback, forex rate fluctuation. Some of these incomes may be recurring in nature.

Expenditure

Our total expenditure is accounted for under the following heads:

Materials consumed, manufacturing expenses and cost of goods sold

Materials consumed, manufacturing expenses and cost of goods sold consists of the costs incurred in procuring raw materials, purchase of finished goods, costs of goods consumed, which, apart from the general manufacturing cost includes washing, fabrication, finishing expenses of apparel; stores, spares and packing material consumed; machinery maintenance and freight on material purchased, used in relation to production of finished apparel.

Payment to and provision for employees

Our payment to and provision for employees comprises salaries, wages, allowances, bonuses, retrenchment benefits, production incentives paid to staffs/workers other than contribution to staff provident funds and other staff welfare expenses like gratuity and leave encashment.

Administrative and general expenses

Our administrative and general expenses relate to expenses incurred for general administration. These include, among other things, directors' remuneration, office electricity charges, travel, insurance, rent, security, conveyance, entertainment/hospitality expenses and the costs of maintaining vehicles, legal/professional charges and auditor fees, provision for bad debt and other miscellaneous expenses.

Selling expenses

Our selling expenses relate to the cost of business promotion, travel, freight, consignment charges, the costs of advertisement and publicity for our stores, commission to franchisees and reimbursement of few expenses like rent, postage/courier, telephone, water/electricity expenses to franchisees.

Interest and financial charges

The finance charges incurred by us include interest charges payable by us for short term and long term loans including working capital loans, interest on the security deposited by franchisees and financial charges like processing fees for loans and bank guarantees.

Miscellaneous expenditure written off

Miscellaneous expenditure written off includes preliminary and deferred expenditure including pre-incorporation expenses, gallery formation expenses, factory license renewal fees, Trade Mark renewal fees and rent paid for factories during the period of setting up of machines (i.e. before the actual date of commencement of production).

Depreciation

This includes depreciation of building, plant and machinery, furniture, fixtures, motor vehicles, computers and certain other items used in factory, offices, retail stores. Depreciation on fixed assets has been provided on written down value method at the rate prescribed under Schedule XIV of the Companies Act, 1956.

Taxation

Income taxes are accounted for in accordance with AS-22 issued by the ICAI on "Accounting for Taxes on Income". Taxes comprise current tax, deferred tax and fringe benefit tax.

Deferred taxes arise from timing differences between our book profits and our taxable profits that originate during an accounting period. Deferred taxes are measured using the tax rates and laws that have been enacted as of the date of financial statements in which they are recorded. We provide for deferred tax liability/assets on such timing differences subject to prudent considerations. Significant sources of deferred tax liabilities and assets include: (a) the timing difference in recording depreciation under Indian GAAP and under the Income Tax Act, 1961 and (b) the inadmissibility of provisions of the Income Tax Act, 1961.

Factors Affecting Results of Operations

Demand for our products

The sales volumes and prices for our apparel are influenced by the demand for these products in the domestic market. Demand for our products is influenced by factors such as quality of our products, fashion trends, consumer preferences, competition, pricing and sales promotion and the macroeconomic and retail environment in the markets of our operation. Changes in consumer preferences may change our product mix from period to period, which may impact our revenues and margins. The demand for our products and the consumer mix is dependent upon the economic situation and level of consumer spending, each of which has experienced increasing growth in the recent past.

Brand Image

The strength of our brand *"Koutons"* has significantly contributed to the success of our business. If we are unable to respond in a timely and appropriate manner to changing consumer demand, our brand name and brand image may be impaired.

Managing Franchisee relationships

Currently we depend substantially upon franchisees for the sales of our products. There can be no assurance that we or these third parties will be able to establish or maintain adequate sales capabilities. If we are unable to maintain our relationships with our franchisees, then our ability to generate revenues through the sale of our products could be negatively impacted.

Competition and pricing pressures

Like any other apparel manufacturer, our business performance is subject to competition and pricing pressures. This assumes increased importance in recent times with the market witnessing a number of brands entering the market. We believe our extensive manufacturing facilities allow us to enhance our competitiveness and service capabilities to our customers, resulting in customer growth. Our continuing ability 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.

Growth of Exclusive Brand Outlets

Success of any retail business lies in identifying the best possible location at the most optimal cost. Our Company has to compete with large branded apparel retailers to book locations for our exclusive brand outlets on a continuous basis. We believe that being a company with a pan India presence, we have an edge on our competitors in taking up suitable locations for our retail operations. Inability to book/find appropriate locations may impact our results of operation.

Price and availability of raw materials

We rely on third-party suppliers for fabric and consumables. Our raw material requirements include finished fabric, accessories and trims such as fasteners, buttons, labels, and other consumables. Fluctuations in the price, availability and quality of the fabrics or other raw materials used by us in our manufactured apparel could have a material adverse effect on our cost of sales or our ability to meet our customers' demands.

Working Capital intensity

Apparel retailing in India is highly working capital intensive. Ours being a backwardly integrated company (manufacturing and retailing), the working capital requirement, particularly inventory level requirements are relatively much higher. This can lead to significant drain on the cash flows of the company which in turn can affect the growth and/or profitability of the company.

Internal control and systems

Our Company has been growing at a rapid pace over the recent period. Managing this growth will require adequate internal control and systems. Lack of such adequate controls and systems can hamper the growth of the company.

Some of the other factors that may affect our business include potential labour disruptions, stability of economic policies and the political situation in India, changes in management, etc. For more information on these and other factors/ developments which have or may affect us, see "Risk Factors", "Industry Overview" and "Our Business" beginning on pages xi, 59 and 68, respectively of this Red Herring Prospectus. For a description of the significant accounting policies followed by our Company please refer to the section titled "Financial Statements - Significant Accounting Policies" beginning on page 119 of this Red Herring Prospectus.

Results of Operations

The following table sets forth for the periods indicated, certain items derived from our restated consolidated financial statements, in each case stated in absolute terms and as a percentage of total income. Amounts have been rounded to ensure percentages total to 100% as appropriate.

(Rupees in million)

Particulars	Fiscal 2007		Fiscal 2006		Fiscal 2005		Fiscal 2004	
	Amount	% of Total Income	Amount	% of Total Income	Amount	% of Total Income	Amount	% of Total Income
INCOME								
Of products traded by the Company	603.6	15.0%	174.18	11.0%	46.36	8.0%	27.96	8.8%
Of Products manufactured by the Company	3,420.37	84.7%	1,409.26	89.0%	533.09	91.7%	282.71	89.0%
Other Income	12.20	0.3%	0.41	0.0%	2.01	0.3%	6.86	2.2%
Total Income (A)	**4,036.17**	**100.0%**	**1,583.85**	**100.0%**	**581.46**	**100.0%**	**317.53**	**100.0%**
EXPENDITURE								
Materials consumed, Manufacturing expenses & Cost of Goods sold	2,163.14	53.6%	922.43	58.2%	375.66	64.6%	207.55	65.4%
Payment to & Provision for Employees	76.20	1.9%	31.86	2.0%	22.64	3.9%	10.55	3.3%
Administrative & General expenses	86.23	2.2%	41.34	2.6%	18.15	3.1%	12.04	3.8%
Selling expenses	993.91	24.6%	332.01	21.0%	114.71	19.7%	58.21	18.3%
Interest & Financial charges	149.06	3.7%	34.37	2.2%	15.52	2.7%	13.83	4.4%
Miscellaneous expenditure written off	1.84	0.0%	0.05	0.0%	0.04	0.0%	0.02	0.0%
Total Expenditure (B)	**3,470.38**	**86.0%**	**1,362.06**	**86.0%**	**546.72**	**94.0%**	**302.20**	**95.2%**
Net Profit Before Tax, Depreciation and Prior Period Items (A-B)	**565.79**	**14.0%**	**221.79**	**14.0%**	**34.74**	**6.0%**	**15.33**	**4.8%**
Depreciation	39.67	1.0%	10.36	0.7%	4.24	0.7%	3.72	1.2%
Profit before tax	**526.12**	**13.0%**	**211.43**	**13.3%**	**30.50**	**5.3%**	**11.61**	**3.6%**
Income Tax Provision	161.95	4.0%	75.17	4.7%	10.97	1.9%	2.67	0.8%
Tax Paid/Provisions Written back for the previous years	0.00	0.0%	0.57	0.0%	0.00	0.0%	0.00	0.0%
Deferred Tax Liabilities	17.27	0.4%	2.14	0.1%	0.24	0.0%	0.12	0.0%
FBT Provision	2.03	0.1%	1.57	0.1%	0.00	0.0%	0.00	0.0%
Net Profit after tax	**344.87**	**8.5%**	**131.98**	**8.4%**	**19.29**	**3.4%**	**8.82**	**2.8%**

COMPARISON OF FISCAL 2007 AND FISCAL 2006

Income

Our total income, comprising of sales and other income, increased by 154.8% from Rs. 1,583.85 million in fiscal 2006 to Rs. 4,036.17 million in fiscal 2007. Sales registered strong growth, primarily due to an expansion in the number of franchisee outlets from 206 in fiscal 2006 to 687 in fiscal 2007.

Other income increased by 2875.6% to Rs. 12.20 million in fiscal 2007 from Rs. 0.41 million in fiscal 2006. This was primarily due to income from exchange rate fluctuations.

Expenditure

Our total expenditure, comprising of materials consumed, manufacturing expenses and cost of goods sold, payment to and provision for employees, administrative and general expenses, selling expenses, interest and financial charges and miscellaneous costs, increased by 154.8% to Rs. 3,470.38 million in fiscal 2007 from Rs. 1,362.06 million in fiscal 2006. Total expenditure as a percentage of sales was 86.0% in fiscal 2007 and fiscal 2006.

Materials consumed, manufacturing expenses and cost of goods sold

Our materials consumed, manufacturing expenses and cost of goods sold increased by 134.5 % from Rs. 922.43 million in fiscal 2006 to Rs. 2,163.14 million in fiscal 2007. This was primarily due to a proportional increase in sales.

As a percentage of total income, our materials consumed, manufacturing expenses and cost of goods sold decreased to 53.6% of total income in fiscal 2007 from 58.2% of total income in fiscal 2006. Materials consumed increased 183.0% from Rs. 826.11 million in fiscal 2006 to Rs. 2,337.64 million in fiscal 2007. Manufacturing expenses increased by 547.2% from Rs. 242.63 million in fiscal 2006 million to Rs. 1,570.32 million in fiscal 2007 due to a proportionate increase in production.

Payment to and provision for employees

Our payment to and provision for employees increased by 139.2% to Rs. 76.20 million in fiscal 2007 from Rs. 31.86 million in fiscal 2006, primarily due to an expansion in the number of our production facilities and increase in salaries of our staff in line with industry norms. The staff strength increased by 74.72% from 356 employees as of March 31, 2006 to 622 employees as of March 31, 2007. The number of factories and warehouses increased to 27 in fiscal 2007 from 14 in fiscal 2006. As a percentage of our total income, our payment to and provision for employees decreased to 1.9% in fiscal 2007 from 2.0% in fiscal 2006.

Administrative and general expenses

Our administrative and general expenses increased by 108.59 % to Rs. 86.23 million in fiscal 2007 from Rs. 41.34 million in fiscal 2006. The increase in administrative and general expenses was driven by an increase in the size of our operations. As a percentage of total income, our administrative expenses decreased to 2.1% of total income in fiscal 2007 from 2.6% of total income in fiscal 2006.

Selling and Distribution expenses

Our selling and distribution expenses increased by 199.4% to Rs. 993.91 million in fiscal 2007 from Rs. 332.01 million in fiscal 2006. Advertisement and publicity expenses which formed 31.4% of our selling and distribution expenses in fiscal 2007, increased by 148.6% from Rs. 125.36 million in 2006 to Rs. 311.65 million in 2007.

The increase in the selling cost was due to a conscious effort on the part of the management to aggressively promote our brands "*Koutons*" and *"Charlie Outlaw"* and follow an accelerated store expansion strategy to increase penetration. The increase in the number of stores to 687 in fiscal 2007 from 206 in fiscal 2006 and growth in total income to Rs. 4,036.17 million in fiscal 2007 from Rs. 1583.85 million in fiscal 2006, resulted in an increase in commission paid by 252.47% from Rs.118.09 million in fiscal 2006 to Rs.416.24 million in fiscal 2007. As a percentage of total income, selling expenses increased to 24.6% of total income in fiscal 2007 from 21.0 % of total income in fiscal 2006.

Interest and financial charges

Our interest and financial charges increased by 333.7% to Rs. 149.06 million in fiscal 2007 from Rs. 34.37 million in fiscal 2006. As a percentage of total income, our interest and financial charges increased from 2.2 % of total income in fiscal 2006 to 3.7% of total income in fiscal 2007. Total debt increased 308.6 % from Rs. 512.58 million as of March 31, 2006 to Rs. 2,094.30 million as of March 31, 2007. This increase was mainly due to an increase in the amount of working capital loan from 282.41 million as of March 31, 2006 to Rs. 1,522.82 million as of March 31, 2007.

Depreciation

Depreciation increased by 282.9% to Rs. 39.67 million in fiscal 2007 from Rs. 10.36 million in fiscal 2006. The increase was due to an addition of Rs 368.90 million of fixed assets in the form of mostly plant and machinery, office vehicles, computers and furniture-fixtures during fiscal 2007. Depreciation as a percentage of gross block increased to 7.8% in fiscal 2007 from 7.6% in fiscal 2006.

Profit before tax

As a result of the foregoing, our profit before tax increased by 148.8% to Rs. 526.12 million in fiscal 2007 from Rs. 211.43 million in fiscal 2006. Our profit before tax as a percentage of total income decreased to 13.0% in fiscal 2007 from 13.3% in fiscal 2006.

Provision for tax (including Deferred tax and Fringe Benefit Tax)

Our provision for tax liabilities increased by 128.1% to Rs. 181.25 million in fiscal 2007 from Rs. 79.45 million in fiscal 2006. This is on account of increased sales and profitability.

Net Profit

As a result of the foregoing, our net profit after tax increased by 161.3% to Rs. 344.87 million in fiscal 2007 from Rs. 131.98 million in fiscal 2006. As a percentage of total income, the net profit increased to 8.5 % in fiscal 2007 from 8.4% in fiscal 2006.

COMPARISON OF FISCAL 2006 AND FISCAL 2005

Income

In fiscal 2006, we changed our accounting policy with respect to the recording of sales. Till fiscal 2005, we used to record sales at the maximum retail price and the difference between the maximum retail price and realised value was booked as discounts in the profit and loss account. In fiscal 2006, this policy was changed and sales were recorded at realised value. Accordingly, sales for all corresponding years have been restated at the net realised value.

Our total income, comprising of sales and other income, increased by 172.4% to Rs. 1,583.85 million in fiscal 2006 from Rs. 581.46 million in fiscal 2005. Sales registered strong growth, primarily due to an expansion in the number of franchisee outlets from 74 in fiscal 2005 to 206 in fiscal 2006.

Other income decreased by 79.6% to Rs. 0.41 million in fiscal 2006 from Rs. 2.01 million in fiscal 2005. This was primarily due to the withdrawal of duty drawback which amounted to Rs. 1.48 million in fiscal 2005.

Expenditure

Our total expenditure comprising of materials consumed, manufacturing expenses and cost of goods sold, payment to and provision for employees, administrative and general expenses, selling expenses, interest and financial charges and miscellaneous costs increased by 149.1% to Rs. 1,362.06 million in fiscal 2006 from Rs. 546.72 million in fiscal 2005. Total expenditure as a percentage of sales decreased to 86.0% in fiscal 2006 from 94.0 % in fiscal 2005. This was due to enhanced economies of scale and streamlining of the procurement process.

Materials consumed, manufacturing expenses and cost of goods sold

Our materials consumed, manufacturing expenses and cost of goods sold increased by 145.5 % from Rs. 375.66 million in fiscal 2005 to Rs. 922.43 million in fiscal 2006. This was primarily due to a proportional increase in sales.

As a percentage of total income, our materials consumed, manufacturing expenses and cost of goods sold decreased to 58.2% of total income in fiscal 2006 from 64.6% of total income in fiscal 2005. Materials consumed increased by 228.5% from Rs. 251.48 million in fiscal 2005 to Rs. 826.11 million in fiscal 2006. Finished goods consumed increased by 451.9% from Rs. 25.24 million in fiscal 2005 to Rs. 139.30 million in fiscal 2006. Manufacturing expenses increased by 110.2% from Rs. 120.21 in fiscal 2005 million to Rs. 252.74 million in fiscal 2006.

Payment to and provision for employees

Our payment to and provision for employees increased by 40.7 % to Rs. 31.86 million in fiscal 2006 from Rs. 22.64 million in fiscal 2005, primarily due to an expansion in the number of our production facilities and increase in salaries of our staff in line with industry norms. The staff strength increased by 12.7% from 316 employees as of March 31, 2005 to 356 employees as of March 31, 2006. The number of factories and warehouses increased to 14 in fiscal 2006 from three in fiscal 2005. As a percentage of our total income, our payment to and provision for employees decreased to 2.0% in fiscal 2006 from 3.9% in fiscal 2005.

Administrative and general expenses

Our administrative and general expenses increased by 127.8 % to Rs. 41.34 million in fiscal 2006 from Rs. 18.15 million in fiscal 2005. The increase in administrative and general expenses was driven by an increase in the size of our operations. As a percentage of total income, our administrative expenses decreased to 2.6% of total income in fiscal 2006 from 3.1% of total income in fiscal 2005.

Selling expenses

Our selling expenses increased by 189.4% to Rs. 332.01 million in fiscal 2006 from Rs. 114.71 million in fiscal 2005. Advertisement and publicity expenses increased 313.9 % from Rs. 30.29 million in fiscal 2005 to Rs. 125.36 million in fiscal 2006.

The increase in the selling cost was due to a conscious effort on the part of the management to aggressively promote our brands "*Koutons*" and follow an accelerated store expansion strategy to increase penetration. As a percentage of total income, selling expenses increased to 21.0% of total income in fiscal 2006 from 19.7% of total income in fiscal 2005.

Interest and financial charges

Our interest and financial charges increased by 121.5 % to Rs. 34.37 million in fiscal 2006 from Rs. 15.52 million in fiscal 2005. As a percentage of total income, our interest and financial charges decreased from 2.7% of total income in fiscal 2005 to 2.2% of total income in fiscal 2006. Total debt increased by 193.2 % from Rs. 174.81 million as of March 31, 2005 to Rs. 512.58 million as of March 31, 2006.

Depreciation

Depreciation increased by 144.3% to Rs. 10.36 million in fiscal 2006 from Rs. 4.24 million in fiscal 2005. The increase was due to addition of Rs 85.20 million of fixed assets in the form of mostly plant and machinery, office vehicles, computers and furniture-fixtures. Depreciation as a percentage of gross block decreased to 7.6 % in fiscal 2006 from 8.2 % in fiscal 2005.

Profit before tax

As a result of the foregoing, our profit before tax increased by 593.2 % to Rs. 211.43 million in fiscal 2006 from Rs. 30.50 million in fiscal 2005. Our profit before tax as a percentage of total income increased to 13.3 % in fiscal 2006 from 5.3% in fiscal 2005.

Provision for tax (including Deferred tax and Fringe Benefit Tax)

Our provision for tax liabilities increased by 608.74 % to Rs. 79.45 million in fiscal 2006 from Rs. 11.21 million in fiscal 2005. This was on account of increased sales and profitability.

Net Profit

As a result of the foregoing, our net profit after tax increased by 584.2 % to Rs. 131.98 million in fiscal 2006 from Rs. 19.29 million in fiscal 2005. As a percentage of total income, the net profit increased to 8.4 % in fiscal 2006 from 3.4% in fiscal 2005.

COMPARISON OF FISCAL 2005 AND FISCAL 2004

Income

Our total income comprising sales and other income, increased by 83.1 % to Rs. 581.46 million in fiscal 2005 from Rs. 317.53 million in fiscal 2004. This was primarily due to improved sales on account of an increase in our network of franchisee outlets from 27 in fiscal 2004 to 74 in fiscal 2005.

Other income decreased to Rs. 2.01 million in fiscal 2005 from Rs. 6.86 million in fiscal 2004.

Expenditure

Our total expenditure increased by 80.9 % to Rs. 546.72 million in fiscal 2005 from Rs. 302.20 million in fiscal 2004. This was primarily due to increase in materials consumed, manufacturing expenses and cost of goods sold commensurate with the increase in sales.

Materials consumed, manufacturing expenses and cost of goods sold

Our materials consumed, manufacturing expenses and cost of goods sold increased by 81.0 % from Rs. 207.55 million in fiscal 2004 to Rs. 375.66 million in fiscal 2005. This was primarily due to increased sales with the expansion in our store network. As a percentage of total income, our materials consumed, manufacturing expenses and cost of goods sold decreased to 64.6 % of total income in fiscal 2005 from 65.4 % of total income in fiscal 2004. Such decrease in materials consumed, manufacturing expenses and cost of goods sold resulted from the economies in scale of production.

Materials consumed increased by 137.7 % from Rs. 105.78 million in fiscal 2004 to Rs. 251.48 million in fiscal 2005. Manufacturing expenses increased by 15.81% from Rs. 103.80 million in fiscal 2004 to Rs. 120.21 million in fiscal 2005. Finished goods purchased increased by 35.7% from Rs. 18.60 million in fiscal 2004 to Rs. 25.24 million in fiscal 2005.

Payment to and provision for employees

Our payment to and provision for employees increased by 114.6 % to Rs. 22.64 million in fiscal 2005 from Rs. 10.55 million in fiscal 2004. This is due to increase in the size of operations. The staff strength increased by 14.9 % from 275 employees as of March 31, 2004 to 316 employees as of March 31, 2005. As a percentage of our total income, our payment to and provision for employees increased to 3.9 % in fiscal 2005 from 3.3 % in fiscal 2004.

Administrative and general expenses

Our administrative and general expenses increased by 50.7 % to Rs. 18.15 million in fiscal 2005 from Rs. 12.04 million in fiscal 2004. As a percentage of total income, our administrative expenses decreased to 3.1 % of total income in fiscal 2005 from 3.8 % of total income in fiscal 2004.

Selling expenses

Our selling expenses increased by 97.1 % to Rs. 114.71 million in fiscal 2005 from Rs. 58.21 million in fiscal 2004. As a percentage of our total income, our selling cost increased to 19.7 % in fiscal 2005 from 18.3% in fiscal 2004. Advertisement and publicity expenses increased by 147.9 % from Rs. 12.22 million in fiscal 2004 to Rs. 30.29 million in fiscal 2005.

Interest and Financial charges

Our interest and financial charges increased by 12.2% to Rs. 15.52 million in fiscal 2005 from Rs. 13.83 million in fiscal 2004. As a percentage of total income, our interest and financial charges decreased from 4.4 % of total income in fiscal 2004 to 2.7% of total income in fiscal 2005. Total debt increased by 50.1% from Rs. 116.47 million as of March 31, 2004 to Rs. 174.81 million as of March 31, 2005.

Depreciation

Depreciation increased by 14.0 % to Rs. 4.24 million in fiscal 2005 from Rs. 3.72 million in fiscal 2004. The increase was due to 41.7 % increase in gross block from Rs. 36.60 million in fiscal 2004 to Rs. 51.88 million in fiscal 2005. Depreciation as a percentage of gross block decreased from 10.2 % in fical 2004 to 8.2 % in fiscal 2005.

Profit before tax

Our profit before tax increased by 162.7% to Rs. 30.50 million in fiscal 2005 from Rs. 11.61 million in fiscal 2004. Our profit before tax as a percentage of total income increased to 5.3 % in fiscal 2005 from 3.6 % in fiscal 2004.

Provision for tax (including Deferred tax and Fringe Benefit Tax)

Our provision for tax liabilities increased by 301.8% to Rs. 11.21 million in fiscal 2005 from Rs. 2.79 million in fiscal 2004.

Net Profit

As a result of the foregoing, our net profit increased by 118.7 % to Rs. 19.29 million in fiscal 2005 from Rs. 8.82 million in fiscal 2004. As a percentage of total income, the net profit increased to 3.4 % in fiscal 2005 from 2.8 % in fiscal 2004.

FINANCIAL INDEBTEDNESS

For details of our secured and unsecured loans see sections titled “Financial Indebtedness” and “Financial Statements” beginning on pages 110 and 113 of this Red Herring Prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity requirements have been to finance working capital. We have met these requirements from cash flows from operations and short-term and long-term borrowings.

Net Worth

As of March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, our net worth, which is defined as the difference between (a) total assets and (b) total liabilities and provisions, was Rs. 1,626.54 million, Rs. 200.28 million, Rs. 66.67 million and Rs. 42.15 million, respectively.

Net Cash Flows

As of March 31, 2007, March 31, 2006 March 31, 2005 and March 31, 2004, we had cash and cash equivalents of Rs. 172.57 million, Rs. 21.42 million, Rs. 28.09 million and Rs. 4.97 million, respectively. The table below summarizes our cash flows as restated for fiscal 2007, 2006, 2005 and 2004:

(Rs. in millions)

	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004
Net cash from (used in) operating activities	2,012.47	(231.17)	15.85	(22.56)
Net cash from (used in) investing activities	358.55	(80.39)	(40.87)	(6.72)
Net cash from (used in) financing activities	2,522.17	304.89	48.14	29.62

Cash Flows from Operating Activities

Our cash flow from operations (before making adjustments for working capital, taxes and extraordinary items) increased by 177.2% from Rs. 256.37 million in fiscal 2006 to Rs. 710.78 million in fiscal 2007. It increased by 405.3% from Rs. 50.74 million in fiscal 2005 to Rs. 256.37 million in fiscal 2006 and it increased by 70.2% from Rs. 29.81 million in fiscal 2004 to Rs. 50.74 million in fiscal 2005.

The decrease in Operating Cash flow has been primarily on account of increase in inventory.

Cash Flows from Investment Activities

Our cash flow from or used in investment activities represents sale and purchase of fixed assets. Our cash flows from investing activities have been negative for the past few years on account of amounts spent for purchase of fixed assets such as machinery and fixtures.

Our cash flow used in investment activities increased by 346.0% to Rs. 358.55 million in fiscal 2007 from Rs. 80.39 million in fiscal 2006. It increased by 96.7 % to Rs. 80.39 million in fiscal 2006 from Rs. 40.87 million in fiscal 2005 primarily due to increase in purchases of fixed assets.

It increased by 508.2 % to Rs. 40.87 million in fiscal 2005 from Rs. 6.72 million in fiscal 2004.

Cash Flows from Financing Activities

Our cash flow from or used in our financing activities is determined primarily by the level of our borrowings, the schedule of principal and interest payments on them, the issuance of share capital and receipt of share application money. Our net debt to book equity ratio stood at 1.29 times as at March 31, 2007.

Our cash flow from financing activities increased by 727.2% to Rs. 2,522.17 million in fiscal 2007 as compared to Rs. 304.89 million in fiscal 2006, primarily as a result of a net increase in term borrowings towards working capital requirements.

Our cash flow from financing activities increased by 533.34% to Rs. 304.89 million in fiscal 2006 from Rs. 48.14 million in fiscal 2005 due to an increase in both short term as well as long term borrowings.

Our cash flow from financing activities increased by 62.5% to Rs. 48.14 million in fiscal 2005 from Rs. 29.62 million in fiscal 2004 due to fresh issue of share capital and increase in long term borrowings.

Financial Condition

Assets

Fixed Assets: Our total fixed assets net of depreciation were Rs. 435.62 million, 106.39 million and Rs. 31.55 million as at March 31, 2007, March 31, 2006 and 2005, respectively. Our fixed assets comprise of factory building, plant and machinery, office equipment, computers, furniture- fixture, dyes and tools.

Deferred Tax Assets/ (Liabilities): Deferred taxes arise from timing differences between our book profits and our taxable profits that originate during an accounting period. Our deferred tax liabilities were Rs. 19.42 million, Rs. 2.14 million, Rs. 0.24 million at March 31, 2007, 2006 and 2005, respectively.

Current Assets, Loans and Advances: The total current assets, loans and advances were Rs. 4,624.74 million, Rs. 1,253.27 million and Rs. 346.60 million as at March 31, 2007, 2006 and 2005, respectively. Our current assets, loans and advances comprise our inventory, receivables, cash and bank balances and loans and advances.

Inventory: The inventory consists of raw materials, work in process and finished products which are unsold on the date of the financial statements, which is valued at cost or net realizable value, whichever is lower as per Indian Accounting Standard - 2. Our inventory was Rs. 3,738.40 million, Rs. 977.32 million and Rs. 191.67 million as at March 31, 2007, 2006 and 2005 respectively. Raw materials constituted Rs. 636.52 million, Rs. 224.61 million and Rs. 19.28 million as at March 31, 2007, 2006 and 2005 respectively. Work in progress constituted Rs. 1,550.13 million, Rs. 370.51 million and Rs. 86.49 million as at March 31, 2007, 2006 and 2005 respectively. Finished products constituted Rs. 1,551.75 million, Rs. 382.19 million and Rs. 85.89 million as at March 31, 2007, 2006 and 2005 respectively. The increase in our inventories during the aforementioned fiscal years was primarily due to expansion of our EBOs and increased inventory requirements to support our expansion plans in relation to our EBOs. In addition, we are integrated backward into apparel manufacturing which has high raw material and working in process inventory requirements.

Receivables: Total accounts receivable was Rs. 203.92 million, Rs. 81.58 million and Rs. 51.97 million as at March 31, 2007, 2006 and 2005, respectively.

Loans and Advances: Our total loans and advances were Rs. 509.85 million, Rs. 172.95 million and Rs. 74.87 million as at March 31, 2007, 2006 and 2005 respectively.

Cash and Bank balances: Total Cash and Bank balances was Rs. 172.57 million, Rs. 21.42 million and Rs. 28.09 million as at March 31, 2007, 2006 and 2005, respectively.

Liabilities

Current Liabilities and Provisions: Our total current liabilities and provisions were Rs. 1,320.10 million, Rs. 644. 66 million and Rs. 136.43 million as at March 31, 2007, 2006 and 2005, respectively.

Our current liabilities include sundry creditors and provisions.

Off-Balance Sheet Arrangements (Contingent Liabilities)

Our off-balance sheet liabilities consist primarily of outstanding bank guarantees, claims against the Company not acknowledged as debt, corporate guarantees to banks and others on behalf of related parties for facilities availed by them, bills discounted by banks and others, civil suits against the Company, civil suits by the Company for recovery of cheque bounced, arbitration cases with distributors and suppliers, and reinstatement of employees against the Company ordered by the Under Secretary Labour, Government of Delhi. As at March 31, 2007, 2006, 2005, and 2004, we had contingent liabilities in the following amounts, as disclosed in our restated financial statements:

(Rs. in millions)

	As at March 31,			
	2007	2006	2005	2004
Outstanding Bank Guarantees	120.47	0.47	0.84	-
Claims against the company not acknowledged as debt	9.38	1.52	1.40	-
Corporate guarantees to the bankers and others on behalf of related parties for facilities availed by them	15.00	11.00	-	-
Bills discounted by bankers and others	0.00	10.17	-	-
Civil suits against the Company	6.91	3.78	-	-
Civil suits by the Company for recovery of cheque bounced	0.00	1.96	1.96	1.96
Arbitration case with distributors and suppliers	0.00	5.67	5.67	-
Reinstatement of Employees against the Company ordered by Under Secretary Labour, Government of Delhi	1.69	-	-	-
Total	**153.45**	**34.57**	**9.87**	**1.96**

Transactions with Associate Companies and Related Parties

We enter into transactions with companies which are controlled by members of our Promoter group and other related parties in the ordinary course of our business. As of March 31, 2007, our balances involving transactions with related parties did not include any amounts in guarantees given in respect of Promoter related firm/company. For details regarding our related party transactions, please see section titled "Financial Statements - Related Party Transactions" beginning on page 138 of this Red Herring Prospectus.

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risk from changes in interest rates. The following discussion is based on our financial statements under Indian GAAP.

Interest Rate Risk

Our financial results are subject to changes in interest rates, which may affect our debt service obligations. Our long-term Rupee-denominated debts, which bear interest at floating rates linked with prime lending rates of the respective lenders, as determined from time to time, totalled Rs. 469.96 million as at March 31, 2007. Upward fluctuations in interest rates increase the cost of both existing and new debts. An increase in interest rates of 1% on our existing floating rate debts would increase our annual interest charges by approximately Rs. 4.70 million based upon the long-term and short-term loans outstanding as at March 31, 2007.

Other Information

Significant economic changes that materially affected or are likely to affect income from continuing operations: Other than as mentioned under 'Factors affecting results of operations' and "Critical accounting policies" in this section entitled "Management's Discussion and Analysis of Financial Condition & Results of Operations", to our knowledge, there are no other significant economic changes that materially affect or are likely to affect income from continuing operations.

Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations: Other than as described in this Red Herring Prospectus, particularly in the sections titled "Risk Factors" and "Management Discussion and Analysis of Financial Conditions and Results of Operations" beginning on pages xi and 152 of this Red Herring Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our income from continuing operations.

Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known: Other than as described in the section titled "Risk Factors" and "Management Discussion and Analysis of Financial Conditions and Results of Operations" beginning on pages xi and 152 of this Red Herring Prospectus, to our knowledge there are no future relationship between costs and income that have or had or are expected to have a material adverse impact on our operations and finances.

The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices: Changes in revenues during the last four years are explained in this section entitled "Management's Discussion and Analysis of Financial Condition & Results of Operations" under the subsections titled "Comparison of fiscal 2007 with fiscal 2006", "Comparison of fiscal 2006 with fiscal 2005" and "Comparison of fiscal 2005 with fiscal 2004" under the respective paragraphs entitled "Income".

Unusual or infrequent events or transactions: There have been no events, to our knowledge, other than as described in this Red Herring Prospectus, which may be called "unusual" or "infrequent".

Total turnover of each major industry segment in which the issuer company operated: As described in this Red Herring Prospectus, the Company operates in only one industry segment: apparel.

Status of any publicly announced new products or business segment: The Company is focused on providing a complete men's wear range including apparel like denim and non denim trousers, formal and casual shirts, t-shirts, suits, blazers, sweat shirts, cargos in the middle to high fashion segment, predominantly through our network of EBOs. The Company is also introducing a line of women's apparel under the "Les Femme" brand and introducing a brand "Koutons Junior" which is targeted at children.

The extent to which business is seasonal: In fiscal 2006 and fiscal 2007, 48% and 43%, respectively of our Company's sales were realized in the fourth quarter. This trend is largely due to increased sales in the fourth quarter on account of end of season sales and also on account of the fact that we sell our apparel on a consignment basis i.e. sales are recognized only after the receipt of sales report from respective consignee agents. Any substantial decrease in sales in the fourth quarter could have a material adverse effect on our financial condition and results of operations.

Any significant dependence on a single or few suppliers or customers: There is no significant dependence on a single or few suppliers or customers.

Competitive conditions: Competitive conditions are described under the sections titled "Risk Factors", "Industry Overview" and "Our Business" beginning on pages xi, 59 and 68 of this Red Herring Prospectus.

Significant Developments after March 31, 2007 that may affect our future Results of Operations

In compliance with AS 4, to our knowledge no circumstances other than as disclosed in this Red Herring Prospectus have arisen since the date of the last financial statements contained in the Red Herring Prospectus which materially and adversely affect or are likely to affect, the trading and profitability of the Company, or the value of our assets or their ability to pay their material liabilities within the next 12 months.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors, our Promoters, Promoter group companies and companies in which we hold a substantial number of equity shares, that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a adverse effect on our business other than unclaimed liabilities against our Company or Directors or Promoters or Promoter group companies or companies in which we hold a substantial number of equity shares.

A. **Contingent Liabilities not provided for as on March 31, 2007:**

(Rs. in millions)

S.No.	Particulars	As on March 31, 2007
1.	Outstanding Bank Guarantees	120.47
2.	Claims against the Company not acknowledged as debt	9.38
3.	Corporate guarantees to the bankers and others on behalf of related parties for facilities availed by them	15.00
4.	Bills discounted by bankers and others	0.00
5.	Civil Suits against the Company	6.91
6.	Civil Suits by the Company for recovery of Cheque bounced	0.00
7.	Arbitration case with distributors & suppliers	0.00
8.	Reinstatement of Employees against the Company ordered by Under Secretary Labour, Govt. of Delhi.	1.69
	Total	**153.45**

B. Litigation pending against our Company

I. *Civil Suits*

There are two civil suits pending against our Company before the District Court, Delhi. The aggregate amount claimed against our Company as on the date of institution of these case was approximately Rs. 4.39 million, plus interest. The details of the cases are as follows:

(a) Chahat has instituted a suit (Civil Suit No. CS/178/2005) on November 28, 2005, against our Company, before the District Judge, Tis Hazari Court, Delhi, in relation to certain disputes that arose due to the alleged non-payment of Rs. 0.19 million by our Company after it refused to accept delivery of fabric from Chahat, pursuant to a contract dated November 10, 2003. Chahat has prayed for a sum of Rs. 0.45 million with further interest and damages from November 28, 2005 till the date of payment. The matter is currently pending and the next date of hearing is September 27, 2007.

(b) M/s. Laxmi Apparel, a distributor of our Company has filed a miscellaneous petition (O.M.P. 16 of 2006) on December 15, 2005, against our Company and others, before the High Court of Delhi challenging the legality of the constitution of the arbitration bench and the arbitral award dated August 27, 2005 under which the arbitrators allowed a claim of Rs. 2.90 million along with interest amounting to Rs. 1.04 million and further interest at the rate of 18% per annum to our Company. The matter is currently pending and the next date of hearing is November 20, 2007.

II. ***Labour Cases***

There are five labour cases involving our Company pending before the District Court, Delhi. The aggregate amount claimed against our Company as on the date of institution of these case was approximately Rs. 1.87 million, plus interest. The details of the cases are as follows:

(a) Our Company has filed an application (I.D No. 141/05) dated July 11, 2006, before the Karkardooma District Court, Delhi and prayed that an award dated April 7, 2006 passed by the Presiding Officer, Labour Court, Karkardooma, Delhi and an order dated February 4, 2006 passed by the Labour Court be set aside. The Labour Court had ordered that Mr. Raghunath, a tailor of the Company, claiming to be employed by our Company since May 25, 1993 who was allegedly wrongfully terminated from the services by our Company be reinstated as a tailor with continuity in service with full back wages at the rate of Rs. 4,500 per month. The Karkardooma District Court dismissed our application vide its order dated October 12, 2006. We have filed a civil writ petition [C.W.P. No. 85089 of 2007] dated July 11, 2007 before the High Court of Delhi, challenging the order passed by the Karkardooma District Court. The matter is currently pending before the High Court for admission.

(b) Our Company has filed an application (I.D No. 137/05) dated July 11, 2006, before the Karkardooma District Court, Delhi and prayed that an award dated April 7, 2006 passed by the Presiding Officer, Labour Court, Karkardooma, Delhi and an order dated February 14, 2006 passed by the Labour Court be set aside. The Labour Court had ordered that Mr. Mahesh Kumar, a tailor of the Company, claiming to be employed by our Company since November 5, 1996 who was allegedly wrongfully terminated from his services by our Company be reinstated as a tailor with continuity in service with full back wages at the rate of Rs. 3,500 per month. The Karkardooma District Court dismissed our application vide its order dated October 12, 2006. Aggrieved by the said order, we have filed a civil writ petition [C.W.P. No. 85087 of 2007] dated July 11, 2007 before the High Court of Delhi against Mr. Mahesh Kumar, challenging the order passed by the Karkardooma District Court. The matter is currently pending before the High Court for admission.

(c) Our Company has filed an application (I.D No. 136/05) before the Karkardooma District Court, Delhi, and prayed that *ex parte* award dated March 3, 2006 passed by the Presiding Officer, Labour Court, Karkardooma, Delhi and an order dated November 9, 2006 passed by the Labour Court be set aside. The Labour Court had ordered that Mr. Kumod Kumar, a helper employed by the Company since December 13, 1999 who was allegedly wrongfully terminated from his services by our Company be reinstated as a helper, with continuity in service with full back wages at the rate of Rs. 2,863 per month. The Karkardooma District Court dismissed our application vide its order dated November 9, 2006. We have filed a civil writ petition [C.W.P. No. 85091 of 2007] dated July 11, 2007 before the High Court of Delhi against Mr. Kumod Kumar, challenging the order passed by the Karkardooma District Court. The matter is currently pending before the High Court for admission.

(d) Our Company has filed an application (I.D No. 140 of 2005) dated June 6, 2006, before the Karkardooma District Court, Delhi and prayed that an award dated March 3, 2006 passed by the Presiding Officer, Labour Court, Karkardooma, Delhi and an order dated February 14, 2006 passed by the Labour Court be set aside. The Labour Court had ordered that Mr. Shiv Kumar Pandey, claiming to be employed by our Company since August 24, 1998 who was allegedly wrongfully terminated from his services by our Company be reinstated as a helper, with continuity in service with full back wages at the rate of Rs. 2,863 per month. The Karkardooma District Court dismissed our application vide its order dated Novemeber 9, 2006. We have filed a civil writ petition [C.W.P. No. 85086 of 2007] dated July 11, 2007 before the High Court of Delhi against Mr. Shiv Kumar Pandey, challenging the order passed by the Karkardooma District Court. The matter is currently pending before the High Court for admission.

(e) Our Company has filed an application (I.D No. 145 of 2005), before the Karkardooma District Court, Delhi and prayed that an award dated March 3, 2006 passed by the Presiding Officer, Labour Court, Karkardooma, Delhi be set aside. The Labour Court had ordered that Mr. Mr. Pramod Prasad Kumar, claiming to be employed by our Company since August 25, 1998 who was allegedly wrongfully terminated from his services by our Company be reinstated as an operator, with continuity in service with full back wages at the rate of Rs. 3,400 per month. The Karkardooma District Court dismissed our application. We have filed a civil writ petition [C.W.P. No. 85088 of 2007] dated July 11, 2007 before the High Court of Delhi against Mr. Pramod Prasad Kumar, challenging the order passed by the Karkardooma District Court. The matter is currently pending before the High Court for admission.

III. ***Arbitration Claims***

There is one arbitration claim pending against our Company. The aggregate amount claimed against our Company as on the date of institution of these arbitration claim was approximately Rs. 1.26 million, plus interest. The details of the arbitration claim is as follows:

M/s. Ahuja Apparel ("Ahuja Apparel") and others have filed an arbitration claim (Arbitration Case No. 256 of 2005) dated December 15, 2005 against our Company and others, before the District Court, Delhi challenging the legality of the constitution of the arbitration bench and the arbitral award dated August 27, 2005 through which the arbitrators allowed a claim of Rs. 0.87 million along with interest amounting to Rs. 0.39 million and further interest at the rate of 18% per annum to our Company and stating the same to be void. The court has vide its order dated Augut 6, 2007 referred the case back to the arbitrator. The date of hearing before the arbitrator is not yet fixed.

C. **Litigation filed by our Company**

I. ***Criminal Complaints***

There are eight criminal complaints filed by our Company before the Chief Metropolitan Magistrate, Tis Hazari Court, Delhi. The aggregate amount claimed by our Company as on the date of institution of these cases was approximately Rs. 1.70 million. The details of the cases are as follows:

(a) Our Company has filed a criminal complaint (Criminal Complaint Case No.3753/01/03 of 2003) dated December 3, 2003, under Section 138/142 of the Negotiable Instruments Act, 1881 read with section 420 of the Indian Penal Code, 1860 against M/s. Veena Associates and others, before the Chief Metropolitan Magistrate, Tis Hazari Court, Delhi, in relation to a dispute that arose out of the dishonor of three cheques, that were issued to our Company as partial discharge of its debt towards our Company, for a total amount of Rs. 0.15 million. The matter is currently pending and the next date of hearing is September 28, 2007.

(b) Our Company has filed a criminal complaint (Criminal Complaint Case No.83/1/04 of 2004) dated January 7, 2004 under Section 138/142 of the Negotiable Instruments Act, 1881 read with section 420 of the Indian Penal Code, 1860 against Mr. Deepak Aggarwal, proprietor of M/s. Madan Marketing Company, before the Chief Metropolitan Magistrate, Tis Hazari Court, Delhi, in relation to a dispute that arose out of the dishonour of two cheques, that were issued to our Company as partial discharge of its debt towards our Company, for a total amount of Rs. 0.55 million. The matter is currently pending and the next date of hearing is October 5, 2007.

(c) Our Company has filed a criminal complaint (Criminal Complaint Case No.22A/1/03 of 2003) dated January 4, 2003 under Section 138/142 of the Negotiable Instruments Act, 1881 read with section 420 of the Indian Penal Code, 1860 against M/s Shree Lakhmi Enterprises and others, before the Chief Metropolitan Magistrate, Tis Hazari Court, Delhi, in relation to a dispute that arose out of the dishonor of four cheques, that were issued to our Company as partial discharge of its debt towards Charlie, for a total amount of Rs. 0.80 million. The matter is currently pending and the next date of hearing is December 12, 2007.

(d) Our Company has filed a criminal complaint (Criminal Complaint Case No. 23A/01/03 of 2003) dated January 4, 2003 under Section 138/142 of the Negotiable Instruments Act, 1881 read with section 420 of the Indian Penal Code, 1860 against M/s. Modi Apparel Private Limited and others, before the Chief Metropolitan Magistrate, Tis Hazari Court, Delhi, in relation to a dispute that arose out of the dishonor of five cheques, that were issued to our Company as partial discharge of its debt towards our Company, for a total amount of Rs. 0.07 million. The matter is currently pending and the next date of hearing is December 19, 2007.

(e) Our Company has filed a criminal complaint (Criminal Complaint Case No. 24A/01/03 of 2003) dated January 4, 2003 under Section 138/142 of the Negotiable Instruments Act, 1881 read with section 420 of the Indian Penal Code, 1860 against M/s. Modi Apparel Private Limited and others, before the Chief Metropolitan Magistrate, Tis Hazari Court, Delhi, in relation to a dispute that arose out of the dishonour of five cheques, that were issued to our Company as partial discharge of its debt towards our Company, for a total amount of Rs. 0.075 million. The matter is currently pending and the next date of hearing is December 19, 2007.

(f) Our Company has filed a criminal complaint (Criminal Complaint Case No.25A/01/03 of 2003) dated January 4, 2003 under Section 138/142 of the Negotiable Instruments Act, 1881 read with section 420 of the Indian Penal Code, 1860 against M/s Modi Apparel Private Limited and others, before the Chief Metropolitan Magistrate, Tis Hazari Court, Delhi, in relation to a dispute that arose out of the dishonour of four cheques, that were issued to our Company as partial discharge of its debt towards Company, for a total amount of Rs. 0.06 million. The matter is currently pending and the next date of hearing is December 19, 2007.

(g) Our Company has filed a criminal complaint (Criminal Complaint Case No. 4186 of 2007) under Sections 405/, 406, 409, 468 & 469 read with Section 120B of the Indian Penal Code, 1860 against Mr. Satpal Kapoor, Ms. Meenu Kapoor, Mr. Anjum Kapoor and Mr. Anuj Kapoor, the franchisees of the Company operating the shop under the name of M/s Yankee Jeans before the Chief Judicial Magistrate, Chandigarh in relation to a dispute that arose due to criminal breach of trust, cheating and misappropriation of funds towards against the Company, for a total amount of Rs. 0.65 million. The matter is currently pending and the next date of hearing is September 20, 2007.

II. ***Arbitration Claims***

There are two arbitration claims filed by our Company before the sole arbitrator of the All India Garments Manufacturers and Whole Sellers Association, New Delhi. The aggregate amount claimed by our Company as on the date of institution of these arbitration claims was approximately Rs. 1.44 million. The details of the arbitration claims are as follows:

(a) Our Company has filed an arbitration claim (Arbitration Case No. 6 of 2005) dated May 2, 2005 against M/s. Citi Fashion ("Citi Fashion"), before the sole arbitrator of the All India Garments Manufacturers and Whole Sellers Association, New Delhi in relation to disputes that arose due to the non-payment of money by Citi Fashion, amounting to Rs. 0.10 million in lieu of supplies made by our Company. Our Company has prayed for a sum of Rs. 0.10 million together with interest at the rate of 18% per annum till actual payment. The matter is currently pending for pronouncement of award.

(b) Our Company has filed an arbitration claim (Arbitration Case No. 9 of 2004) dated September 6, 2004 against M/s. Hardcore Marketing ("Hardcore") and others, one of its consignment agents, before the sole arbitrator of the All India Garments Manufacturers and Whole Sellers Association, New Delhi in relation to disputes that arose due to the non-payment of money by Hardcore, amounting to Rs. 1.34 million in lieu of supplies made by our Company. Our Company has prayed for a sum of Rs.1.34 million together with interest of Rs. 0.65 million and an additional rate of interest at the rate of 18% per annum till actual payment. The matter is currently pending for pronouncement of award.

III. ***Compounding Application***

Our Company has filed an application for compounding of offence under Section 383A read with Section 621A of the Companies Act, before the Company Law Board, Northern Region Bench, New Delhi, for non-appointment of whole time company secretary during the periods from March 31, 1999 to June 11, 2002 and from March 30, 2005 to Novemeber 19, 2005, thereby contravening Section 383A of the Companies Act. The application is currently pending before the Company Law Board.

D. **Cases involving our Directors**

There are no outstanding litigation proceedings or notices filed by or against any of our Directors, in relation to any economic offences or otherwise.

E. **Details of past penalties imposed on our Company or any of our Directors**

Except as described below, there have been no instances in the past of any penalties imposed on our Company or on any of our Directors by any statutory authorities for violation of any statutory regulations or for any criminal offence.

Our Company had filed an application for compounding of offence under Section 297 read with Section 621A of the Companies Act, before the Regional Dierctor, Northern Region, Noida, for entering into related party transactions without obtaining prior approval of the Central Government, thereby contravening the provisions of Section 297 of the Companies Act. The Regional Director, vide order dated July 17, 2007 compounded the offence and imposed a penalty of Rs. 5,000 on our Company and on our directors, viz., Mr. Davinder Pal Singh Kohli, Mr. Bupinder Singh Sawhney, Mr. Gurmeet Singh Sawhney, Mr. Kailash Chand Sharma and our then company secretary Mr. Ashwani Garg. The penalty has been paid and a copy of the order is awaited.

F. **Cases involving our Promoters**

Except as described below, there are no outstanding litigation proceedings or notices filed by or against any of our Promoters.

Our Company had filed an application for compounding of offence under Section 297 read with Section 621A of the Companies Act, before the Regional Dierctor, Northern Region, Noida, for entering into related party transactions without obtaining prior approval of the Central Government, thereby contravening the provisions of Section 297 of the Companies Act. The Regional Director, vide order dated July 17, 2007 compounded the offence and imposed a penalty of Rs. 5,000 on our Company and on our directors, viz., Mr. Davinder Pal Singh Kohli, Mr. Bupinder Singh Sawhney, Mr. Gurmeet Singh Sawhney, Mr. Kailash Chand Sharma and our then company secretary Mr. Ashwani Garg. The penalty has been paid and a copy of the order is awaited.

G. **Details of past penalties imposed on our Company or any of our Promoters or members of our Promoter Group**

There have been no instances in the past of any penalties imposed on any of our Promoters or members of our Promoter group by any statutory authorities for violation of any statutory regulations or for any criminal offence.

H. **Material Developments**

There have been no material developments, since the date of the last balance sheet otherwise than as disclosed in the section 'Management's Discussion and Analysis of Financial Condition and Results of Operations' on page 152 of this Red Herring Prospectus.

I. **Amounts owed to Small Scale Undertakings**

Our Company does not owe any amounts to any small scale undertaking

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our 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 our business activities.

A. **APPROVALS FOR THE ISSUE**

The Board of Directors has, pursuant to resolutions passed at its meeting held on March 16, 2007, authorised the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

The shareholders have, pursuant to a resolution dated March 16, 2007, under Section 81(1A) of the Companies Act, authorised the Issue.

B. **APPROVAL FROM THE SELLING SHAREHOLDERS**

Mr. DPS Kohli has vide letter dated April 10, 2007 offered to sell 305,514 Equity Shares in the proposed initial public offer of our Company.

Mr. BS Sawhney has vide letter dated April 10, 2007 offered to sell 305,514 Equity Shares in the proposed initial public offer of our Company.

Mr. GS Sawhney has vide letter dated April 10, 2007 offered to sell 305,514 Equity Shares in the proposed initial public offer of our Company.

C. **APPROVALS FOR OUR BUSINESS**

We have received the following major government and other approvals pertaining to our business:

1. **Approvals relating to the Company:**

Excise Registrations

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
1.	Certificate of Registration, under the Finance Act 1994 read with the Service Tax Rules, 1994 for the premises at 274/275, Sector-37, Udyog Vihar, Phase – VI, Gurgaon, Haryana	Registration Number: D-III/ST/R-II/GTA/692/ 2005	December 8, 2005	Not applicable
2	Service Tax Code of the Company	AABCC3495PST001	December 8, 2005	Not applicable
3	Certificate of Registration, under the Finance Act 1994 for the premises at J-2, Udyog Nagar, Peera Garhi Chowk Rohtak Road, New Delhi for payment of service tax on services of goods transport agency	DL-I/ST/R-IX/GTO/1978/ CCL/2005	March 31, 2005	Not applicable

Sales Tax Registrations

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
1.	Certificate of Registration, as a dealer under the Central Sales Tax Act, 1956, in the state of Haryana	No. 06431823949	January 29, 2004	Valid until cancelled
2	Certificate of Registration, under the Haryana Value Added Tax Act, 2003, in the state of Haryana*	TIN 06431823949	January 29, 2004	Valid until cancelled
3	Certificate of Registration under the Delhi Value Added Tax Act, 2004	TIN 07250158978	May 13, 1992	Valid until cancelled

** Our Company from time to time applies to the Assessing Authority, Gurgaon, requesting for addition of various premises for manufacture of ready made garments by way of an amendments to the registration certificate.*

Income Tax Registrations

S. No.	Description	Reference/ License Number	Date of Expiry
1	TAN Number	DELC06479E	Not applicable
2	Permanent Account Number	AABCC 3495P	Not applicable

Factory Licenses

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
1.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 360, Sector - 37, Pace City II, Gurgaon, Haryana.	GGN/S-670/333	January 18, 2007	December 31, 2007
2.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 301, Sector - 37, Phase VI, Udyog Vihar, Gurgaon, Haryana.	GGNK-234/7537	January 18, 2007	December 31, 2007
3.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 131-132, Sector - 37, Phase VI, Udyog Vihar, Gurgaon, Haryana.	GGN/K-232/6978	January 18, 2007	December 31, 2007

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
4.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 418, Sector - 37, Pace City II, Gurgaon, Haryana.	GGN/K-/7221	January 18, 2007	December 31, 2007
5.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 438, Sector - 37, Pace City II, Gurgaon, Haryana.	GGN/K-/7217	January 18, 2007	December 31, 2007
6.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 535, Sector - 37, Pace City II, Gurgaon, Haryana.	GGN/K-232/6976	April 20, 2007	December 31, 2011
7.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 293, Sector - 37, Phase VI, Udyog Vihar, Gurgaon, Haryana.	GGN/O-70/4336	January 18, 2007	December 31, 2007
8.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 438, Sector - 37, Pace City II, Gurgaon, Haryana.	GGN/K-/7217	January 18, 2007	December 31, 2007
9.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 528, Sector - 37, Pace City II, Gurgaon, Haryana.	GGN/K-259/1567	February 23, 2007	December 31, 2007
10.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 161, Sector - 5, IMT Manesar, Gurgaon, Haryana.	GGN/K/260/3896	May 18, 2007	December 31, 2007
11.	License issued by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 for our factory situated at Plot No. 424, Sector - 37, Pace City II, Gurgaon, Haryana.	GGN/K/258/1566	February 22, 2007	December 31, 2007

Labour Registrations

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
1.	Registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 for the premises situated at 274-275 Sector-37, Udyog Vihar, Phase - VI, Gurgaon, Haryana.	No. HR/GGN/27420/ 4820/4961	Valid from May 27, 2005	Not Applicable
2.	Registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 for the premises situated at T-60/1, D.C. M. School Lane, Karol Bagh, New Delhi.	E/DL/17919/Coverage/ 2443.	August 21, 1996	Not Applicable
3.	Registration under the Employees State Insurance Act, 1948	No. 13/32309/19	July 5, 2005	Not Applicable.
4.	Certificate of registration issued by the Labour Commissioner, Haryana under the Contract Labour (Regulation and Abolition Act, 1970) to our unit situated at 592, Sector-37, Pace City-II, Gurgaon, Haryana for the employment of contract labour,	RG-2350/1806/414/ GGN/I-954/NI-184	April 12, 2007	February 15, 2007 to December 31, 2007
5.	Certificate of registration issued by the Labour Commissioner, Haryana under the Contract Labour (Regulation and Abolition Act, 1970) to our unit situated at 424, Sector-37, Pace City-II, Gurgaon, Haryana for the employment of contract labour	RG-2338/1789/419/ GGN/I-943/NI-187	April 12, 2007	February 15, 2007 to December 31, 2007

Environmental Approvals

S. No.	Description	Reference / License Number	Date of Issue	Date of Expiry
1.	No Objection Certificate issued by the Haryana State Pollution Control Board under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for emission out of their factory premises situated at Plot No. 274-275, Udyog Vihar, Phase – VI, Sector-37, Gurgaon, Haryana, as per the terms and conditions contained therein.	HSPCB/Air/ Consent/ 2007/1543	March 31, 2007	Valid upto March 31, 2008
2.	No Objection Certificate issued by the Haryana State Pollution Control Board under the Water (Prevention and Control of Pollution) Act, 1974 for emission out of their factory premises situated at Plot No. 274-275, Udyog Vihar, Phase – VI, Sector-37, Gurgaon, Haryana, as per the terms and conditions contained therein.	HSPCB/Water/ Consent/1541	March 31, 2007	Valid upto March 31, 2008
3.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 535, Sector-37, Udyog Vihar, Phase - VI, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million	No. HSPCB/GR/2006/ 684	March 22, 2006	Until the unit starts emitting pollutants or changes its mode of manufacturing

S. No.	Description	Reference / License Number	Date of Issue	Date of Expiry
4.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 301, Sector-37, Udyog Vihar, Phase - VI, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million	No. HSPCB/GR/2006/ 685	March 22, 2006	Until the unit starts emitting pollutants or changes its mode of manufacturing
5.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 135-136, Sector-37, Udyog Vihar, Phase - VI, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million	No. HSPCB/GR/ 2006/682	March 22, 2006	Until the unit starts emitting pollutants or changes its mode of manufacturing
6.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 131-132, Sector-37, Udyog Vihar, Phase VI, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million	No. HSPCB/GR/ 2006/681	March 22, 2006	Until the unit starts emitting pollutants or changes its mode of manufacturing

S. No.	Description	Reference / License Number	Date of Issue	Date of Expiry
7.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 126-127, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million.	No. HSPCB/GR/2006/686	March 22, 2006	Until the unit starts emitting pollutants or changes its mode of manufacturing
8.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 438, Sector-37, Pace City-II, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million.	No. HSPCB/GR/2007/9899	February 2, 2007	Until the unit starts emitting pollutants or changes its mode of manufacturing
9.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 418, Sector-37, Pace City-II, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million.	No. HSPCB/GR/2007/9898	February 2, 2007	Until the unit starts emitting pollutants or changes its mode of manufacturing

S. No.	Description	Reference / License Number	Date of Issue	Date of Expiry
10.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 293, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million.	No. HSPCB/GR/ 2007/9894	February 23, 2007	Until the unit starts emitting pollutants or changes its mode of manufacturing
11.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 343, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million.	No. HSPCB/GR/ 2007/9893	February 23, 2007	Until the unit starts emitting pollutants or changes its mode of manufacturing
12.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 38-39, Sector-34, EHTP, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million.	No. HSPCB/GR/2007/ 9895	February 23, 2007	Until the unit starts emitting pollutants or changes its mode of manufacturing

S. No.	Description	Reference / License Number	Date of Issue	Date of Expiry
13.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 424, Sector-37, Pace City-II, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million.	No. HSPCB/GR/2007/ 9900	February 23, 2007	Until the unit starts emitting pollutants or changes its mode of manufacturing
14.	Certificate of exemption from obtaining any No Objection Certificate or consent to operate from the Haryana State Pollution Control Board ("Board"), for the manufacturing unit located at plot no. 528, Sector-37, Pace City-II, Gurgaon, Haryana subject to the condition that the unit will apply to the Board for grant of consent under the Water and Air Act as and when plant and machinery investment is likely to exceed Rs. 10 million.	No. HSPCB/GR/2007/ 9897	February 23, 2007	Until the unit starts emitting pollutants or changes its mode of manufacturing

Trademark Registrations

S. No.	Description	Reference / License Number	Date of Issue	Date of Expiry
1.	Certificate of Registration under section 23 (2) of Trade and Merchandise Marks Act of 1958 for the mark "Kotonz" in class 25.	Trade mark no. 899607	December 31, 2002	10 years from the date of issue.
2.	Certificate of Registration under section 23 (2) of Trade and Merchandise Marks Act of 1958 for the mark "Kotons" in class 25.	Trade mark no. 899606	December 31, 2002	10 years from the date of issue.

S. No.	Description	Reference / License Number	Date of Issue	Date of Expiry
3.	Certificate of Registration under section 23 (2) of Trade and Merchandise Marks Act of 1958 for the mark "Les femme" in class 25.	Trade mark no. 967220	August 17, 2005	10 years from the date of issue.
4.	Certificate of Registration under section 23 (2) of Trade Marks Act of 1999 for the mark *"Koutons"* in class 24.	Trade mark no. 1217255	November 26, 2005	10 years from the date of issue.
5.	Certificate of Registration under section 23 (2) of Trade Marks Act of 1999 for the mark *"Koutons"* in class 18.	Trade mark no. 932249	March 24, 2006	10 years from the date of issue.
6.	Certificate of Registration under section 23 (2) of Trade Marks Act of 1999.	Trade mark no. 974646	January 21, 2006	10 years from the date of issue.

Copyright Registrations

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
1.	Certificate of Registration under section 45 (1) of Copyright Act of 1957 for the label *"Koutons"*.	Registration No. A-76796/2006	July 3, 2006	Not Applicable.

Miscellaneous Provisions

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
1.	Registration under the Punjab Shops and Commercial Establishment Rule Act, 1958, for the Company's shop situated at No. 114-A, First Floor, DLF City Centre, M.G. Road, Gurgaon, Haryana.	GGN/7/2007/306	April 3, 2007	March 31, 2010
2.	Registration under the Punjab Shops and Commercial Establishment Rule Act, 1958, for the Company's shop situated at 77 A, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.	GGN/34/2006	June 6, 2006	March 31, 2009
3.	Registration under the Punjab Shops and Commercial Establishment Rule Act, 1958, for the Company's shop situated at 427, Sector-37, Pace City-II, Gurgaon, Haryana.	GGN/35/2006	June 6, 2006	March 31, 2009

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
4.	Registration under the Punjab Shops and Commercial Establishment Rule Act, 1958, for the Company's shop situated at 236, Udyog Vihar, Sector-37 Phase-VI, Gurgaon, Haryana.	GGN/36/2006	June 6, 2006	March 31, 2009
5.	Registration under the Punjab Shops and Commercial Establishment Rule Act, 1958, for the Company's shop situated at 95A, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.	GGN/37/2006	June 6, 2006	March 31, 2009
6.	Registration under the Punjab Shops and Commercial Establishment Rule Act, 1958, for the Company's shop situated warehouse store at plot no. 705, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.	GGN/14/2006/46	December 28, 2006	March 31, 2009
7.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 274-275, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.	2644	November 17, 2006	Valid from September 8, 2006 to September 7, 2007.
8.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 360, Pace City-II, Sector-37, Gurgaon, Haryana.	2645	November 17, 2006	Valid from October 29, 2006 to October 28, 2007.
9.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 122-123 Udyog Vihar, Phase-VI, Gurgaon, Haryana.	2737	August 18, 2007.	Valid from May 30, 2007 to May 29, 2008.
10.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 301 Udyog Vihar, Phase- 6, Gurgaon.	2648	November 17, 2006	Valid from November 26, 2006 to November 25, 2007

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
11.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 135-136, Udyog Vihar, Phase-VI, Gurgaon, Haryana.	2757	December 12, 2006	Valid from December 5, 2006 to December 4, 2007
12.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 131-132 Udyog Vihar, Phase-VI, Gurgaon, Haryana.	2758	December 12, 2006	Valid from December 5, 2006 to December 4, 2007
13.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 126-127 Udyog Vihar, Phase-VI, Gurgaon, Haryana.	2647	November 17, 2006	Valid from November 26, 2006 to November 25, 2007.
14.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 418, Pace City-II, Sector-37, Gurgaon, Haryana.	2741	August 18, 2007	Valid from May 27, 2007 to May 26, 2008.
15.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 438 Pace City-II, Sector-37, Gurgaon, Haryana	2747	August 21, 2007	Valid from June 19, 2007 to June 18, 2008.
16.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 535, Pace City-II, Sector-37, Gurgaon, Haryana.	2646	November 17, 2006	Valid from November 24, 2006 to November 23, 2007
17.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 77 Udyog Vihar, Phase-VI, Gurgaon, Haryana.	2739	August 18, 2007	Valid from July 21, 2007 to July 20, 2008
18.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 236 Udyog Vihar, Phase-VI, Gurgaon, Haryana.	1837	July 25, 2006	Valid from July 25, 2006 to July 24, 2007.*

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
19.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 95 A Udyog Vihar, Phase-VI, Gurgaon, Haryana.	2738	August 18, 2007	Valid from July 21, 2007 to July 20, 2008
20.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 38-39, EHTP, Sector-34, Gurgaon, Haryana.	1918/06	December 14, 2006	Valid from December 14, 2006 to December 13, 2007.
21.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 705, Pace City-II, Sector-37, Gurgaon, Haryana.	2783	December 14, 2006	Valid from December 14, 2006 to December 13, 2007.
22.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 424, Pace City-II, Sector-37, Gurgaon, Haryana.	2782	December 14, 2006	Valid from December 14, 2006 to December 13, 2007.
23.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 528, Pace City-II, Sector-37, Gurgaon, Haryana.	2781	December 14, 2006	Valid from December 14, 2006 to December 13, 2007.
24.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 343, Udyog Vihar, Phase-VI, Gurgaon, Haryana.	2780	December 14, 2006	Valid from December 14, 2006 to December 13, 2007.
25.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 293, Sector-7, Udyog Vihar, Phase-VI, Gurgaon, Haryana.	F.S. 2007/2742	August 18, 2007	Valid from August 18, 2007 to August 18, 2008
26.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 592, Sector-37, Pace City-II, Gurgaon, Haryana.	2736	August 18, 2007	Valid from August 11, 2007 – August 10, 2008

S. No.	Description	Reference/ License Number	Date of Issue	Date of Expiry
27.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 161, IMT Manesar, Sector 5, Gurgaon, Haryana.	F.S. 2007/275	April 23, 2007	April 22, 2008
28.	No Objection Certificate from the office of the Haryana Fire Service, in respect of the premises at plot no. 231, Udyog Vihar, Phase- VI, Gurgaon, Haryana.	F.S. 2006/1836	April 24, 2007	July 24, 2007*
29.	Registration under the Punjab Shops and Commercial Establishment Rule Act, 1958, for the Company's shop situated at SCF 26, Sector 14, Gurgaon, Haryana.	GGN/7/2007/305	April 3, 2007	March 31, 2010
30.	Registration under the Punjab Shops and Commercial Establishment Rule Act, 1958, for the Company's shop situated at plot no. 702, Sector 37, Pace City-II, Gurgaon, Haryana.	GGN/14/2007/51	March 19, 2007	March 31, 2009
31.	Registration under the Punjab Shops and Commercial Establishment Rule Act, 1958, for the Company's shop situated at plot no. 23, Sector 7, IMT Manesar, Gurgaon, Haryana.	GGN/LD-17/2007/62	April 4, 2007	March 31, 2010
32.	Importer Exporter Code	Importer Exporter Code No. 0595038743	July 11, 2000	Not applicable.

** Company has not yet applied for renewal of the No Objection Certificates as the warehouses situated at Plot Nos. 236 and 231, Udyog Vihar, Phase VI, Gurgaon, Haryana, are currently not being used by the Company.*

Approvals/ Licenses for which grant/ renewals have been applied

Service Tax Applications

An application dated March 19, 2007 has been filed before the Superintendent, Service Tax Cell, New Delhi, for surrendering of service tax no. DL-I/ST/R-IX-GTO/1978/CCL/2005.

Labour Applications

An application dated December 29, 2006 has been filed before the Labour Commissioner and Registering Office, Chandigarh, for registration of the following establishments of the Company for employment of contract labour for the year 2007:

- 126-127, Sector -37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
- 131-132, Sector -37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
- 135-136, Sector -37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
- 274-275, Sector -37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
- 301, Sector -37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
- 38-39, Sector 34, EHTP, Gurgaon, Haryana.
- 122-123, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
- 293, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
- 343, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
- 360, Sector-37, Pace City-II, Gurgaon, Haryana.
- 418, Sector-37, Pace City-II, Gurgaon, Haryana.
- 438, Sector-37, Pace City-II, Gurgaon, Haryana.
- 535, Sector-37, Pace City-II, Gurgaon, Haryana.

An application dated January 16, 2007 has been filed before the Labour Commissioner and Registering Office, Chandigarh, for registration of the following establishments of the Company for employment of contract labour for the year 2007:

- 528, Sector-37, Pace City-II, Gurgaon, Haryana.

Intellectual Property Applications

India

(a) An application (Application No. 1217251) dated July 24, 2003 has been filed before the Trade Marks Registry, New Delhi for trademark registration of a logo under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(b) An application (Application No. 01217252) dated July 24, 2003 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark “Charlie” under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently, our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(c) An application (Application No. 01217253) dated July 24, 2003 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark *“Koutons”* under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(d) An application (Application No. 01217254) dated July 24, 2003 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark *"Koutons"* under the Trade and Merchandise Act of 1958 in class 18 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(e) An application (Application No. 932250) dated March 30, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of a mark under the Trade Marks Act of 1999 in class 18 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently, our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(f) An application (Application No. 932251) dated June 16, 2000 has been filed before the Trade Marks Registry, New Delhi for trademark registration of a mark under the Trade and Merchandise Act of 1958 in class 18 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(g) An application (Application No. 932249) dated June 1, 2000 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark *"Koutons"* under the Trade and Merchandise Act of 1958 in class 18 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company had through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(h) An application (Application No. 827106) dated November 12, 1998 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Koutons Khakis" under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(i) An application (Application No. 746229) dated February 5, 1997 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Charlie Global" under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(j) An application (Application No. 827105) dated November 12, 1998 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "L.I.M.I.T.E.D-jeans wear-performance unlimited" under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(k) An application (Application No. 781765) dated December 10, 1997 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Charlie-Jeanswear" under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(l) An application (Application No. 781766) dated December 10, 1997 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Charlie-Jeanswear-You Can" under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 25, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(m) An application (Application No. 974647) dated December 4, 2000 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark “Charlie-Jeanswear Authentic” under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(n) An application (Application No. 01413347) dated January 12, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark “Charlie-Raw Denim “ under the Trade Marks Act of 1999 in class 18 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(o) An application (Application No. 01413348) dated January 12, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark “Charlie Raw Denim “ under the Trade Marks Act of 1999 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(p) An application (Application No. 01413349) dated January 12, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark “Charlie-Raw” under the Trade Marks Act of 1999 in class 18 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(q) An application (Application No. 01413350) dated January 12, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark “Charlie-Raw” under the Trade Marks Act of 1999 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(r) An application (Application No. 01462522) dated June 19, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark “Outlaw Jeans” under the Trade Marks Act of 1999 in class 25 in the name of Koutons Retail India Private Limited. The application is currently pending. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(s) An application (Application No. 01462521) dated June 19, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark “Outlaw Jeans” under the Trade Marks Act of 1999 in class 25 in the name of Koutons Retail India Private Limited. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(t) An application (Application No. 01462505) dated June 19, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark “Outlaw Jeans” under the Trade and Marks Act of 1999 in class 18 in the name of Koutons Retail India Private Limited. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(u) An application (Application No. 01462504) dated June 19, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark “Outlaw Jeans” under the Trade Marks Act of 1999 in class 18 in the name of Koutons Retail India Private Limited. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(v) An application (Application No. 01472310) dated July 24, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark *"Charlie Outlaw"* under the Trade Marks Act of 1999 in class 25 in the name of Koutons Retail India Private Limited. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(w) An application (Application No. 01472309) dated July 24, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark *"Charlie Outlaw"* under the Trade Marks Act of 1999 in class 18 in the name of Koutons Retail India Private Limited. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(x) An application (Application No. 01472308) dated July 24, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark *"Charlie Outlaw"* under the Trade Marks Act of 1999 in class 25 in the name of Koutons Retail India Private Limited. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(y) An application (Application No. 01472307) dated July 24, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Charlie Outlaw" under the Trade Marks Act of 1999 in class 18 in the name of Koutons Retail India Private Limited. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(z) An application (Application No. 0139112) dated October 14, 2005 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark *"Koutons"* under the Trade Marks Act of 1999 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company has through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(aa) An application (Application No. 717086) dated June 3, 1996 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "CC" under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(bb) An application (Application No.773650) dated December 26, 1996 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Over Drive Active Gear" under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending.

(cc) An application (Application No. 01500242) dated November 1, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the label "Dream Big Pay Less Charlie Outlaw" under the Trade Marks Act of 1999 in class 18 in the name of Koutons Retail India Limited. The application is currently pending.

(dd) An application (Application No 01500241) dated November 1, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the label "Dream Big Pay Less Charlie Outlaw" under the Trade and Marks Act of 1999 in class 24 in the name of Koutons Retail India Limited. The application is currently pending.

(ee) An application (Application No. 01500240) dated November 1, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the label "Dream Big Pay Less Charlie Outlaw" under the Trade and Marks Act of 1999 in class 25 in the name of Koutons Retail India Limited. The application is currently pending.

(ff) An application (Application No. 01494021) dated October 6, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Outlaw Dream Big Pay Less" under the Trade and Marks Act of 1999 in class 18 in the name of Koutons Retail India Limited. The application is currently pending.

(gg) An application (Application No. 01494022) dated October 6, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Outlaw Dream Big Pay Less" under the Trade and Marks Act of 1999 in class 24 in the name of Koutons Retail India Limited. The application is currently pending.

(hh) An application (Application No. 01494023) dated October 6, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Outlaw Dream Big Pay Less" under the Trade and Marks Act of 1999 in class 25 in the name of Koutons Retail India Limited. The application is currently pending.

(ii) An application (Application No. 899611) dated January 24, 2000 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Kautens" under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(jj) An application (Application No. 899608) dated January 24, 2000 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Kootonz" under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(kk) An application (Application No. 899612) dated January 24, 2000 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "Cot-tons" under the Trade and Merchandise Act of 1958 in class 25 in the name of Charlie Creations Private Limited. The application is currently pending. Our Company through letter dated May 26, 2006 requested the Registrar of Trademarks to alter the name of the applicant from Charlie Creations Private Limited to Koutons Retail India Private Limited. Subsequently our Company has also filed requisite papers informing change of name to Koutons Retail India Limited.

(ll) An application (Application No. 1414843) dated January 18, 2006 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark *"Koutons"* under the Trade Marks Act of 1999, in class 18. The application is currently pending. Our Company has filed requisite papers informing change of name to Koutons Retail India Limited.

(mm) An application (Application No. 01532080) dated February 19, 2007 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "KOUTONS" under the Trade Marks Act of 1999, in class 3. The application is currently pending.

(nn) An application (Application No. 01532081) dated February 19, 2007 has been filed before the Trade Marks Registry, New Delhi for trademark registration of the mark "KOUTONS" under the Trade Marks Act of 1999, in class 9. The application is currently pending.

Abroad

An application (Application No. 81097) dated May 28, 2006 has been filed before the Trade Marks Registry, United Arab Emirates under class 25. The application is currently pending.

Factory Applications

- An application dated November 28, 2006 has been filed before the Chief Inspector of Factories, Haryana, Chandigarh for renewal of the factory license (Regn. No. GGN/C-6319. Sr. No. 7251) fee for a period of five years until the year 2011 under the Factories Act of 1948 for Plot No. 274-275, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana. The application is currently pending.
- An application dated November 28, 2006 has been filed before the Chief Inspector of Factories, Haryana, Chandigarh for renewal of the factory license (Regn. No. GGN/K-251/7219 Sr. No.7475) fee for the year 2007 under the Factories Act of 1948 for Plot Nos. 122, 123, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana. The application is currently pending.
- An application dated November 28, 2006 has been filed before the Chief Inspector of Factories, Haryana, Chandigarh for renewal of the factory license (Regn. No. GGN/K-234/6978 Sr. No.7541) fee for the year 2007 under the Factories Act of 1948 for Plot Nos. 135-136, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana. The application is currently pending.

- An application dated November 28, 2006 has been filed before the Chief Inspector of Factories, Haryana, and Chandigarh for renewal of the factory license (Regn. No. GGN/K-233/6975 Sr. No.7543) fee for the year 2007 under the Factories Act of 1948 for Plot Nos. 126-127, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana. The application is currently pending.
- An application dated November 28, 2006 has been filed before the Chief Inspector of Factories, Haryana, and Chandigarh for renewal of the factory license (Regn. No. GGN/O-70/4336 Sr. No.7416) fee for the year 2007 under the Factories Act of 1948 for Plot No. 239, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana. The application is currently pending.
- An application dated November 28, 2006 has been filed before the Chief Inspector of Factories, Haryana, Chandigarh for renewal of the factory license (Regn. No. GGN/C-261/13171 Sr. No.7200) fee for the year 2007 under the Factories Act of 1948 for Plot No. 343, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana. The application is currently pending.
- An application dated November 28, 2006 has been filed before the Chief Inspector of Factories, Haryana, seeking factory licenses for the year 2007 and appointment of new occupier in respect of the Company's following premises:
    - 126-127, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
    - 131-132, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
    - 135-136, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
    - 274-275, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
    - 301, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
    - 122-123, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
    - 343, Sector-37, Udyog Vihar, Phase-VI, Gurgaon, Haryana.
    - 360, Sector-37, Pace City-II, Gurgaon, Haryana.
    - 418, Sector-37, Pace City-II, Gurgaon, Haryana.
    - 535, Sector-37, Pace City-II, Gurgaon, Haryana.
- An application dated January 4, 2007 has been filed before the Chief Inspector of Factories, Chandigarh, seeking renewal of factory licenses for the year 2007 in respect of the Company's following premises:
    - 38-39, EHTP, Sector-34, Gurgaon, Haryana

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on March 16, 2007, authorised the Issue subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

Our shareholders have authorised the Issue by a special resolution in accordance with section 81(1A) of the Companies Act, passed at the extra ordinary general meeting of our Company held on March 16, 2007 at the registered office of our Company.

The IPO Committee has, pursuant to its resolution dated April 10, 2007 approved the Draft Red Herring Prospectus.

The Board has, pursuant to its resolution passed on September 1, 2007 approved this Red Herring Prospectus.

From the Selling Shareholders

Mr. DPS Kohli has vide letter dated April 10, 2007 has offered to sale 305,514 Equity Shares in the proposed initial public offer of our Company.

Mr. BS Sawhney has vide letter dated April 10, 2007 has offered to sale 305,514 Equity Shares in the proposed initial public offer of our Company.

Mr. GS Sawhney has vide letter dated April 10, 2007 has offered to sale 305,514 Equity Shares in the proposed initial public offer of our Company.

The Selling Shareholders assume no responsibility for any of the statements made by the Company in this Red Herring Prospectus relating to the Company, its business and related disclosures, except statements with relation to each of them as Selling Shareholders.

Prohibition by the SEBI

The Company, the Directors, the Promoters, the Directors or the person(s) in control of the Promoter or the Promoter Group, and the companies in which the Directors are directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by the SEBI. Further, based on the letters provided by the Selling Shareholders, we understand that Selling Shareholders have not been prohibited from dealing in the securities market and the Equity Shares being offered for sale by them are free from encumbrances.

None of the Company, its Promoters, its Directors, and the companies in which the Directors are directors, has been declared as a willful defaulter 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

Clause 2.2.1 of the SEBI guidelines stipulate that a company would be eligible to make an initial public offer of its equity shares only if it meets all the conditions as specified in such clause.

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is therefore compliant with clause 2.2.1(a) of the SEBI Guidelines;
- Our Company has a track record of distributable profits in accordance with Section 205 of the Companies Act, for at least three years of the immediately preceding five years and is compliant with clause 2.2.1(b) of the SEBI Guidelines.
- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with clause 2.2.1(c) of the SEBI Guidelines.
- Our Company has not changed its name in the last one year and is compliant with clause 2.2.1(d) of the SEBI Guidelines.
- The net worth of the Company was Rs. 1,626.54 million as of March 31, 2007 as per our restated financial statements included in this Red Herring Prospectus. Therefore, as required under clause 2.2.1 (e) of the SEBI Guidelines, the aggregate of the proposed issue and all previous issues made in the same financial year in terms

of size (that is offer through offer document + firm allotment + promoters' contribution through the offer document) does not exceed five (5) times its pre-issue net worth as per the audited balance sheet of the last financial year.

(Rs. in millions)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Net Tangible Assets [1]	106.34	158.74	241.72	715.00	3,740.26
Monetary Assets [2]	4.63	4.97	28.09	21.42	172.57
Distributable Profits[3]	4.32	8.95	19.41	132.22	344.87
Net worth, as restated [4]	33.18	42.15	66.67	200.28	1,626.54

1. Net tangible assets are defined as the sum of all net assets of the company, excluding 'intangible assets', as defined in Accounting Standard 26 (AS 26) issued by the Institute of Chartered Accountants of India.
2. Monetary assets include cash on hand and bank balances.
3. The distributable profits of the Company as per section 205 of the Companies Act have been calculated as per Restated financials.
4. Net Worth = Equity Share Capital + Share Application Money + Reserves & Surplus (Excluding revaluation reserve) – Miscellaneous Expenditure

Our net tangible assets, monetary assets, net profits and net worth as derived from the consolidated financial statements, as per Indian GAAP is included in this Red Herring Prospectus under the section titled "Financial Statements", as at, and for the last five years ended March 31, 2007.

In view of the above, we are eligible to make the Issue in accordance with clause 2.2.1 of the SEBI Guidelines.

This being an issue for less than 25% of the post issue capital, at least 60% of the Net Issue is proposed to be Allotted to QIB Bidders 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. 1,000 million. (in order to comply with the requirements of Rule 19(2)(b) of the SCRR) and if we fail to do so the full subscription monies shall be refunded to the Bidders. Accordingly, as per the second proviso to clause 11.3.5(i) of the SEBI Guidelines, not less than 10% and 30% of the Net Issue will be available for allocation to Non Institutional Bidders and Retail Individual Bidders, respectively.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED TO MEAN 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 BRLM, JM FINANCIAL CONSULTANTS PRIVATE 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 INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BRLM IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BRLM, JM FINANCIAL CONSULTANTS PRIVATE LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED APRIL 15, 2007 IN ACCORDANCE WITH 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 FINALISATION OF THE 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 OFFER, 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;

(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;

(D) BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID;

(E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS BEING ADEQUATE TO FULFIL THEIR UNDERWRITING COMMITMENTS;

(F) WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY 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 BRLM ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

All legal requirements pertaining to the Issue will be complied with at the time of the filing of the Red Herring Prospectus with the RoC in terms of section 60B 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.

Caution—Disclaimer from the Company, the Selling Shareholders, the BRLM and the Co-BRLM

The Company, the Directors, the Selling Shareholders, the BRLM and the Co-BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by the Company or at the instigation of the above mentioned entities and anyone placing reliance on any other source of information, including the Company's website www.koutons.com, would be doing so at his or her own risk.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not 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.

The BRLM and the Co-BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLM, the Co-BRLM, the Company and the Selling Shareholders on April 2, 2007 and the Underwriting Agreement to be entered into between the Underwriters, the Company and the Selling Shareholders.

All information shall be made available by us and the BRLM and the Co-BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including road show presentations, in research or sales reports, at bidding centres or elsewhere.

Neither the Company nor the Syndicate is liable 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 not minors, HUFs, companies, corporate bodies and societies registered under applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with the 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 authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds) and to FIIs, eligible Non-Resident Indians and other eligible foreign investors (viz. FVCIs, multilateral and bilateral development financial institutions). This Red Herring Prospectus does not, however, constitute an invitation to purchase 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 New Delhi only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Red Herring Prospectus has been filed with the SEBI for its observations and the SEBI has given its observations. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the 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 United States Securities Act, 1933 or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act, 1933. Accordingly, the Equity Shares will be offered and sold only outside the United States in compliance with Regulation S of the United States Securities Act, 1933 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 must agree in the CAN that such Bidder will not sell or transfer any Equity Shares or 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 United States Securities Act, 1933.

Disclaimer clause of the BSE

Bombay Stock Exchange Limited has given vide its letter dated May 22, 2007 permission to this Company. As required, a copy of the Draft Red Herring Prospectus has been submitted to the BSE. The BSE has by its letter dated May 22, 2007 given permission to the Company to use the BSE's name in this Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding whether to grant such permission to the Company. The BSE does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or

(ii) warrant that the Company's securities will be listed or will continue to be listed on the BSE; or

(iii) take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company,

and it should not for any reason be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for, or otherwise acquires, any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to, or in connection with, such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to the NSE. The NSE has by its letter dated July 11, 2007 given permission to the Company to use the NSE's name in this Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the NSE nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus dated April 15, 2007 has been filed with the SEBI at the Plot No. C 4/A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

A copy of the 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 will be delivered for registration to the RoC at the address given below:

5th Floor, IFCI Tower,
Nehru Place,
New Delhi 110 018
Tel: + (91) (11) 2623 5703
Fax: + (91) (11) 2623 5702

Listing

Applications will be made to the BSE and the NSE for permission to deal in and for an official quotation of the Equity Shares of the Company. The BSE will be the Designated Stock Exchange on which the basis of allocation will be finalised for the Issue.

If the permissions to deal in, and for an official quotation of, the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company and the Selling Shareholder will forthwith repay, without interest, all monies received from applicants in reliance on the Red Herring Prospectus. If such money is not repaid within eight days after the Company and the Selling Shareholders have become liable to repay it (i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier), then the Company, the Selling Shareholders and every Director of the Company who is an officer in default shall, on and from the expiry of eight days, 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.

The Company and the Selling Shareholders shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of Allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary, Compliance Officer, the Auditors, the Domestic Legal Counsel to the Issue, the Bankers to the Company and the Bankers to the Issue; and (b) the BRLM, the Co-BRLM, the Syndicate Members, 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, M/s. R. Chadha and Associates, Chartered Accountants, have given their written consent to the inclusion of their reports in the form and context in which it appears in this Red Herring Prospectus and such consent and reports will not be withdrawn up to the time of delivery of the Red Herring Prospectus with the RoC.

M/s. R. Chadha & Associates, Chartered Accountants, have given their written consent to the possible tax benefits accruing to the Company and its members in the form and context in which it appears in this Red Herring Prospectus and such consent will not be withdrawn up to the time of delivery of this Red Herring Prospectus to the RoC.

Expert Opinion

Except as stated in the sections titled “Statement of Tax Benefits” and “Financial Statements” beginning on pages 49 and 113, respectively of this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue*

All expenses with respect to the Issue, will be shared between the Company and the Selling Shareholders, who have offered their Equity Shares for sale in the Offer for Sale, on a pro-rata basis in the ratio of the Equity Shares issued by the Company in the Fresh Issue and the Equity Shares being sold by the Selling Shareholders in the Offer for Sale. The expenses of the Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately Rs. [•] of which Rs. [-] million will be borne by the Company and Rs. [-] will be borne by the Selling Shareholders. The estimated expenses of the Issue are as follows:

Activity	Rs. in million	As a % of Total Issue Expense	As a % of Issue Size
Lead Management, underwriting and selling commission*	[●]	[●]	[●]
Advertising and marketing expenses*	[●]	[●]	[●]
Printing and stationery, including transportation of the same*	[●]	[●]	[●]
Others (Registrar fee, legal fees, listing fees etc.)*	[●]	[●]	[●]
Total estimated Issue expenses*	[●]	[●]	[●]

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

The expenses incurred in connection with the Issue shall be borne by us and the Selling Shareholders, to reflect the incremental cost pursuant to the Offer for Sale.

Fees Payable to the Book Running Lead Manager, Co-Book Running Lead Manager and Syndicate Members

The total fees payable to the BRLM, the Co-BRLM and the Syndicate Members (including underwriting commission and selling commission and reimbursement of their out of pocket expenses) will be as per the engagement letters, copies of which are available for inspection at the Company’s principal business office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for the processing of applications, data entry, printing of CAN/refund orders, preparation of refund data on magnetic tape and printing of bulk mailing register will be as per the memorandum of understanding between the Company, the Selling Shareholders and the Registrar to the Issue dated April 20, 2007, a copy of which is available for inspection at the Company's principal business office.

The Registrar to the Issue will be reimbursed all out-of-pocket expenses incurred by it including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or Allotment advice in the manner described in this Red Herring Prospectus 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 previous public or rights issues in India or abroad during the last five years preceding the date of this Red Herring Prospectus.

Previous issues of Equity Shares otherwise than for Cash

Other than the Equity Shares issued on January 2, 1995 as consideration for the acquisition of the partnership firm Charlie Creations and the bonus issues on March 30, 2005, June 9, 2006 and February 14, 2007 to existing shareholders of the Company, none of our Equity Shares have been issued for consideration other than cash. See section titled "Capital Structure" beginning on page 17 of this Red Herring Prospectus.

Purchase of Property

Except as stated in the section titled "Objects of the Issue" beginning on page 33 of this Red Herring Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the proceeds of the 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 contracts for the purchase or acquisition were entered into in the ordinary course of the business
- were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Red Herring Prospectus.

Commission and Brokerage paid on Previous Share Issues

Except for payment of Rs. 35,903,857, paid by our Company for procurement of private equity investments, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since the Company's inception.

Companies under the same Management

No company under the same management (within the meaning of section 370(1)(B) of the Companies Act) has made any capital issue during the last three years.

Promise vis à-vis Performance

Neither the Company nor any Promoter Group or associate company has made any previous rights or public issues.

Outstanding Debentures or Bonds or Redeemable Preference Shares

The Company has no outstanding debentures or bonds or redeemable preference shares as of the date of this Red Herring Prospectus.

Stock Market Data for the Equity Shares

This being an initial public offering of the Company, the Equity Shares are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The memorandum of understanding between the Registrar to the Issue, the Company and the Selling Shareholders will provide for the retention of records by the Registrar to the Issue for a period of at least one year from the last date of dispatch of the Allotment letters, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as the applicant's name and address, the number of Equity Shares applied for, the amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances

We and the Selling Shareholders estimate that the average time required by us, the Selling Shareholders or the Registrar to the Issue for the redressal of routine investor grievances shall be 15 days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Selling Shareholders and we will seek to redress these complaints as expeditiously as possible.

We and the Selling Shareholders have also appointed Mr. Ajay Mahajan as the Compliance Officer for this Issue 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. Ajay Mahajan
Compliance Officer
274-275, Udyog Vihar, Phase-VI
Sector-37, Gurgaon 122 001 (Haryana), India
Tel: +91 (124) 4139 300
Fax: +91 (124) 4139 399
E-mail: ipo2007@koutons.com

As on the date of this Red Herring Prospectus, the Company has not received any complaints with respect to the Issue.

Change in Auditors

There has been no change in the Auditors in the last five fiscal years.

Capitalisation of Reserves or Profits

Except as set forth below, we have not capitalised any reserves or profits in the last five fiscal years:

1. An amount of Rs. 182,290,000 was capitalized out of the general reserve fund through a bonus issue of 18,229,000 Equity Shares to the existing shareholders of the Company in the proportion of two Equity Shares for every one Equity Share held, which was approved by the shareholders on Febraury 14, 2007.
2. An amount of Rs. 24,950,000 was capitalized out of the general reserve fund through a bonus issue of 2,495,000 Equity Shares to the existing shareholders of the Company in the proportion of one Equity Share for every two Equity Shares held, which was approved by the shareholders on June 9, 2006.
3. An amount of Rs. 29,682,900 was capitalized out of the general reserve fund through a bonus issue of 2,968,290 Equity Shares to the existing shareholders of the Company in the proportion of one Equity Share for every three Equity Shares held, which was approved by the shareholders on March 30, 2005.

Revaluation of Assets

There has been no revaluation of the Company's assets since its incorporation.

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of the Company's borrowings or deposits.

ISSUE INFORMATION

Issue of 3,524,439 Equity Shares of a face value of Rs. 10 each, comprising of a Fresh Issue of 2,607,897 Equity Shares and an Offer for Sale of 916,542 Equity Shares each by the Selling Shareholders for cash at a price of Rs. [•] per Equity Share aggregating to Rs. [•] million. The Issue includes an Employee Reservation Portion of up to 50,000 Equity Shares. The Issue will constitute up to 11.54 % of the fully diluted post-Issue paid up capital of the Company. The Issue is being made through a 100% Book Building Process.

Particulars	**QIBs**	**Non-Institutional Bidders**	**Retail Individual Bidders**	**Eligible Employees/ Employee Reservation Portion**
Number of Equity Shares available for allocation*	At least 2,084,663 Equity Shares	Not less than 347,444 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation	Not less than 1,042,332 Equity Shares or Net Issue less allocation to QIB Bidders and Non Institutional Bidders shall be available for allocation	Up to 50,000 Equity Shares
Percentage of Issue Size available for Allotment/Allocation	At least 60% of the Net Issue However up to 5% of the QIB portion shall be available for allocation proportionately to Mutual Funds only. 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 Net Issue size or Net Issue less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation	Not less than 30% of the Net Issue size or Net Issue less allocation to QIB Bidders and Non Institutional Bidders shall be available for allocation	Up to 1.42 % of the Issue
Basis of Allocation if respective category is oversubscribed	Proportionate as follows (a) 104,233 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 1,980,430 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate.	Proportionate.	Proportionate.

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees/ Employee Reservation Portion
Minimum Bid	Such number of Equity Shares in multiples of 15 Equity Shares so that the Bid Amount exceeds Rs. 100,000	Such number of Equity Shares in multiples of 15 Equity Shares so that the Bid Amount exceeds Rs. 100,000.	15 Equity Shares and in multiples of 15 Equity Shares thereafter	15 Equity Shares and in multiples of 15 Equity Shares thereafter
Maximum Bid	Such number of Equity Shares, not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares so that the Bid does not exceed the Issue, subject to applicable limits.	Such number of Equity Shares so that the Bid Amount does not exceed Rs. 100,000.	Up to 50,000 Equity Shares.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	15 Equity Shares in multiples of 15 Equity Shares	15 Equity Shares in multiples of 15 Equity Shares	15 Equity Shares in multiples of 15 Equity Shares	15 Equity Shares in multiples of 15 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts.	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.	All or any of the following:(a) a permanent employee of the Company as on the date of filing of the Red Herring Prospectus with the RoC and based working and present in India as on the date of submission of the Bid cum Application Form.(b) a director of the Company, except any Promoters or members of the Promoter group, whether a whole time Director part time Director or otherwise as of the date of filing of the Red Herring Prospectus with the RoC based and present in India as on the date of submission of the Bid cum Application Form.

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees/ Employee Reservation Portion
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Members***.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	At least 10% of Bid Amount.	100% of Bid Amount	100% of Bid Amount	100% of Bid Amount

* Subject to valid Bids being received at or above the Issue Price. At least 60% of the Net Issue shall be available for Allotment to QIB Bidders. 5% of the QIB Portion shall be available for Allotment on a proportionate basis to Mutual Funds only. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for Allocation in the remaining QIB Portion. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. If the aggregate demand from Mutual Funds is less than 104,233 Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund reservation will be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids. Further, a total of up to 50,000 Equity Shares have been reserved for allocation to the Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price.

Under subscription, if any, in the Retail Portion would be first met with spill over from the Non Institutional Portion. Under subscription, if any, in the Non Institutional Portion would be met with spill-over from other categories in the Company's sole discretion, in consultation with the BRLM and the Designated Stock Exchange. If a minimum Allotment of 60% of the Net Issue is not made to the QIBs, the entire subscription monies will be refunded. However, if the aggregate demand by Mutual Funds is less than 104,233 Equity Shares (assuming QIB Portion is 60% of the Net Issue size, i.e., 2,084,663 Equity Shares), the balance Equity Shares available for Allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription in any other category, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company and the Selling Shareholders, in consultation with the BRLM and the Designated Stock Exchange.

** 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.

*** After the Bid/Issue Closing Date, depending on the level of subscription, additional Margin Amount, if any, may be called for from the QIB Bidders.

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. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled physical book prepared by the Registrar. Subject to the SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. Any revised CAN, if issued, will supersede in its entirety the earlier CAN.

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefore. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC.

Letters of Allotment or Refund Orders

We shall credit each Equity Share Allotted to the applicable beneficiary account with its Depository Participant within 15 days of the Bid Closing Date/Issue Closing Date. Applicants residing at 15 centres where clearing houses are managed by the RBI will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where the applicant is otherwise disclosed as eligible to receive refunds through direct credit and RTGS. In the case of other applicants, the Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the ECS facility. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post informing them about the mode of credit of refund within 15 days of the Closing of Issue.

Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Dispatch refund orders, except for Bidders who have opted to receive refunds through the ECS facility, shall be made within 15 days of the Bid/Issue Closing Date; and
- The Company shall pay interest at 15% per annum, if the Allotment is not made, on refund orders that are not dispatched to applicant or if, in a case where refund or portion thereof is made in electronic mode/manner, the refund instructions have not been given to clearing members, and/ or if Demat credits are not made to investors within the 15-day period prescribed above.

We 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 the 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 centres will be payable by the Bidders.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	Tuesday, September 18, 2007
BID/ISSUE CLOSES ON	Friday, September 21, 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) 5.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders and Employees bidding under the Employee Reservation Portion where the Bid Amount is in excess of Rs. 100,000 and (ii) until such time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders and Employees Bidding under the Employee Reservation Portion where the Bid Amount is up to Rs. 100,000. **Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on working days, i.e. Monday to Friday (excluding any public holiday).**

The Company and the Selling Shareholders reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines, provided that the cap of the Price Band is always equal to or less than 120% 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 advertised at least one day prior to the Bid/Issue Opening Date.

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

TERMS OF THE ISSUE

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

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Memorandum and Articles of Association and shall rank pari passu with the existing Equity Shares of the Company including rights in respect of dividends. The Allottees of the Equity Shares under this Issue shall be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For further details see section titled "Main Provisions of the Articles of Association" beginning on page 231 of this Red Herring Prospectus.

Mode of Payment of Dividend

The Company shall pay dividends to shareholders in accordance with the provisions of the Companies Act.

Face Value and Issue Price

The face value of each Equity Share is Rs. 10. The Floor Price of Equity Shares being issued in terms of this Red Herring Prospectus is Rs. 370 per Equity Share and the Cap Price is Rs. 415 per Equity Share. At any given point of time there shall be only one denomination of Equity Shares.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders of the Company shall have rights to:

- receive dividends, if declared;
- attend general meetings and exercise voting powers, unless prohibited by law;
- vote on a poll either in person or by proxy;
- receive offers for shares and be allotted bonus shares, if announced;
- receive any surplus on liquidation subject to any statutory and other preferential claims being satisfied;
- 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 with the Stock Exchanges and the Company's Memorandum and Articles of Association.

For a detailed description of the main provisions of the Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission, and/or consolidation/splitting, refer section titled "Main Provisions of the Articles of Association" beginning on page 231 of this Red Herring Prospectus.

Market Lot and Trading Lot

Under section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Guidelines, the trading of the Equity Shares shall be in dematerialised form only. Since trading of the Equity Shares is in dematerialised form, the tradeable lot is one Equity Share. Allotment in this Issue will be in electronic form only in multiples of one Equity Share, subject to a minimum Allotment of 15 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts in New Delhi, 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 sole Bidder's death, or in case of joint Bidders, the death of all the Bidders (as the case may be), the Equity Shares Allotted 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 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 only be made on the prescribed form available on request at the Registered Office or at the Registrar and transfer agents of the Company.

In accordance with section 109B of the Companies Act, any person who becomes a nominee by 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:

(a) to register himself or herself as the holder of the Equity Shares; or

(b) 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 register himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant will prevail. If the investors wish to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive a minimum subscription of 90% of the Net Issue, including devolvement to the Underwriters within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under section 73 of the Companies Act.

In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by the Company on behalf of the Selling Shareholders with respect to refunds, interest for delays etc for the Equity Shares being offered through the Offer for sale, will be reimbursed by the Selling Shareholders to the Company.

If at least 60% of the Net Issue cannot be Allotted to QIBs, then the entire application money will be refunded.

Furthermore, in accordance with clause 2.2.2A of the SEBI Guidelines, the Company shall ensure that the number of Allottees under the Issue shall be not less than 1,000 in number.

The requirement of minimum subscription is not applicable to the Offer for Sale.

Application by Eligible NRIs, FIIs registered with the SEBI and FVCIs registered with the SEBI

It is to be distinctly understood that there is no reservation for NRIs and FIIs registered with the SEBI or FVCIs registered with the SEBI.

As per RBI regulations, OCBs cannot participate in the Issue.

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before Allotment, without assigning any reason. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC.

Restriction on Transfer of Shares

There are no restrictions on transfers and transmissions of share and on their consolidation/splitting except as provided in our Articles of Association. For details see the section titled "Main Provisions of our Articles of Association" beginning on page 231 of this Red Herring Prospectus.

ISSUE PROCEDURE

Book Building Procedure

This Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, including up to 5% of the QIB Portion, which shall be available for allocation to Mutual Funds only. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders, and not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. Further, QIB Bids can be submitted only through the BRLM and the Co-BRLM. In case of QIB Bidders, the Company and the Selling Shareholders may in consultation with the BRLM and the Co-BRLM 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, the Company and the Selling Shareholders will have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares will be Allotted to all successful Bidders in dematerialised form only. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid. 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 Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company and the Selling Shareholders 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 the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	**Colour of Bid cum Application Form**
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
Eligible Employees	Pink

Who can Bid?

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines.
2. Indian nationals resident in India who are not minors in single or joint names (not more than three).
3. Hindu Undivided Families or HUFs in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals.
4. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue.
5. FIIs registered with the SEBI.
6. State Industrial Development Corporations.

7. Insurance companies registered with the Insurance Regulatory and Development Authority, India.

8. Provident Funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares.

9. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares.

10. Companies, corporate bodies and societies registered under applicable laws in India and authorised to invest in equity shares.

11. Venture Capital Funds registered with the SEBI.

12. Foreign Venture Capital Investors registered with the SEBI.

13. Indian Mutual Funds registered with the SEBI.

14. 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).

15. Multilateral and bilateral development financial institutions.

16. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorised under their constitution to hold and invest in equity shares.

17. Scientific and/or industrial research organisations in India authorised to invest in equity shares.

18. (a) a permanent employee of the Company as of the date of filing of the Red Herring Prospectus with the RoC and based, working and present in India as on the date of submission of the Bid cum Application Form or

    (b) a Director of the Company, whether a whole time Director, part time Director or otherwise, except any Promoters or members of the Promoter group, as of the date of filing of the Red Herring Prospectus with the RoC and based and present in India as on the date of submission of the Bid cum Application Form.

As per existing regulations, OCBs cannot Bid in the Issue.

Participation by Associates of the BRLM and Syndicate Members

The BRLM 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 BRLM and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

Bidders are advised to ensure that any single Bid from them does not exceed the investments limits or maximum number of Equity Shares that can be held by them under applicable laws, rules, regulations, guidelines and approvals.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 104,233 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 Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids, provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. Neither the Company nor the BRLMs are liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this 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 Eligible NRIs

Bid cum Application Forms have been made available for Eligible NRIs at the Registered Office of the Company and with members of the Syndicate.

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 the Non-Resident Ordinary (NRO) account shall use the application form meant for Resident Indians (white form).

Bids by FIIs

In accordance with 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 the post-Issue paid up capital of the Company (i.e. 10% of 3,055,139 Equity Shares). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total paid up capital of the Company or 5% of the total paid-up capital of the Company, in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 24% of the Company's total paid-up capital.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against underlying securities listed or proposed to be listed 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.

Bids by the SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on Venture Capital Funds and Foreign Venture Capital Investors registered with the SEBI. Accordingly, the holding by any Venture Capital Fund should not exceed 25% of the corpus of the Venture Capital Fund.

The SEBI Guidelines provide that 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.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. The Company, the Selling Shareholders, the BRLM and the Co-BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. The Company, Selling Shareholders, the BRLM and the Co-BRLM are not liable to inform the investors of any amendments or modifications 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.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 15 Equity Shares and in multiples of 15 Equity Shares thereafter, so as to ensure that the Bid Amount (provided revision of Bids if any) 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. Where the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off Price option is given only to Retail Individual Bidders indicating their agreement to the Bid and purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.

(b) For Non-Institutional Bidders and QIB Bidders: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and is a multiple of 15 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them under 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.**

(c) For Eligible Employees: The Bid must be for a minimum of 15 Equity Shares and in multiples of 15 Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. The allotment in the Employee Reservation Portion will be on a proportionate basis.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not 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".

Information for the Bidder:

1. The Company and the Selling Shareholders will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

2. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

3. Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus along with the Bid cum Application Form can obtain the same from the Registered Office of the Company or from any of the members of the Syndicate.

4. Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLM, Co-BRLM or Syndicate Members or their authorised agent(s) to register their Bids.

5. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the member of the Syndicate. Bid cum Application Forms which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

1. The Company, the Selling Shareholders and the BRLM shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date and Price Band in the Red Herring Prospectus to be filed with the RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi). This advertisement, subject to the provisions of section 66 of the Companies Act, shall be in the format prescribed in Schedule XX-A of the SEBI Guidelines, as amended by the SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated 11 November, 2005. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Bid/Issue Period in accordance with the terms of the Syndicate Agreement.

2. The Bid/Issue Period shall be for a minimum of three working days and shall not exceed seven working days. Where the Price Band is revised, the revised Price Band and Bid/Issue Period will be published in two national newspapers (one each in English and Hindi) and also by indicating the change on the websites of the BRLM,

Co-BRLM and at the terminals of the members of the Syndicate. The Bid/Issue Period may be extended, if required, by an additional three working days, subject to the total Bid/Issue Period not exceeding ten working days.

3. During the Bid/Issue Period, eligible investors who are interested in subscribing for the Equity Shares should approach the members of the Syndicate or their authorised agents to register their Bid.
4. Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details refer to the paragraph "Bids at Different Price Levels") within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
5. 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 the Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids".
6. 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.
7. During the Bid/Issue Period, Bidders may approach the members of the Syndicate to submit their Bids. 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.
8. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment".

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 370 to Rs. 415 per Equity Share, Rs. 370 being the Floor Price and Rs. 415 being the Cap Price. The Bidders can Bid at any price within the Price Band in multiples of Re. 1.
2. The Company and the Selling Shareholders in consultation with the BRLM, reserve the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the Floor Price. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.
3. In case of a revision of the Price Band, the Bid/Issue Period shall be extended for three additional working days, subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two widely circulated national newspapers (one each in English and Hindi) and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.
4. The Company and the Selling Shareholders in consultation with the BRLM, can finalise the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.
5. The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees may Bid at the Cut-off Price. However, bidding at the Cut-off Price is prohibited for QIB Bidders or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
6. Retail Individual Bidders and Eligible Employees who Bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding at the Cut-off Price shall deposit the Bid Amount based on the cap of the Price Band in the Escrow Account. In the event that the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at the Cut-off Price, the Retail Individual Bidders and Eligible Employees shall receive the refund of the excess amounts from the Escrow Account in the manner described under the paragraph "Payment of Refund".

7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees who had Bid at the Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. the original Bid Amount plus additional payment does not exceed Rs. 100,000 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 before revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at the Cut-off Price.

8. 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.

Escrow Mechanism

The Company and the Selling Shareholders shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Accounts. The Escrow Collection Banks will act in terms of the Red Herring Prospectus, the Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Banks for and on behalf of the Bidders. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Accounts to the Issue Account and the Refund Account as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by the SEBI and has been established as an arrangement between the Company, the Selling Shareholders, 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 Account

Each Bidder shall pay the applicable Margin Amount, and shall, with the submission of the Bid cum Application Form, draw a cheque or demand draft in favour of the Escrow Account of the Escrow Collection Bank(s) (see "Payment Instructions" beginning on page 217 of this Red Herring Prospectus), and submit such cheque or demand draft to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through the RTGS mechanism. Each QIB shall provide their QIB Margin Amount only to a BRLM. Bid cum Application Forms accompanied by cash/Stockinvest/money order shall not be accepted. The Margin Amount based on the Bid Amount has to be paid at the time of submission of the Bid cum Application Form.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account. The balance amount after transfer to the Issue Account of the Company shall be transferred to the Refund Account. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment, to the Bidders.

Each category of Bidders, i.e. QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, would be required to pay their applicable Margin Amount at the time of submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Information" beginning on page 197 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in Date, 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. If the payment is not made favouring the Escrow Account within the time stipulated above, the

Bid of the Bidder is liable to be rejected. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form. QIB Bidders will be required to deposit a margin of at least 10% at the time of submitting their Bids.

Where the Bidder has been allocated a lesser number of Equity Shares than he or she had Bid for, the excess amount paid on Bidding, if any, after adjustment for Allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest according to the provisions of the Companies Act for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city where a stock exchange is located in India and where Bids are being accepted.
2. The NSE and the BSE will offer a screen based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bid/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently 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.
3. The aggregate demand and price for Bids registered on electronic facilities of the NSE and the BSE will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centres as well as on the NSE's website at www.nseindia.com and on the BSE's website at www.bseindia.com. A graphical representation of consolidated demand and price will be made available at the bidding centres during the Bid/Issue Period.
4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
    - Name of the 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, QIBs, Eligible NRI, FVCI, FII or Mutual Fund, etc.;
    - Numbers of Equity Shares bid for;
    - Bid price;
    - Bid cum Application Form number;
    - Margin Amount paid upon submission of Bid cum Application Form; and
    - Depository participant identification number and client identification number of the demat account of the Bidder.
5. A system generated TRS will be given to the Bidder as proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
7. In case of QIB Bidders, members of the Syndicate also have the right to accept the Bid or reject the Bid. However, such rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed in this Red Herring Prospectus.
8. The permission given by the NSE and the BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements

by the Company, the Selling Shareholders or the BRLM are cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the Promoters, the management or any scheme or project of the Company.

9. It is also to be distinctly understood that the approval given by the NSE and the BSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the NSE or the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and the BSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.

2. The book gets built up at various price levels. This information will be available from the BRLM on a regular basis.

3. During the Bid/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

4. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. The Bidder must complete the details of all the options in the 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 in the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

5. The Bidder can make this revision any number of times during the Bid/Issue 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 the original Bid was placed.

6. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only on such Revision Form or copies thereof.

7. 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 the case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin, 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.

8. When a Bidder revises a Bid, the Bidder 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 and obtain the revised TRS, which will act as proof of revision of the original Bid.**

9. Only Bids that are uploaded on the online IPO system of the NSE and the BSE shall be considered for allocation/ Allotment. In the event of a discrepancy of data between the Bids registered on the online IPO system and the physical Bid cum Application Form, the decision of the Company in consultation with the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Issue Closing Date, the BRLM shall analyse the demand generated at various price levels and discuss pricing strategy with the Company and the Selling Shareholders.

2. The Company and the Selling Shareholders in consultation with the BRLM, shall finalise the Issue Price and the number of Equity Shares to be allocated in each investor category.

3. The availability for allocation in the Issue to Non-Institutional Bidders and Retail Individual Bidders of not less than 10% and 30% of the Net Issue, respectively, and the allotment to QIBs for at least 60% of the Net Issue, would be on a proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

4. In case of over-subscription in all categories, at least 60% of the Net Issue shall be available for allocation on a proportionate basis to QIB Bidders, out of which 5% shall be available to 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 QIB Bidders 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 and the Selling Shareholders, in consultation with the BRLM and the Designated Stock Exchange. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

   Under subscription, if any, in the Retail Portion would be first met with spill over from the Non Institutional Portion. Under subscription, if any, in the Non Institutional Portion would be met with spill-over from other categories at the sole discretion of our Company and the Selling Shareholders in consultation with the BRLM. If a minimum Allotment of 60% of the Net Issue is not made to the QIBs, the entire subscription monies shall be refunded.

   Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholders, and the BRLM. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation portion.

5. The BRLM, in consultation with the Company and the Selling Shareholders, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

6. Allotment to Eligible NRIs, FIIs registered with the SEBI or Mutual Funds or FVCIs registered with the SEBI will be subject to applicable laws, rules, regulations, guidelines and approvals.

7. The Company and the Selling Shareholders reserve the right to cancel the Issue at any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

8. In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

9. The Company and the Selling Shareholders 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.

10. The allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the Selling Shareholders, the BRLM, the Co-BRLM and the Syndicate Members will enter into an Underwriting Agreement on finalisation of the Issue Price.

(b) After signing the Underwriting Agreement, the Company and the Selling Shareholders will update and file the updated Red Herring Prospectus with RoC, which then will be termed "Prospectus". The Prospectus will have details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

Filing of the Prospectus with the RoC

The Company and the Selling Shareholders will file a copy of the Prospectus with the RoC in terms of section 56, section 60 and section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to section 66 of the Companies Act, the Company and the Selling Shareholders shall, after receiving final observations, if any, on the Red Herring Prospectus from the SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines, in two widely circulated national newspapers (one each in English and Hindi).

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the Prospectus shall also be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note ("CAN")

(a) Upon approval of the basis of allocation by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or before the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, the investor 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, the Co-BRLM or the members of the Syndicate will then send 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 Bid Amount in full into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

(d) The issuance of a CAN is subject to "Allotment Reconciliation and Revised CANs" as set out below.

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. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled physical book prepared by the Registrar. Subject to the SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. Any revised CAN, if issued, will supersede in its entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a) The Company and the Selling Shareholders will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account and the Refund Account on the Designated Date, the Company and the Selling Shareholders will credit the successful Bidder(s) depository account within two working days of the date of Allotment.

(b) As per the SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees.

(c) Successful Bidders will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS

DOs:

(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 Bid cum Application Form;

(d) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be Allotted in the dematerialised 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) If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached copies of your PAN card or PAN allotment letter with the Bid cum Application Form. 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-Permanent Account Number ("PAN") beginning on page 220 of this Red Herring Prospectus);

(i) 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. Where 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; and

(j) Ensure that the Demographic Details are updated, true and correct in all respects.

DON'Ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/revise Bid to a price that is less than the Floor Price or higher than the Cap Price;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid amount in cash, 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 exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of the Red Herring Prospectus;

(h) Do not bid at Bid Amount exceeding Rs. 100,000 (for Retail Individual Bidders);

(i) Do not submit the Bid without the QIB Margin Amount, in the case of a Bid by a QIB; and

(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.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

1. Made only on the prescribed Bid cum Application Form or Revision Form, as applicable (white colour form for Resident Indians and Eligible NRIs applying on a non-repatriation basis, blue colour form for Eligible NRIs, FIIs registered with the SEBI and FVCIs registered with the SEBI, applying on repatriation basis and pink colour forms for Eligible Employees).
2. Made in a single name or in joint names (not more than three, and in the same order as their Depository Participant details).
3. Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, on the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
4. Bids from the Retail Individual Bidders must be for a minimum of 15 Equity Shares and in multiples of 15 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
5. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 15 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them does not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws and regulations.
6. 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.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of the name of the Bidders, Depository Participant's name, Depository Participant Identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the Bidders such as their address, bank account details for printing on refund orders or giving credit through ECS or Direct Credit, and occupation (hereinafter referred to as "Demographic Details"). These bank account details would be used for giving refunds 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 credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Registrar nor the Escrow Collection Banks nor the Company nor the Selling Shareholders shall have any responsibility or undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details on the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN ON THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. 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 will be used for all correspondence with the Bidders including mailing of the refund orders/ ECS credit for refunds/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 will not be used for any other purposes by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder will be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation 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 Bidder's sole risk and neither the 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 pay any interest for such delay.

Where no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidder's (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids and revisions to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue form), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In the names of individuals, or in the names of FIIs or Foreign Venture Capital Funds registered with the SEBI and multilateral and bilateral development financial institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
3. In a single name or joint names (not more than three and in the same order as their Depository Participant details).

Bids by Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids by NRIs for a Bid Amount of more than Rs. 100,000 would be considered under the Non-Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only at the prevailing exchange rate and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE Accounts, details of which should be furnished in the space provided for this purpose on the Bid cum Application Form. The Company and the Selling Shareholders will not be responsible for any loss incurred by the Bidder on account of conversion of foreign currency.

It is to be clearly understood that there is no reservation for Eligible NRIs and FIIs, and all such Bidders will be treated on the same basis as with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Bids under Power of Attorney

In the case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In the 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 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 therefore.

In the case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In the 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 a 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, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In 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, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

The Company and the Selling Shareholders, in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we and the BRLM may deem fit.

The Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Bid cum Application Form instead of those obtained from the Depositories.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means all or any of the following:

(a) a permanent employee of the Company as of the date of filing of the Red Herring Prospectus with the RoC and based working and present in India as on the date of submission of the Bid cum Application Form.

(b) a director of the Company, whether a whole time director except any Promoters or members of the Promoter group, part time director or otherwise as of date of filing of the Red Herring Prospectus with RoC and based and present in India as on the date of submission of the Bid cum Application Form. Bids under Employee Reservation Portion by Eligible Employees shall be:

  (i) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour form).

  (ii) Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.

  (iii) The sole/ first Bidder should be Eligible Employees.

  (iv) Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.

  (v) Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.

  (vi) Eligible Employees can apply at Cut-Off Price if the Bid Amount does not exceed Rs. 100,000.

  (vii) Bid by Eligible Employees can be made also in the "Net Issue" portion and such Bids shall not be treated as multiple bids.

  (viii) If the aggregate demand in this category is less than or equal to 50,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.

  (ix) If the aggregate demand in this category is greater than 50,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to "Basis of Allotment" on page 224 of this Red Herring Prospectus.

PAYMENT INSTRUCTIONS

The Company shall open Escrow Accounts with the Escrow Collection Banks 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. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Accounts

1. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
2. Where the above Margin Amount paid by the Bidders during the Bid/Issue Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   (a) In the case of Resident QIB Bidders: **"Escrow Account-Koutons Public Issue - QIB R"**
   (b) In the case of Non-Resident QIB Bidders: **"Escrow Account-Koutons Public Issue - QIB NR"**
   (c) In the case of Resident Non-Institutional Bidders and Retail Individual Bidders: **"Escrow Account - Koutons Public Issue - Retail and Non-Institutional - R"**;
   (d) In the case of Non-Resident Non-Institutional Bidders and Retail Individual Bidders: **"Escrow Account - Koutons Public Issue - Retail and Non-Institutional - NR";**
   (e) In the case of Eligible Employees: **"Escrow Account-Koutons Public Issue - Employees"**
4. In the 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 NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of the Non-Resident Bidder bidding on a repatriation basis. Payment by draft should be accompanied by a bank certificate confirming that the draft has been issued by debiting a NRE Account or a 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 authorised 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 registered with the SEBI the payment should be made out of funds held in a special rupee account along with documentary evidence in support of the remittance. Payment by draft should be accompanied by a bank certificate confirming that the draft has been issued by debiting a 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. The monies deposited in the Escrow Accounts will be held for the benefit of the Bidders until the Designated Date.
9. 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 Issue Account.
10. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
11. **Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/money orders/postal orders will not be accepted.**

Payment by Stockinvest

Under the terms of the RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated 5 November, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Accordingly, payment through Stockinvest will not be accepted in this Issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Forms or Revision Forms. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made 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 with the same name and age will be accumulated and taken to a separate process file which would serve as probable multiple master.
2. In this master, a check will be carried out for the same PAN number. In cases where the PAN number is different, the same will be deleted from this master.
3. The addresses of all these applications from the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters, i.e., commas, full stops, hashes etc. Sometimes, the name, the first line of the address and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be made to check for common names. Applications with the same name and same address will be treated as multiple applications.
4. The applications will be scanned for similar DP ID and client identity numbers. In cases where applications bear the same numbers, these will be treated as multiple applications.
5. After the aforesaid procedures, a print-out of the multiple master will be taken and the applications physically verified to tally signatures and also father's/husband's names. On completion of this, the applications will be identified as multiple applications.
6. The Registrar to the Issue will obtain from the Depositories, detail of the applicants address based on the depository identification and beneficiary account number provided in the Bid cum Application Form and create a address master.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

Bids by Eligible Employees can also be made in the Net Issue and such Bids shall not treated as multiple Bids.

The Company and the Selling Shareholders reserve the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number ("PAN")

Pursuant to the Circular (MRD/DoP/Cir 05- 2007) dated April 27, 2007, SEBI has mandated Permanent Account Number (PAN) to be the sole identification number for all participants in the securities market with effect from July 2, 2007. Where a Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act Each of the Bidders, should mention his/her PAN allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. In 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", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.

Unique Identification Number ("UIN")

Pursuant to the Circular (MRD/DoP/Cir 08- 2007) dated June 25, 2007, SEBI has discontinued with the requirement of UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 and the Circular (MAPIN/Cir-13/2005) dated July 1, 2005.

THE COMPANY'S RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company and the Selling Shareholders in consultation with the BRLM may reject Bids provided that the reason for rejecting the Bid shall be provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bidders in the Employees Reservation Portion, the Company and the Selling Shareholders have the right to reject Bids based on technical grounds only. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
2. Age of First Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
4. Bids by persons not competent to contract under the Indian Contract Act, 1872 including minors and insane persons;
5. PAN not stated if Bid is for Rs. 50,000 or more 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;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders whose Bid Amount exceeds Rs. 100,000;
10. Bids for a number of Equity Shares, which are not in multiples of 15;

11. Category not ticked;
12. Multiple Bids;
13. In the case of a Bid under power of attorney or by limited companies, corporates, trusts etc., relevant documents are not submitted;
14. Bids accompanied by Stockinvest/money order/postal order/cash;
15. Signature of sole and/or joint Bidders missing;
16. Bid cum Application Form does not have the stamp of the BRLM or the Syndicate Members;
17. Bid cum Application Form does not have the Bidder's depository account details;
18. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;
19. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number;
20. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
21. Bids by QIBs not submitted through members of the Syndicate;
22. Bids by OCBs;
23. Bids by U.S. residents or U.S. persons other than in reliance on Regulation S under the Securities Act; and
24. Bids by persons who are not eligible to acquire Equity Shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.

Equity Shares in Dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form (i.e., not in the form of physical certificates but fungible statements issued in electronic mode).

In this context, two tripartite agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

(a) an agreement dated August 13, 2007 between NSDL, us and the Registrar to the Issue; and

(b) an agreement dated June 5, 2007 between CDSL, us and the Registrar to the Issue.

Bidders will be allotted Equity Shares only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing on the Bid cum Application Form or Revision Form.
3. Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid cum Application Form or Bid Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
5. If incomplete or incorrect details are given under the heading "Bidders Depository Account Details' in the Bid cum Application Form or Bid Revision Form, it is liable to be rejected.
6. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those recorded with his or her Depository Participant.

7. 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 the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

8. The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future 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, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in the 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.

PAYMENT OF REFUND

Bidders should note that on the basis of the 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 Bidder's bank account details including a nine digit Magnetic Ink Character Recognition ("MICR") code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder's sole risk and neither the BRLM nor the Co-BRLM nor the Company nor the Selling Shareholders shall have any responsibility and undertake any liability for the same.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS-Payment of refund would be done through ECS for applicants having an account at any of the following 15 centres: Ahmedabad, Bangalore. Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the nine-digit MICR code as appearing on a cheque leaf from the Depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centres named hereinabove, except where the applicant is otherwise disclosed as eligible to receive refunds through direct credit or RTGS.

2. The Company, in consultation with the BRLM and the Registrar may decide to use the National Electronic Funds Transfer ("NEFT") facility for payment of refunds.

3. Direct Credit-Applicants having their bank account with the Refund Bank shall be eligible to receive refunds, if any, through direct credit. Charges, if any, levied by the Refund Bank(s) for the same will be borne by the Company and the Selling Shareholders.

4. RTGS-Applicants having a bank account at any of the 15 centres detailed above, 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 refunds through RTGS are required to provide the IFSC code in the Bid cum Application Form. In the event of failure to provide the IFSC code in the Bid cum Application Form, the refund shall be made through the ECS or direct credit, if eligibility is disclosed. Charges, if any, levied by the Refund Bank(s) for the same will be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit will be borne by the applicant.

5. Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine-digit MICR Code, the refund orders will be dispatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above. Some refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at

places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date.

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY AND INTEREST IN CASE OF DELAY

The Company and the Selling Shareholders shall ensure dispatch of allotment advice, transfer advice or refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of the date of finalisation of allotment of the Equity Shares. The Company and the Selling Shareholders shall dispatch refunds above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk, except for Bidders who have opted to receive refunds through the ECS facility or RTGS or Direct Credit.

The Company and the Selling Shareholders shall use best efforts to ensure that all steps for completion of the necessary formalities for allotment and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares only in dematerialised form shall be made within 15 days of the Bid/Issue Closing Date;
- dispatch refund orders, except for Bidders who have opted to receive refunds through the ECS facility, shall be made within 15 days of the Bid/Issue Closing Date; and
- the Company and the Selling Shareholders shall pay interest at 15% per annum for any delay beyond the 15 day time period as mentioned above, if allotment is not made 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 day time period 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 31 July, 1983, as amended by their letter No. F/14/SE/85 dated 27 September, 1985, addressed to the stock exchanges, and as further modified by the SEBI's Clarification XXI dated 27 October, 1997, with respect to the SEBI Guidelines.

The Company and the Selling Shareholders will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Forms or Revision Forms. However, the collection centre of the Syndicate Members will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

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".

ALLOTMENT

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional Bidders 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 1,042,332 Equity Shares at or above the Issue Price, full Allotment shall be made to Retail Individual Bidders to the extent of their valid Bids.
- If the valid Bids in this portion are greater than 1,042,332 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis not less than 1,042,332 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation, 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 portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

If the valid Bids, in this portion are less than or equal to 347,444 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.

If the valid Bids in this portion are greater than 347,444 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis not less than 347,444 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

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 allocation to QIB Bidders will be made at the Issue Price.

The QIB Portion shall be available for allocation 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:

(b) If bids from Mutual Funds exceed 5% of the QIB Portion, allocation to Mutual Funds shall be made on a proportionate basis for up to 5% of the QIB Portion.

(c) If 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.

(d) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to QIB Bidders as set out below.

(e) In the second instance allocation to all Bidders shall be determined as follows:

(f) In the event of an oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(g) 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.

(h) Undersubscription 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 allocation to QIB Bidders shall be at least 2,084,663 Equity Shares.

The BRLM, Registrar to the Issue and the Designated Stock Exchange shall ensure that the basis of Allotment is finalised in a fair and proper manner in accordance with the SEBI Guidelines. The drawing of lots (where required) to finalise the basis of Allotment shall be done in the presence of a public representative on the governing board of the Designated Stock Exchange.

D. For Employee Reservation Portion

1. Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
2. If the aggregate demand in this category is less than or equal to 50,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
3. If the aggregate demand in this category is greater than 50,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis not less than 50,000 Equity Shares. For the method of proportionate basis of allocation, refer below.
4. Only Eligible Employees (as defined above) are eligible to apply under Employee Reservation Portion.

Procedure and Time of Schedule for Allotment and Demat Credit of Equity

The Issue will be conducted through a "100% book building process" pursuant to which the members of the Syndicate will accept bids for the Equity Shares during the Bid/Issue Period. The Bid/Issue Period will commence on Tuesday, September 18, 2007 and expire on Friday, September 21, 2007. Following the expiration of the Bid/Issue Period, the Company and the Selling Shareholders, in consultation with the BRLM, will determine the Issue Price, and, in consultation with the BRLM, the basis of allocation and entitlement to Allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation (subject to a revised confirmation of allocation) and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The SEBI Guidelines require the Company and the Selling Shareholders to complete the Allotment to successful bidders within 15 days of the expiration of the Bid/Issue Period. The Equity Shares will then be credited and Allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

Method of proportionate basis of Allotment

In the event the Issue is oversubscribed, the basis of Allotment shall be finalised by the Company and the Selling Shareholders in consultation with the Designated Stock Exchange. The executive director or managing director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner. Allotment to Bidders shall be made in marketable lots on a proportionate basis as explained below:

(a) Bidders will be categorised according to the number of Equity Shares applied for by them.

(b) The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(c) The number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the oversubscription ratio.

(d) If the proportionate Allotment to a Bidder is a number that is more than 15 but is not a multiple of one (which is the market lot), the decimal will 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 will be rounded off to the lower whole number. Allotment to all Bidders in such categories shall be arrived at after such rounding off.

(e) In all Bids where the proportionate Allotment is less than 15 Equity Shares per Bidder, the Allotment shall be made as follows:

Each successful Bidder shall be Allotted a minimum of 15 Equity Shares; and

The successful Bidders out of the total Bidders for a portion shall be determined by the drawing 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 (c) above; and

(f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance of Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for the minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

Issue details

Sr. No.	Particulars	Issue details
1	Issue size	166.67 million Equity Shares
2	Allocation to QIB (at least 60% of the Issue)	100 million Equity Shares
	Of which:	
	a. Reservation for Mutual Funds, (5%)	5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	95 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million Equity Shares

Details of QIB Bids

S. No.	Type of QIBs	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	TOTAL	**500**

* *A1-A5: (QIBs other than Mutual Funds), MF1-MF5 (QIBs which are Mutual Funds)*

Details of Allotment to QIBs Applicants

(Number of equity shares in million)

Type of QIB	Shares bid for	Allocation of five million Equity Shares to MF proportionately (see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (see note 4 below)	Aggregate allocation to Mutual Funds
(I)	(II)	(III)	(IV)	(V)
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
Total	**500**	**5**	**95**	**42.42**

Notes:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Issue Procedure" beginning on page 204 of this Red Herring Prospectus.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be Allotted on a proportionate basis among five Mutual Fund applicants who applied for 200 shares in the QIB Portion.
3. The balance 95 million Equity Shares i.e. 100 – 5 (available for Mutual Funds only) will be Allotted on a proportionate basis among 10 QIB Bidders who applied for 500 Equity Shares (including 5 Mutual Fund applicants who applied for 200 Equity Shares).
4. The figures in the fourth column entitled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived at as explained below:
   - For QIBs other than Mutual Funds (A1 to A5) = Number of Equity Shares Bid for x 95/495
   - For Mutual Funds (MF1 to MF5) = (No. of shares bid for (i.e. in column II of the table above) less Equity Shares Allotted (i.e., column III of the table above) x 95/495
   - The numerator and denominator for arriving at the allocation of 95 million Equity Shares to the 10 QIBs are reduced by 5 million shares, which have already been Allotted to Mutual Funds in the manner specified in column III of the table above.

Letters of Allotment or Refund Orders

We shall credit each Equity Share Allotted to the applicable beneficiary account with its Depository Participant within 15 days of the Bid Closing Date/Issue Closing Date. Applicants residing at 15 centres where clearing houses are managed by the RBI will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where the applicant is otherwise disclosed as eligible to receive refunds through direct credit and RTGS. In the case of other applicants, the Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the ECS facility. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post informing them about the mode of credit of refund within 15 days of the Closing of Issue.

We shall ensure dispatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or ECS or Direct Credit or RTGS, as applicable, only at the First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- Dispatch of refund orders/refund advice will be done within 15 days of the Bid/Issue Closing Date;
- it and the Selling Shareholders 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 as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated 31 July, 1983, as amended by their letter No. F/14/SE/85 dated 27 September, 1985, addressed to the Stock Exchanges and as further modified by SEBI's clarification XXI dated 27 October, 1997, with respect to the SEBI Guidelines.

The Company and the Selling Shareholders will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode, i.e., ECS, NEFT, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Undertakings by the Company

The Company undertakes as follows:

- that complaints received in respect of this Issue shall be dealt with promptly and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Final Transfer Date, 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 Bidders shall be despatched within the specified time; and
- that no further issue of Equity Shares shall be made until 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.

Undertakings by the Selling Shareholders

The Selling Shareholders undertake as follows:

(1) the Equity Shares being sold pursuant to the offer to the public, have been held by us for a period of more than one year and the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;

(2) the funds required for despatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Company;

(3) that the complaints received in respect of this Issue shall be attended to by the Selling Shareholders expeditiously and satisfactorily. The Selling Shareholders have authorised the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors; and

(4) that the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time.

The Company and the Selling Shareholders 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 Issue proceeds

The 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 section 73(3) of the Companies Act;
- details of all monies utilised out of the Issue referred to above shall be disclosed under an appropriate heading in the balance sheet of the Company indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested; and
- 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.
- The Board of Directors of the Company also certifies that:
    - the utilization of monies received from the Employee Reservation Portion shall be disclosed under an appropriate head in the balance sheet of the Company, indicating the purpose for which such monies have been utilized; and
    - the details of all unutilized monies out of the funds received from the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet of the Company, indicating the form in which such unutilized monies have been invested.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI notified through press notes and press releases issued from time to time and FEMA and regulations, circulars and notifications issued thereunder. While the GoI policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, the FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the GoI, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. As per the sector specific guidelines of the GoI, the foreign direct investment ("FDI") in all activities in the manufacturing sector is up to 100%.

Subscription by NRIs/FIIs

Under the FEMA, FIIs and NRIs are permitted to subscribe for shares of an Indian company making a public offer without prior RBI approval.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been, and will not be, registered under the United States Securities Act, 1933 or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act, 1933. Accordingly, the Equity Shares will be offered and sold only outside the United States in compliance with Regulation S of the United States Securities Act, 1933 and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company where such sub account is a foreign corporate or an individual.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with the SEBI. Accordingly, the holding by any venture capital fund should not exceed 25% of the corpus of the such venture capital fund.

The above information is given for the benefit of the Bidders. The Company, the Selling Shareholders, the BRLM and the Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their own independent investigations and ensure that the number of Equity Shares bid for does not exceed the applicable limits under relevant laws or regulations. However, we shall update this Red Herring Prospectus and keep the public informed of any material changes in matters concerning the business and operations until the listing and commencement of trading of the Equity Shares.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, restrictions on transfer and transmission of Equity Shares or debentures as detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

PART-I

Share Capital

Increase in Share Capital

3A The Directors may, from time to time, with the sanction of the Company in General Meeting by ordinary resolution increase the share capital of the Company by such sum to be divided into shares of such amount and of such classes with such right and privilege attach thereto as the general meeting shall direct by specifying the same in the resolution and if no directions be given, as the directors may determine.

Subject to provisions of the Act and the provisions of these Articles the new shares may be of any kind including shares with differential voting right or with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at general meeting of the Company in conformity with Section 87 and 88 of the Act.

Redeemable preference shares

4. The Company shall have power to issue Preference Shares carrying right of redemption out of profits which would otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purpose of such redemption, or liable to be redeemed at the option of the Company, and the Board may subject to the provisions of Section 80 of the Act, exercise such power in such manner as it think fit.

Further Issue of capital

5. 1. Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares then :

a. Such further shares shall be offered to the persons who, at the date of the offer, are holders of the Equity Shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at that date;

b. The offer aforesaid shall be made by notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;

c. The offer aforesaid shall be deemed to include the right exercisable by the person concerned to renowned the shares offered to him or any of them in favour of any person and the notice referred to in sub-clause (b) shall contain this statement of this right;

d. After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company.

2. Notwithstanding any thing contained in sub clause (1) the further shares aforesaid may be offered to any persons (whether or not persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.

(a) If a special resolution to that effect is passed by the company in general meeting, or

(b) Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

   (i) To extend the time within which the offer should be accepted : or

   (ii) To authorised any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued by the company :

   (i) To covert such debentures or loans into shares in the company ; or

   (ii) To subscribe for shares in the company.

   PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term :

   (a) Either has been approved by the central government before the issue of debentures or the raising of the loans or is in conformity with rules, if any, made by that government in this behalf ; and

   (b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the company in General Meeting before the issue of the loans.

10. The certificate of title to shares shall be issued under the Seal of the Company.

Limitation of time for issue of Certificate

11. Every Member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the directors may determine from time to time) 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 the distinctive numbers of shares in respect of which it is issued, and the 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 construed as sufficient delivery to all such holders.

Issue of New Certificate in place of one defaced, lost or destroyed

12. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate be issued in lieu thereof and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

    Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirement or any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

    The provisions of this Articles shall mutatis mutandis apply to debentures of the company.

Dematerialisation of Securities

12A 1. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

2. Every person subscribing to securities offered by the Company shall have the option to receive security certificate or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificate of Securities.

Option for Investors

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Fee on sub-division of shares issue of new certificates etc.

13. Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint-tenants with benefit of survivorship subject to the following provisions and to the other provisions of these Articles relating to joint-holders:

Maximum number

a) The Company shall not be bound to register more than Three persons as the joint-holder of any share.

Liability several as well as joint

b) The joint-holders of a share shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such shares.

Survivors of joint-holders only recognised

(c) On the death of anyone of such joint-holders the survivor or survivors shall be the only person recognised by the Company as having any title to or interest in such share but the Board may require such evidence of death as it may deem fit.

Delivery of certificates

(d) Only the person whose name stands first in the Register as one of the joint-holders of any share shall be entitled to delivery of the certificate relating to such share.

Notice may be given for calls or installment not paid

21. If any member fails to pay any call or installment on or before the day appointed for the payment of the same, the Directors may at any time thereafter, during such time as the call or installment remains unpaid, serve notice on such member requiring him to pay the same together with any interest that may have accrued and expenses, that may have been incurred by the Company by reasons of such non-payment.

Form of notice

22. The notice shall name a day (not being less than 30 (Thirty) days from the date of the notice) and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of nonpayment at or before the time, and at the place or places appointed, the shares in respect of which such cal1 was made or insta1ment is payable will be liable to be forfeited.

If notice not complied with, shares may be forfeited.

23. If the requirement of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share not actually paid before the forfeiture. Neither the receipt by the Company of a portion of any money which shall, from time to time, be due from any member of the Company

in respect of his shares, either by way of principal or interest, nor any indulgency granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such share as herein provided.

Notice of forfeiture

24. When any shares shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

Forfeited shares to become property of the Company.

Power to annul forfeiture

26. The Directors may, at any time before any share so forfeited shall be sold, re-allotted or otherwise disposed off, annul the forfeiture thereof upon such conditions as they think fit.

Arrears to be paid notwithstanding forfeiture

27. Any member whose shares have been forfeited shall notwithstanding such forfeiture, be liable to pay shall forthwith pay to the Company all calls, installments, interest and expenses, owing upon or in respect of shares, at the time of all installments interest on the forfeiture together with interest thereupon, from the time of the forfeiture until payment, at 12 (Twelve) per cent per annum or such other rate as the Directors may determine and the Directors may enforce the payment thereof without any deduction of allowance for the value of shares at the time of forfeiture but shall not be under any obligation to do so.

Company's Lien on Shares / Debentures

30. The company shall have a first and paramount lien upon all the shares/ debentures (other than fully paid up shares/ debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/ debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/ debentures. Unless otherwise agreed the registration of a transfer of shares/ debentures shall operate as a waiver of the Company's lien if any, on such shares/ debentures. The Directors may at any time declare any shares/ debentures wholly or in part to be exempt from the provisions of this clause.

30A That a common form of transfer shall be used.

Intention as to enforcing lien by sale

31. For the purpose of enforcing such lien, the Directors may sell the shares subject thereto in such manner as they think fit, but no sale shall be made until such period as aforesaid shall have elapsed and until notice in writing of the intention to sell shall have been served on such member, his committee, curator bonis or other person recognised by the Company as entitled to represent such member and default shall have been made by him or them in the payment of the sum payable as aforesaid for thirty days after such notice.

Application of proceeds of sale

The net proceeds of any such sale shall be applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable by such member, and the residual (if any) be paid to such member, his executors, administrators or other representatives or persons so recognised as aforesaid.

TRANSFER AND TRANSMISSION OF SHARES

Application for transfer

35. Application for the registration of the transfer of a share may be made either by the transferor or the transferee provided that, where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee in the manners prescribed by the Act. And, subject to the provisions of Articles hereof, the company shall, unless objection is

made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

Notice of transfer to registered holder

36. Before registering any transfer tendered for registration, the Company may, if it so thinks fit, give notice by letter posted in the ordinary course to the registered holder that such transfer deed has been lodged and that, unless objection is taken, the transfer will be registered and if such registered holder fails to lodge an objection in writing at the office of the Company within two weeks from the posting of such notice to him he shall be deemed to have admitted the validity of the said transfer.

Register of transfer

37. The Company shall keep a "Register of Transfer" and therein shall be fairly and distinctly entered particulars of every transfer of any share.

Directors may refuse to register Transfer

38. Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of or transmission by operation of law of the right to, any shares or interest of a member in or debentures of the Company. The company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the Transferee and the Transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground that the Transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except a lien on shares.

No transfer to person of unsound mind.

39. (1) No transfer shall be made to a minor or a person of unsound mind.

No fees for transfer or Transmission

(2) No fee shall be charged for registration of transfer, transmission, probate, succession certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

When instrument of transfer to be retained

40. All instruments of transfer duly approved shall be retained by the Company and in case of refusal, instruments of transfer shall be returned to the person who lodges the transfer deeds.

Notice of refusal to register transfer

41. If the Directors refuse to register the transfer of any shares, the Company shall, within one month from the date on which the instrument of transfer was lodged with the Company or intimation given, send to the transferor and the transferee or the person giving intimation of such transfer, notice of such refusal.

Power to close transfer books and register

42. On giving seven days' notice by advertisement in a newspaper circulating in a district in which the registered office of the Company is situated, the Register of Members may be closed during such time as the directors think fit not exceeding in the whole forty - five days in each year but not exceeding thirty days at a time.

Transmission of registered shares

43. The executors or administrators or the holder of a succession certificate in respect of shares of a deceased member (not being one of several joint-holders) shall be the only person whom the Company shall recognise as having any title to the shares registered in the name of such member and, in case of the death of anyone or more of the joint-holders of any registered shares the survivors shall be only persons recognised by the Company as having any title to or interest in such share but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person. Before recognising any legal representative or heir or a person otherwise claiming title to the shares the Company may require him

to obtain a grant of probate or letters of administration or succession certificate, or other legal representation, as the case may be from a competent Court, provided nevertheless that in any case where the Board in its absolute discretion think fit it shall be lawful for the Board to dispense with production of probate or letters of administration or a succession certificate or such other legal representation upon such terms as to indemnity or otherwise as the Board may consider desirable.

As to transfer of shares of deceased or insolvent members./ Transmission Article/ Notice of election to be registered/ All Rights of executors and trustees.

44. Any person becoming entitled to or to transfer shares in consequence of the death or insolvency of any member upon producing such evidence that he sustains the character in respect of which he processes to act under this article, or of his title as the Directors think sufficient, may with the consent of the Directors (which they shall not be under any obligation to give), be registered as a member in respect of such shares or may subject to the regulations as to transfer hereinbefore contained, transfer such shares. This article is hereinafter referred to as "The transmission Article" Subject to any other provisions of these Articles if the person so becoming entitled to shares under this or the last preceding Article shall elect to be registered as a member in respect of the share himself he shall deliver or send to the company a notice in writing signed by him stating that he so elects. If he shall elect to transfer to some other person he shall execute an instrument of transfer in accordance with the provisions of these articles relating to transfer of shares. All the limitations, restrictions and provisions of these articles relating to the rights to transfer and the registration of transfers of shares shall be applicable to any such notice of transfer as aforesaid.

45. Subject to any other provisions of these Articles if the Directors in their sole discretion are satisfied in regard there of, a person becoming entitled to a share in consequences of the death or insolvency of a member may receive and give a discharge for any dividends or other money payable in respect of the share.

Provisions of Article relating to transfer applicable

46. The instrument of transfer shall be in writing and all the provision of Section 108 of the Companies Act, 1956 and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and the registration thereof.

MODIFICATION OF RIGHTS

Power to modify rights

51. If at any time the share capital is divided into different classes of shares the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be carried with consent in writing of 'the holders of three-fourths of the issued shares of that class, or with the sanction of a Special Resolution passed at a Separate Meeting of the holders of the shares of that class. To every such Separate Meeting of the provisions of these Articles, relating to general meeting shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-tenth of the issued shares of the class but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those members who are present shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and, on a poll, shall have one vote for each shares of the class of which he is the holder. The Company shall comply with the provisions of Section 192 of the Act as to forwarding a copy of any such agreement or resolution to the Registrar of Companies.

Power to Borrow

52. The Board may from time to time and at its discretion, subject to the provisions of Section 58A, 292 and 293 of the Act, and Regulations made thereunder and directions issued by RBI to raise or borrow, either from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purpose of the Company.

Condition on which money may be borrowed

53. The Board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular, by the issue of bonds, perpetual or redeemable debentures or debenture-stock, or any mortgage, or other security on the undertaking of the whole or part of the property of the Company (both present and future), including its uncalled capital for the time being, provided that debentures with the rights to allotment of or conversion into shares shall not be issued except with the sanction of the Company in general meeting and subject to the provisions of the Act.

Terms of Issue of Debentures

54. Any Debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

Instrument of transfer

55. The Instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

56. If the Board refuses to register the transfer of any debentures, the Company shall, within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and to the transferor notice of the refusal.

GENERAL MEETINGS

Extra - ordinary General Meeting.

60. The Directors may, whenever they think fit, call an Extra Ordinary General Meeting provided however if at any time these are not in India, directors capable of acting who are sufficient in number to form a quorum, any Director present in India may call an Extra Ordinary General Meeting in the same manner as nearly as possible as that in which such a meeting may be called by the Board.

Calling of Extra - ordinary General Meeting

61. The Board of Directors of the Company shall on the requisition of such member or members of the company as is specified in sub section (4) of Section 169 of the Act forthwith proceed to call an Extra-Ordinary General Meeting of the Company and in respect of any such requisition and of any meeting to be called pursuant thereto, all the provisions of section 169 of the Act and of any statutory modification thereof for the time being shall apply.

Quorum

62. The quorum for a General Meeting shall be atleast five members present in person.

Chairman

63. At every General Meeting, the Chair shall be taken by the Chairman of the Board of Directors. If at any meeting, the Chairman of the Board of Directors is not present within fifteen minutes after the time appointed for holding the meeting or, though present be unwilling to act as chairman, the members present shall choose one of the Directors present to be Chairman or if no Director shall be present or though present shall be unwilling to take the Chair then the members present shall choose one of their members, being a member entitled to vote, to be the Chairman.

Business confined to election of Chairman whilst chair vacant

63A No business shall be discussed at any General Meeting except the election of a Chairman, whilst the Chair is vacant.

Sufficiency of ordinary resolution

64. Any act or resolution which, under the provision of this Article or of the Act, is permitted shall be sufficiently so done or passed if effected by an ordinary resolution unless either the Act or the Articles specifically require such act to be done or resolution passed by special resolution.

When quorum not present, meeting to be dissolved and when adjourned.

65. If within half an hour from the time appointed for the meeting a quorum be not present, the meeting, if convened upon a requisition of share-holders shall be dissolved but in any other case it shall stand adjourned to the same day in the next week at same time and place, unless the same shall be public holiday when the meeting shall stand adjourned to the next day not being a public holiday at the same time and place and if at such adjourned meeting a quorum be not present within half hour from the time appointed for the meeting, those members who are present and not being less than two persons shall be a quorum and may transact the business for which the meeting was called .

How question of resolution to be decided at meeting

66. In case of an equality of votes the chairman shall both on a show of hands and a poll, have a casting vote in addition to the vote or votes to which he may be entitled as a member.

Power to adjourn General Meeting

67. The Chairman of. a General Meeting may adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. It shall not be necessary to give notice to the members of such adjournment or of the time, date and place appointed for the holding of the adjourned meeting.

Business may proceed notwithstanding demand of poll.

68. If a poll be demanded, the demand of a poll shall not prevent the continuance of a meeting or the transaction of any business other than the question on which a poll has been demanded.

Vote of members

69. (1) On show of hands every member present in person and being a holder of Equity Shares or as a duly authorised representative of a body corporate. Rate being a holder of Equity Shares, if he is not entitled to vote in his own rights, shall have one vote.

(2) On a poll the voting rights of a holder of Equity Shares shall be as specified in Section 87 of the Act.

(3) The voting rights of the holders of the preference shares including the redeemable Cumulative preference shares shall be in accordance with the provisions of section 87 of the Act.

(4) No Company or body corporate shall vote by proxy so long as a resolution of Board of Directors under section 187 of the Act is in force and the representative named in such resolution is present at the General Meeting at which the vote by proxy is tendered.

Votes in respect of deceased, insolvent and insane members.

70. A person becoming entitled to a share shall not, before being registered as member in respect of the share, be entitled to exercise in respect thereof any right conferred by membership in relation to the meeting of the Company.

70A If any member be a lunatic or idiot, he may vote whether on a show of hands or at a poll by his committee or other legal curator and such last mentioned persons may give their votes by proxy provided that atleast twenty-four hours before the time of holding the meeting or adjourned meeting as the case may be, at which any such person proposes to vote, he shall satisfy the Board of his rights under this Article unless the Board shall have previously admitted his right to vote at such meeting in respect thereof.

Joint holders

71. Where there are joint holders of any share, anyone of such persons may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint-holders be present at any meeting either personally or by proxy then that one of the said persons so present whose name stands prior in order on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executor or administrators of deceased member in whose name any shares stands, shall for the purpose of this Article, be deemed joint-holders thereof.

Instrument appointing proxy to be made in writing

72. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his Attorney duly authorised in writing or if such appointer is a Corporation under its common seal or the hands of its Attorney.

Instrument appointing proxy to be deposited at the office

73 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 of authority shall be deposited at the office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

When vote by proxy valid through authority revoked.

74. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of transfer of the share in respect of which the vote is given, Provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received at the office or by the Chairman of the Meeting before the vote is given. Provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

Form of instrument appointing proxy

75. Every instrument appointing a proxy shall as nearly as circumstances will admit, be in the form set out in Schedule IX to the Act.

Validity of Votes

75A No objection shall be taken to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote not disallowed at such meeting or poll and whether given personally or by proxy or otherwise shall be deemed valid for all purposes.

Restriction on voting.

76. Before or on the declaration of the result of the voting on any resolution on a show of hands; a poll be ordered to be taken by the Chairman of the Meeting on 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 fulfilling the requirements as laid down in Section 179, of the Act, for the time being in force.

77. No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company in respect of any shares registered in his name on which any call or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right or lien.

POWERS OF DIRECTORS

General Power of the Company vested in the Directors

101. Subject to the provisions of the Act, the control of the Company shall be vested in the Directors who shall be entitled to exercise all such powers and to do all such acts and things as may be exercised or done by the Company and are not hereby or by law expressly required or directed to be exercised or done by the Company in the General Meeting but subject nevertheless to the provisions of any law and of these presents, from time to time, made by the Company in the General Meeting, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

Power to delegate

102. Without prejudice to the general powers conferred by the preceding Article, the Director may, from time to time and at any time, subject to the restrictions contained in the Act, delegate to managers, secretaries, officers, assistants and other employees or other persons (including any firm or body corporate) any of the powers authorised and discretions for the time being vested in the Directors.

Power to authorise sub- delegation

103. The Directors may authorise any such delegate or attorney as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.

Signing of documents

104. All deeds, agreements and documents and all cheques, promissory notes, drafts, hundies, bills of exchange and other negotiable instruments; and all receipts for moneys paid to the Company, shall be signed, drawn, accepted or endorsed or otherwise executed, as the case may be by such persons (including any firm or body corporate) whether in the employment of the Company or not and in such manner as the Directors shall, from time to time, by resolution determine.

Management abroad

105. The Directors may make such arrangement as may be thought fit for the management of the Company's affairs abroad, and may for this purpose (without prejudice to the generality of their powers) appoint local bodies, and agents and fix their remuneration, and delegate to them such powers as may be deemed requisite or expedient. The foreign seal shall be affixed by the authority and in the presence of and instruments sealed therein shall be signed by such persons as the Directors shall, from time to time by writing under the common seal, appoint.

The Company may also exercise the powers of keeping Foreign Registers. Such regulations not being in consistent with the provisions of Section 157 and 158 of the Act, the Board may, from time to time, make such provisions as it may think fit relating thereto and may comply with the requirements of any local law

Manager or Secretary

106. Subject to Sections 197A, 388, 383A and 314 of the Act, a Manager or Secretary may be appointed by the Directors on such terms, at such remuneration and upon such conditions as they may think fit, and any Manager or Secretary appointed may be removed by the Directors.

A Director may be appointed as Manager or Secretary, subject to Section 314, 197 A, 383A, 387, and 388 of the Act.

Act of Director, Manager, or Secretary

107. A provision of the Act or these regulations required or authorising a thing to be done by a Director, Manager or Secretary shall not be satisfied by its being done by the same person acting both as Director and as, or in place of the Manager or Secretary.

DIVIDENDS

How Profit shall be divisible

114. Subject to Rights of members entitled to shares (if any) with preferential or special rights attached to them, the profits of the Company, from time to time, determined to be distributed as dividend in respect of any years or other period shall be applied for payment of dividend on the shares in proportion to the amount of capital paid up on the Shares provided that unless the Board otherwise determines, all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which dividend is paid. Provided always that subject as aforesaid, any capital paid up on a share during the period in respect of which a dividend is declared, shall (unless the Board otherwise determines or the terms of issue otherwise provide, as the case mar be), only entitle the holder of such share to an apportion amount of such dividend as from the date of payment but so that where capital is paid up in advance of calls such capital shall not confer right to participate in profits.

Declaration of dividends

115. The Company in General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may, subject to the provisions of Section 205 of the Act, fix the time for payment.

Restrictions of amount of dividends

116. No larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend.

Dividend out of profits only

117. No dividend shall be payable except out of the profits of the Company of the year or any other undistributed profits and no dividend shall carry interest as against the Company.

What to be deemed net profits

118. The declaration of the Directors as to the amount of the net profits in the audited Annual Accounts of the Company for any year shall be conclusive.

Interim dividend

119. The Directors may, from time to time, pay to the members such interim dividends as in their judgment the position of the Company justifies.

Debts may be deducted

120. The Director may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists, subject to Section 205 A of the Act.

121. A transferor of shares shall not pass, the rights to any dividend declared thereon before the registration of the transfer.

Retention in certain cases

122. Subject to Section 205A of the Act, the Directors may retain the dividends payable upon shares in respect of which any person is under the transmission Article entitled to become a member or which any person under the Article is entitled to transfer until such person shall duly become a member in respect thereof or shall transfer the same.

Dividends to joint- holder

123. Anyone of the several persons who arc registered as joint holders of any share may give effectual receipts of all dividends payments on account of dividends in respect of such shares.

Payment by Post

124. Unless otherwise directed, any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or in the case of joint-holders to the registered address of that one whose name stands first on the Register in respect of the joint holding or to such person and such address and the member or person entitled or such joint-holders as the case may be, may direct and every cheque or warrant so sent shall be made payable at par to the person or to the order of the person to whom it is sent or to the order of such other person as the member or person entitled or such joint holders, as the case may be, may direct.

When payments good discharge

125. The payment of every cheque or warrant sent under the provisions of the last proceeding Article shall, if such cheque or warrant purports to be duly endorsed, be a good discharge to the Company in respect thereof, provided nevertheless that the Company shall not be responsible for the loss of any cheque, dividend, warrant or postal money order which shall be sent by post to any member or by his order to any other person in respect of any dividend.

Unpaid or Unclaimed Dividend

125A Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the Company in that behalf in any scheduled Bank, to be called - "Koutons Retail India Ltd. unpaid Dividend Account"

Any money transferred to the unpaid dividend account of a Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.

125B No unclaimed or unpaid dividend shall be forfeited by the Board

PART-II

OVERRIDING EFFECT AND INTERPRETATION

142. Subject to the requirements of applicable law, in the event of any conflict between the provisions of Part I and Part II, the provisions of Part II shall apply.

143. Unless the context otherwise requires, words or expressions contained in Part II shall have the meanings as provided below. Provided that any terms and expressions used but not defined specifically in Part II shall have the same meaning as ascribed to them in the Act or any statutory modification thereof. Other terms may be defined elsewhere in the text of Part II of these Articles and, unless otherwise indicated, shall have such meaning throughout Part II of these Articles.

INITIAL PUBLIC OFFERING

144. The Company shall make an IPO and the Shares of the Company shall be listed on the National Stock Exchange, Bombay Stock Exchange or any other Indian or international stock exchange approved by the Investors, such that the Draft Red Herring Prospectus in respect of the IPO shall be filed with the SEBI on or before such date as is agreed by the Investors or such other later date as the Investors and Company may agree upon in consultation with the merchant bankers to the IPO. The Company shall determine the price at which the Equity Shares of the Company shall be offered during the IPO in consultation with the merchant bankers to the IPO and the Investors and as may be agreed with the Investors.

145. The IPO may be either through a new issue of Shares of the Company and/or an offer for sale of the shares held by the shareholders of the Company. In case the IPO is by way of offer for sale, then the shareholders of the Company shall offer for sale their shareholdings on a prorata basis to meet the minimum requirements for listing. Notwithstanding the foregoing, the Investors shall have the right to offer for sale such proportion of their shareholding above its prorata offer requirement as it deems fit. The Promoters will offer for sale such further number of shares as may be required by law to be offered to public as a condition for obtaining listing on any registered stock exchange.

146. Subject to applicable Laws, neither Investor shall be considered a 'promoter' of the issue, and therefore the shares held by the Investors shall not be subject to any statutory lock in restrictions with respect to the IPO.

147. Notwithstanding anything contained in Articles 144 to 150, in case the Shares of the Company are not listed within 54 months from June 21, 2006, UTI IAS shall have the right to conduct an IPO of the Company through an offer for sale of the shares held by UTI IAS at a price determined by an independent merchant banker.

148. Notwithstanding anything contained in Articles 144 to 150, in case the Shares of the Company are not listed within 24 (twenty four) months from November 16, 2006, Argonaut shall have the right to conduct an IPO of the Company through an offer for sale of the shares held by Argonaut at a price determined by an independent merchant banker.

149. In the event that UTI IAS and/or Argonaut exercises its respective rights under Article 147 or 148 above, the Promoters shall provide as many shares as may be required in addition to the shares held by the Investors to fulfill the mandatory minimum offer size requirement under applicable Laws for achieving the IPO and listing. In the event of an offer for sale in which either or both the Investors offer their Shares, and subject to the Investors providing the Company with requisite authority to defend and extend full cooperation in the defence, the Company shall indemnify and hold harmless the Investors for including their Shares in such secondary offering, from and against damages caused by any untrue statement of a material fact contained in any statement or prospectus relating to such secondary offering, or caused by any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading.

150. The Company shall bear all expenses for the IPO to seek listing of its shares on stock exchanges. The Promoters and the Investors shall do all acts and deeds reasonably required to effectuate an IPO under Articles 144 to 150. The Company shall obtain permission from the Banks/ Financial Institutions, as may be necessary to undertake an IPO under Articles 144 to 150.

ADDITIONAL CAPITAL

151. In the event the Company decides to issue any additional Shares (in excess of the Fully Diluted Share Capital as agreed between the Company, the Promoters and the Investors) or other securities (which decision shall, for the avoidance of doubt, always be subject to the provisions of Articles 205 to 207) (**"Additional Shares"**), to any Third Party, then the Company shall first offer to issue such proportion of such Additional Shares to each Investor, equivalent to each Investors' shareholding in the Fully Diluted Share Capital (**"Investor Offer Shares"**) upon the terms and conditions set out in the offer notice with respect to such further issue (the terms of such offer to the Investors shall be referred to as the **"Offer Terms"**). Upon such offer being made, the Investors shall have the first right to accept the Offer Terms in respect of their proportion of the Additional Shares, within a period of 10 Business Days (**"Offer Period"**). In the event that any Investor does not subscribe to its share of the Investor Offer Shares then such Investor Offer shares shall be offered to the other Investor, and the shareholding of the Investor who does not subscribe to its proportion of the equivalent shares shall be treated as diluted from the date of issuance of the Additional Shares.

152. Nothing in Article 151 shall apply to any shares that may be issued pursuant to the IPO or any Employee Stock Option Plan, or to UTI IAS in terms of the investment agreement dated November 9, 2006, entered into between UTI IAS, the Company and the Promoters.

STRATEGIC SALE

153. Notwithstanding anything contained in these Articles, in the event that the Company proposes to undertake an IPO, or a complete sale of or sale of substantially all of the assets of the Company, or the Promoters propose to undertake a sale of all or some of its Shares that would constitute at least 51% of the Fully Diluted Share Capital of the Company or on the occurrence of any Liquidation Event at any time after June 29, 2006, but prior to March 31, 2007, such IPO, complete sale of substantially all of the assets of the Company or the sale of all or some of Shares of the Promoters that would constitute at least 51% of the Fully Diluted Share Capital or the Liquidation Event shall be subject to the prior written approval of the Investors and such an event shall not happen except at a price as agreed by the Investors.

INVESTORS' PUT OPTION

154. At any time until the completion of an IPO, each Investor shall have an option to require the Company to buy back all or some of the Equity Shares held by such Investor, and/or upon failure of the Company to so buy back the Equity Shares held by such Investor, to require the Promoters to acquire any or all of the Equity Shares held by the Investors, at anytime after June 29, 2006 in respect of the Shares held by UTI IAS or December15, 2006 in respect of the Equity Shares held by Argonaut as the case may be, in case of one or more of the following occurs:

(i) Any Material Breach of any agreement between the Company, the Promoters and the each of the Investors, or any other documents executed pursuant to or in connection with such agreement, by either the Company or the Promoters, or both;

(ii) If one or more of the Promoters are sued and convicted with imprisonment or restricted in any manner (regardless of extent, context and validity of such restrictions) from conducting the Business by any court of competent jurisdiction in any jurisdiction in the world.

155. Upon the exercise of such option by an Investor under Article 154, the Company or the Promoters, as the case may be, shall buy back or acquire, as the case may be, all or some of the Shares held by such Investor at such price as agreed by such Investors. In the event that an Investor exercises its option under Article 154, the Company or the Promoters, as the case may be, shall have a period of 90 (ninety) days to buy back/ acquire the Equity Shares held by the Investor. It is clarified that in the event that the Company fully or partially fails to so buy back the Equity Shares held by the Investors in accordance with Articles 154 and 155, the Promoters shall be required to bridge the shortfall resulting from the Company's inability to comply with the provisions of this Article on a spot basis.

ANTI DILUTION

156. In the event that the Company has offered Shares to any third parties (**"Prior Offerees"**) at any time until the completion of an IPO and consequent listing of the shares of the Company on a recognized stock exchange, and the lowest price per Share (as determined under Article 158 below) paid by any Prior Offeree is less than the price per Subscription Share paid by an Investor (the **"Subscription Price"**), then such Investor shall be entitled to be issued such number of Equity Shares at no additional consideration, to be determined as provided in Article 157.

157. If the price per share at which the Prior Offeree has been allotted Shares is less than the valuation at which the Equity Shares held by an Investor were allotted, (**"Lower Valuation"** for purposes of this Article 157), then such Investor shall be entitled to be issued such additional number of Equity Shares, if any, at no additional consideration, as is equal to the difference between the number of Equity Shares held at the relevant time by such Investor, and the Equity Shares which such Investor would have been entitled to had it subscribed to such Shares at the Lower Valuation.

158. For the purposes of Article 156:

(i) The price per Equity Share paid by a Prior Offeree shall be obtained by dividing the aggregate price paid by such Prior Offeree for all Equity Shares purchased/subscribed by such Prior Offeree by the total number of Equity Shares purchased/subscribed by the Prior Offeree.

(ii) The price per Preference Share paid by a Prior Offeree shall be obtained by dividing the aggregate price paid by such Prior Offeree for all Preference Shares purchased by such Prior Offeree by the total number of Preference Shares purchased/subscribed by the Prior Offeree.

(iii) All money amounts shall, for the purposes of all of the foregoing calculations, be expressed in Indian Rupees.

159. The Company shall obtain in a timely manner all applicable approvals from any regulatory authorities for giving effect to the provisions of Articles 156 to 160.

160. The provisions of Articles 156 to 160 shall apply proportionally in respect of stock splits, dividends or any other distributions to shareholders.

OTHER RIGHTS ATTACHED TO THE SUBSCRIPTION SHARES

161. The voting rights of every shareholder shall be in proportion to the Share Capital of the Company (on an As If Converted Basis) represented by the shareholding of such shareholder.

162. Except as provided in these Articles, the Equity Shares held by the Investors at any time shall rank pari passu with the other Equity Shares of the Company, and the Investors shall be entitled to all rights in respect of the Equity Shares held by them, including voting rights and right to dividend and rights issue.

NON-DISPOSAL

163. The Promoters shall not sell any part of their shareholding in the Company till the later of (i) the completion of an IPO and listing of the shares of the Company and (ii) the termination of all agreements between the Company, the Promoters and the Investors in accordance with the terms thereof.

164. The Promoters shall not, without the prior written consent of the Investors, encumber, pledge or create a lien on the shares held by them, except a lien in favour of banks and/or financial institutions.

165. After the IPO, the Promoters and their respective Affiliates shall maintain their shareholding in the Company in accordance with requirements under any Law, including any guidelines of the SEBI.

OBLIGATIONS OF THE COMPANY AND PROMOTERS

166. The Company shall not make any changes to the terms and conditions of the employment agreement with the Promoters without the prior written consent of the Investors.

167. The Company shall enter into standard proprietary information agreements with the Promoters, containing customary non-compete, non-solicit and assignment provisions in the form agreed between UTI IAS, the Company and the Promoters.

168. On being requested by the Investors, the Company shall promptly obtain suitable Directors and Officers Liability Insurance for an amount mutually acceptable to the Investors and the Company.

169. All Related Party Transactions after June 29, 2006, shall be conducted at commercially justifiable terms and at an arm's length basis.

170. All Related Party Transactions shall be entered into by the Company only with the prior written approval of the Investors, except in case of (i) commercial transactions in the Ordinary Course of values in aggregate not exceeding Rs. 100,000,000 (Rupees One Hundred Million Only) and (ii) any other transaction or series of transactions with aggregate value not exceeding Rs. 50,00,000 (Rupees Fifty Lakhs Only).

171. In the event that any of the Company's existing equity shareholders are entitled to any rights, privileges or protections on terms more favourable than those herein afforded to the Investors in respect of the Subscription Shares, then the Investors shall also be entitled to the benefits of such more favorable terms. The Company shall not issue any Shares in future nor attach rights to any existing Shares or shareholders of the Company, which would have any preference over those issued to the Investors, or grant rights to any other Person which are superior to those of the Investors as contained in these Articles.

172. The Company shall continuously maintain and benchmark their internal practices (including project planning and implementation, setting up of short, medium and long term goals, designing and implementation of an ideal MIS System) with the best practices available in the marketplace.

173. The management and Board of the Company shall, in consultation with the Investors, review the existing taxation structure and adopt such taxation policies that would enhance shareholder value as may be suggested by the Investors.

BOARD OF DIRECTORS

174. The property, business and affairs of the Company shall be managed exclusively and under the direction of the Board. The Board may exercise all such powers of the Company and do all such lawful acts and things as are permitted under applicable Law and the Memorandum of Association and Articles of Association.

175. With effect from June 21, 2006, subject to requirements under applicable Law, including Clause 49 of the listing agreement required to be entered into between the Company and any stock exchange where the Shares of the Company is proposed to be listed, the Board of the Company shall comprise of not more than 12 (Twelve) Directors.

176. From June 21, 2006, and till such time that UTI IAS holds at least 2,00,000 Shares in the Company, UTI IAS Shall, and from November 16, 2006, and till such time that Argonaut holds at least 2,87,500 Shares in the Company, Argonaut shall have the right to nominate 1 (one) nominee each as a Director each on the Board (together "Investor Directors" and individually "Investor Director"), and the Company and Promoters shall take or cause to be taken all steps that may be necessary to appoint the Investor Directors.

177. The Promoters shall be entitled to nominate not more than 6 (Six) nominees as Directors on the Board ("Promoter Directors").

178. The Investor Directors shall not be required to hold any qualification Shares, and shall not be liable to retire by rotation. The Investor Directors shall have voting rights at every meeting of the Board.

179. Each of the Investor Directors shall have the right to be a member of all Committees of the Board. The Chairman of any Committee of the Board shall not have a casting vote and in the event of a dead lock, the matter shall be resolved by the approval of the Board. The Company and Promoters shall take, or cause to be taken, all actions necessary to cause the Investor Directors to be elected to such Committees.

180. Each Investor shall be entitled to appoint an alternate Director in the event of absence of the Investor Director nominated by it at any time, and such alternate Director shall have all the rights, benefits and privileges as the Investor Director including the right to attend meetings of the Board and any Committees thereof, and to vote in such meetings.

181. Each Investor shall be entitled to remove the Investor Director nominated by it, by notice to the Investor Director and the Company. Any vacancy occurring with respect to the position of an Investor Director, by reason of death, disqualification, resignation, removal or the inability to act, shall be filled only by another nominee specified by the Investor.

182. The appointment of any experts or professionals as independent directors on the Board shall be subject to the prior written approval of the Investors.

183. The total number of Directors on the Board shall not be changed or modified from the number prescribed in Article 175 above except by an amendment to the Articles in this respect which shall be made only with the prior approval of the Investors.

184. The Company shall indemnify all Directors to the maximum extent permitted by applicable law.

185. The Company shall reimburse the Investor Directors and independent Directors, if any, for expenses associated with attending meetings of the Board or special committees.

MEETINGS OF THE BOARD

186. The Board shall meet at least once in every calendar quarter and at least 4 (four) such meetings shall be held in every year. Unless otherwise agreed to in writing by the Investor Directors, the notice for the regular quarterly Board meetings shall be sent to the Investor Directors at least 10 (ten) Business Days prior to the meeting and the agenda and the relevant documents for the same shall be sent at least 3 (three) Business Days prior to such meeting. All notices for all meetings of the Board and Committee thereof shall be in writing, and shall be sent to each of the Directors (with a copy to the Investors). Other than as provided above, no meeting of the Board or Committee shall be convened at a shorter notice period without the prior written consent of the Investor Directors. With respect to resolutions relating to any Reserved Matter, the process prescribed under Articles 205 to 207 hereof shall prevail over the provisions of Articles 186 to 193 including with respect to provision of notice for meetings at which an Reserved Matter is on the agenda.

187. The quorum for any meeting of the Board shall be the presence, in person, of 3 (three) Directors, subject to the presence of both the Investor Directors, unless waived in writing by the Investor Directors.

188. In the event that the quorum as set forth above is not achieved at any Board meeting or Committee meeting and is not waived in writing by the Investor Directors, then in such event the meeting shall stand dissolved and the proposed resolution shall be passed by a written resolution circulated to all the Directors or members of Committees of the Board (including the Investor Directors), whether in India or overseas and signed by a majority of them as approved. Such resolution shall (subject to compliance with the relevant requirements of the Act), be as valid and effective as a resolution duly passed at a meeting of the Board or Committee of the Board, as the case may be, called and held in accordance with the Articles of Association (provided that such written resolution has been circulated in draft form, together with the relevant papers, if any to all the Directors); provided, however, that if the resolution proposed to be passed by circulation pertains to an Reserved Matter as listed in Article 205, such circular resolution shall be valid and effective only if it has received the consent of the Investor Directors and the process as provided in Articles 205 to 207 is followed.

189. In the event that the resolution includes a decision on a matter which is not permitted by the Act to be passed by circulation, then such matter shall be considered at an adjourned meeting to be held within 48 (forty eight) hours from the previous meeting, at the same time and place or on such other day, as may be agreed between the Investor Directors and the Company. Provided however that if the resolution proposed to be passed at such adjourned meeting pertains to a Reserved Matter as listed in Article 205, such resolution shall be valid and effective only if it has received the consent of the Investor Directors and the process as provided in Articles 205 to 207 is followed. The Company shall issue notices, for such adjourned meeting to all the Directors.

190. Subject to the provisions of Articles 205 to 207, a decision shall be said to have been made and/or a resolution passed at a meeting of the Board or Committee of the Board only if passed at a validly constituted meeting, and such decisions are approved of by and/or the resolution is approved of by a simple majority of the Directors, which unless otherwise mandated by Law in India, shall mean approval by a majority of the Directors present and voting at such Board meeting of the Company. Each Director shall have one vote and the chairman of the meeting shall not have a casting vote.

191. Subject to applicable Law, Directors or members of any Committee of the Board may participate in meetings of the Board or respective Committees of the Board through telephonic or video-conference.

192. The provision of Articles 186 to 193 shall apply mutatis mutandis to the meetings of the Committees constituted by the Board. Each Committee shall meet at least once in every calendar quarter and at least 4 (four) such meetings shall be held in every year. The quorum for any meeting of any Committee shall be the presence, in person, of 3 (three) Directors, subject to the presence of each of the Investor Directors, unless waived in writing by the Investor Directors.

193. The Promoters, the Company and the Investors shall take such actions as may be necessary (including exercising their votes at General Meetings, meeting of the Board of Directors or any Committees thereof of the Company), to give effect to the provisions of, and to comply with their obligations under these Articles, including Articles 186 to 193.

SHAREHOLDER MEETINGS

194. The Company shall hold at least 1 (one) General Meeting of the shareholders of the Company in any given calendar year. All General Meetings of the shareholders of the Company shall be governed by the Act and the Articles of Association.

195. Prior written notice of 21 (twenty one) Business Days for a General Meeting of the shareholders of the Company shall be given to all shareholders of the Company; provided however that any General Meeting of the shareholders of the Company may be held upon shorter notice in accordance with the provisions of the Act and subject to the prior written approval of the Investors. All notices shall be accompanied by an agenda setting out the particular business proposed to be transacted at such meeting.

196. The quorum for a General Meeting of the shareholders of the Company shall be the presence, in person, of such number of shareholders as required under the Act, which shall also include the presence of the authorised representative of each of the Investors. Provided, however, that no decision or determination will be made and no action will be taken by or with respect to the Company in respect of any of the Reserved Matters listed in Article 205, unless approved in accordance with the provisions of Articles 205 to 207.

197. The Annual General Meeting shall be held in each calendar year within 6 (six) months following the end of the previous Financial Year of the Company. The Board of Directors shall provide the audited financial statements of the Company's previous Financial Year to all shareholders at least 21 (twenty-one) days before the Annual General Meeting is held to approve and adopt the audited financial statements. All other General Meetings, other than the Annual General Meeting shall be Extraordinary General Meetings.

KEY EMPLOYEES

198. The appointment and determination of the salaries, compensation and other benefits of the Key Employees shall be as decided by the Board subject to the prior written approval of the Investors.

199. The terms of employment of the Key Employees shall be as approved by the Board subject to the prior approval of the Investors and shall include non compete, confidentiality, assignment of intellectual property and suitable vesting clauses in the form as agreed between the Investors, the Company and the Promoters. Any change in the terms of the employment agreement of the Key Employees shall be subject to the approval the Board including the approval of the Investor Directors.

AUDITORS

200. The Company shall continue with their statutory auditors as on December, 15, 2006. Any change to the statutory auditors of the Company shall be with the prior written approval of the Investors. The statutory auditor of the Company shall not be removed without the prior written consent of the Investors.

201. The Company shall continue with the internal audit system as existing on December, 15, 2006, and any change to internal audit system shall be with the prior written approval of the Investors.

INFORMATION RIGHTS

202. The Company shall (in relation to the Company and the Subsidiaries), furnish, to each of the Investors the unaudited quarterly, unaudited semi-annual and unaudited annual Financial Statements within 45 days of the end of each quarter, half-year and annual period respectively. The Financial Statements should be accompanied by a report from the Chief Executive Officer of the Company and a discussion of key issues and variances to the budget.

203. The prior written approval of the Board shall be obtained on an annual basis of the following budgets, and such approval shall be obtained prior to the commencement of the Financial Year to which the budget applies:

(i) Estimated sources and applications of funds;

(ii) Estimated profit and loss account;

(iii) Estimated Balance sheet; and

(iv) Detailed assumptions underlining the forecasts for the above.

204. Each of the Investors shall also be entitled to reasonable inspection and visitation rights which shall be applicable until such time that the Company completes an IPO. The Company shall give full access to each of the Investors and their respective authorised representatives (including lawyers, accountants, auditors and other professional advisors) to visit and inspect all properties, assets, corporate, financial and other records, reports, books, contracts and commitments of the Company and the Subsidiaries of the Company, and to discuss its Business, action plans, budgets and finances with the Directors and executive officers of the Company and the Subsidiaries of the Company, upon reasonable notice.

RESERVED MATTERS

205. Notwithstanding any other provision of these Articles, till the Shares of the Company are listed on a recognized stock exchange, no decision shall be made and no action shall be taken by or with respect to the Company, whether in General Meetings or meetings of the Board or Committees thereof, in relation to any of the following matters (the "Reserved Matters") without following the procedure set forth in Article 206 and Article 208:

(i) changes to memorandum or articles of association or any constitutional documents of the Company or its Subsidiaries;

(ii) mergers, demergers, arrangements, compromises, reorganizations, consolidations or sales of all or substantially all of the Company's Assets;

(iii) re-capitalization or dissolution of the Company;

(iv) issuance of new equity securities or any other alteration of the issued, subscribed or paid up share capital, including the issue of any securities representing, or convertible into or entitling the holder to, any shares;

(v) Acquisition of shares or assets of other businesses, creation of joint ventures, entering into partnerships as contemplated under the law of partnership, mergers, de-mergers and consolidations share repurchases, other than in Ordinary Course;

(vi) Creation of investment in Subsidiaries or any other investments (other than short term liquid investments in Banks);

(vii) Winding up and / or liquidation of the Company and / or their subsidiaries;

(viii) Buy back of shares by the Company and/or its subsidiaries;

(ix) incurrence of significant indebtedness (excluding working capital limits, trade creditors, factoring limits) (>33% of net worth) or grant of a lien to secure significant indebtedness;

(x) capital expenditures exceeding the capital expenditure approved in the annual operating plan of the Company (as also approved by the Investors) by more than 10% of the net worth of the Company;

(xi) deviations of more than 15% in the key line items in the annual operating budget;

(xii) entering into any new line of business;

(xiii) management compensation for the Key Employees of the Company, if higher than Rs. 2,000,000 (Rupees Two Million Only) in the aggregate;

(xiv) Changes to material accounting or tax policies or practices;

(xv) Recommend, giving or renewing of security for or the guaranteeing of debts or obligations of the Company or any Subsidiary and / or affiliates, in excess of a mutually agreed amount of any Person. This shall exclude bank borrowings;

(xvi) Any IPO other than a successful IPO that the Company intends to conduct under Articles 144 to 150, or an IPO under Articles 144 to 150 at terms other than as set out in Articles 144 to 150, including determining the timing, pricing, lead manager, underwriter and place / stock exchange of the IPO of the Company;

(xvii) Any changes to the accounting year;

(xviii) Approval of annual accounts;

(xix) Any amendment to or waiver of any of the significant agreements;

(xx) To acquire, trade or sell shares, securities, debentures or bonds in any other Company or any activity relating to derivative transaction of an amount greater than Rs. 50,00,000 (Rupees Fifty Lakhs Only);

(xxi) Any sale or disposal of any Proprietary Assets;

(xxii) Change of name and/or registered office;

(xxiii) Related Party Transactions;

(xxiv) change of auditors; and

(xxv) commitment or agreement to do any of the foregoing.

206. In the event that any matter, decision, action or resolution relating to a Reserved Matter is proposed to be considered or passed:

(i) in a meeting of the Board, the Company shall inform each of the Investor Directors at least 10 (ten) Business Days (or such shorter period as may be consented to by each of the Investors or Investor Directors in writing) prior to such meeting of the Board;

(ii) by written circulation, the Company shall inform each of the Investor Directors at least 10 (ten) Business Days (or such shorter period as may be consented to by each of the Investors or Investor Directors in writing) before such circulation;

(iii) in a General Meeting or in any other case, the Company shall inform each of the Investors at least 10 (ten) Business Days (or such shorter period as may be consented to by the Investors or Investor Directors in writing) prior to such General Meeting;

207. The Reserved Matters shall be approved:

(i) if at a meeting of the Board, or if passed by circulation, by the affirmative vote of each of the Investor Directors; and

(ii) if at any General Meeting, by a vote to be cast by the authorised representative of each of the Investors in such General Meeting;

(iii) in any other case, by the written consent of each of the Investors. The Investors shall inform the Company in writing whether it approves or disapproves of the proposed resolution within 7 (seven) days of receipt of such notice. In the event that the Investors do not convey its approval or disapproval in writing of the matter so proposed, within 7 (seven) days of receipt of such notice, the Investors shall be deemed to have consented to the proposed resolution.

RIGHT TO SUBSCRIBE TO FURTHER SHARES

208. If the Company proposes to raise funds either by way of equity at any time prior to the IPO in accordance with Articles 144 to 150 or for a period of 9 (nine) months from November 16, 2006, whichever is earlier, Argonaut shall have the right to subscribe to fully paid up Equity Shares of Rs. 10 each at a premium of Rs. 790 per Equity Share for an aggregate consideration of the Indian rupee equivalent of USD 10,000,000. Additionally, if the Company fails to complete the IPO by September 30, 2007, Argonaut shall have at its own discretion complete right to invest equivalent of USD 5,000,000 (United States Dollars Five Million) in fully paid up Equity Shares of Rs. 10 each at a premium of Rs. 790 per Equity Share.

209. The right of Argonaut under Article 208 above shall be without prejudice to the right of Argonaut under Articles 156 to 160 (Anti Dilution) above.

210. The Company shall allot the Equity Shares mentioned under Articles 208 to 210 within a period of 7 (seven) days from the exercise of Argonaut's rights under Articles 208 to 210.

RIGHTS AFTER IPO

211. After the Shares of the Company are listed on a recognized stock exchange and till such time UTI IAS holds atleast 2,00,000 Equity Shares and Argonaut holds atleast 2,87,500 Equity Shares in the Company, the Investors shall have the following rights in addition to its rights as a shareholder under the Act:

(i) The right to appoint 1 (one) Investor Director each on the Board;

(ii) Information Rights as set out under Articles 202 to 204 and to the extent set out therein.

TAG ALONG RIGHTS

212. Notwithstanding anything to the contrary contained in these Articles, in the event that any of the Promoters (**"Promoter Transferor"**) propose to Transfer any of its Shares in the Company (**"Promoter Transferor Shares"**) to any Third Party, then such Promoter Transferor shall give a notice (the **"Promoter Transferor Notice"**) in writing to each of the Investors, specifying the number of Promoter Transferor Shares, the price at which the Promoter Transferor intends to Transfer such Promoter Transferor Shares, the identity of the proposed transferee and any other material or relevant terms and conditions of the proposed Transfer. Upon the Investors receiving the Promoter Transferor Notice, the Investors may send a tag along notice (the "**Tag Along Notice**"), within 30 (thirty) days of receipt of the Promoter Transferor Notice, to the Promoter Transferor requiring the Promoter Transferor to ensure that the proposed transferee also purchases upto such proportion of Shares then

held by the Investors in the Company as the Promoter Transferor Shares bears to the shareholding of the Promoters in the Fully Diluted Share Capital Company (the "**Tag Along Shares**") at the same price and on the same terms as mentioned in the Promoter Transferor Notice.

213. In the event that the Investors deliver a Tag Along Notice to the Promoter Transferor, the Promoter Transferor shall ensure that along with the Promoter Transferor Shares mentioned in the Promoter Transferor Notice, the proposed transferee also acquires the Tag Along Shares for the same consideration and upon the same terms and conditions as mentioned in the Promoter Transferor Notice. The Promoters shall procure that the proposed transferee that acquires the Promoter Transferor Shares and the Tag Along Shares shall execute a Deed of Adherence to any agreement between the Company, the Promoters and the Investors and shall be bound by the terms and conditions of such agreement.

214. In the event that the proposed transferee is unwilling or unable to acquire all of the Promoter Transferor Shares mentioned in the Promoter Transferor Notice and the Tag Along Shares upon such terms, then the Promoter Transferor may elect either to cancel such proposed Transfer or, with the consent of the Investors, to allocate the maximum number of Shares of the Company which such proposed transferee is willing to purchase among the Promoter Transferor Shares and the Tag Along Shares pro-rata as calculated above and to complete such Transfer in accordance with the revised terms.

215. Notwithstanding anything to the contrary in Articles 213 to 218, the Promoter Transferor shall not be entitled to Transfer any of the Shares to any proposed transferee, unless the proposed transferee simultaneously purchases and pays for all the Tag Along Shares or a proportionate number of the Tag Along Shares, as the case may be.

216. In the event of the Promoter Transferor Transferring any Shares held by it in violation of the provisions of Articles 213 to 218 ("**Prohibited Transfer**"), then the Investors shall have the right to sell to the Promoter Transferor and the Promoter Transferor shall purchase from the Investors, the Tag Along Shares held by the Investors at the same price at which the Promoter Transferor Transfers/Transferred such Promoter Transferor Shares to the Third Party. The Promoter Transferor shall also reimburse the Investors for any and all fees and expenses, including legal fees and expenses, incurred pursuant to the exercise of the Investors' rights under this Article. The Promoter Transferor shall purchase the Tag Along Shares within 90 (ninety) days from the date of notice provided by the Investors exercising their right under this Article 217.

217. The provisions of Articles 213 to 218 shall be subject to the waiver of the non-disposal undertaking of the Promoters under Articles 163 to 165 by the Investors.

DRAG ALONG RIGHTS

218. In the event that the Company does not complete an IPO under Articles 144 to 150 within two years from June 21, 2006, UTI IAS shall have the right to transfer all or part of the Shares held by them to a bona fide purchaser of such Shares, not being a Competitor of the Company subject to procedure set forth in Articles 221 to 224.

219. In the event that the Company does not complete an IPO under Articles 144 to 150 within two years from November 16, 2006, Argonaut shall have the right to transfer all or part of the Shares held by them to a bona fide purchaser of such Shares, not being a Competitor of the Company subject to procedure set forth in Articles 221 to 224.

220. Upon identifying a bona fide purchaser of such Shares, the Investors shall deliver to the Promoters written notice of the proposed transfer specifying the number of Shares held by the Investors that are proposed to be transferred (the "**Investor Transfer Shares**"), the price at which the Investors intend to transfer such Shares, the identity of the proposed transferee and any other material or relevant terms and conditions of the proposed Transfer (the "**Investor Transfer Notice**").

221. Within 15 calendar days of receiving the Investor Transfer Notice, the Promoters may purchase the Investor Transfer Shares at the same price and on the same terms and conditions as specified in the Investor Transfer Notice.

222. If the Promoters have not purchased the Investor Transfer Shares within the abovementioned period of 15 calendar days, the Investors shall have the right to transfer the Investor Transfer Shares to the purchaser identified by it.

223. For the purpose of the transfer under Article 223 above, the Investors shall be entitled to send a written notice requiring the Promoters to transfer any number of their Shares to the proposed purchaser along with the Investor Transfer Shares, (the "**Drag Along Notice**") to the Promoters (the **"Drag Along Sellers"**) specifying the name of the purchaser, the consideration payable per Share, a summary of the material terms of such proposed purchase and the number of Shares held by the Promoters that are required to be transferred by the Promoters to the proposed purchaser. Upon receipt of a Drag-Along Notice, each Drag-Along Seller shall be obligated to (i) sell such number of Shares specified in the Drag-Along Notice, free of any Encumbrance, in the transaction contemplated by the Drag-Along Notice on the same terms and conditions as the Investors (including payment of its pro rata share of all costs associated with such transaction), and (ii) otherwise take all necessary action to cause the consummation of such transaction.

RIGHT TO SELL AT LIQUIDITY EVENTS

224. In the event of any of the following (i) a new round of funding through which the Company raises additional funding for the Company, or (ii) any of the shareholders of the Company proposing to sell their shareholding in the Company through one or more transactions, each Investor shall have the right to offer 25% of the its shareholding at the relevant time at terms no worse than those available to the Company or the shareholders that propose to sell their shareholding in the Company, as the case may be.

225. The Company and the Promoters shall take all action necessary to enable the Investors to effectively exercise its rights under Article 225 above.

BUY BACK OPTION

226. Without prejudice to the provisions of Articles 219 to 224, if the Company has not been able to complete an IPO and get its Shares listed on a recognized stock exchange within 24 (twenty four) months from the June 29, 2006, the Company shall, at the option of the UTI IAS, be obligated to buy back, in accordance with the provisions of the Act, and the Private Limited Company and Unlisted Public Limited Company (Buy-Back of Securities) Rules, 1999 (the "**Buy Back Regulations**") and/or other applicable Law, all the Shares then held by UTI IAS within a period of 90 (ninety) days from the date of the written notice given by UTI IAS ("**UTI IAS Buy Back Notice**").

227. Without prejudice to the provisions of Articles 219 to 224, if the Company has not been able to complete an IPO and get its Shares listed on a recognized stock exchange within 24 (twenty four) months from the December15, 2006, the Company shall, at the option of the Argonaut, be obligated to buy back, in accordance with the provisions of the Act, and the Buy Back Regulations and/or other applicable Law, all the Shares then held by Argonaut within a period of 90 (ninety) days from the date of the written notice given by Argonaut (**"Argonaut Buy Back Notice"**).

228. On exercise of the option by an Investor under Article 227 or 228 above, as the case may be (the "**Buy Back Option"**), the Company shall seek and obtain all applicable government approvals within such 90 (ninety) day period. The Buy Back Option shall be exercised in accordance with and subject to applicable Law. It is hereby clarified that the Investors shall be required to provide a Buy Back Notice only once and the provision of the Buy-Back Notice by the Investors shall impose an obligation on the Company to comply with the foregoing provisions of Articles 227 and 228.

229. The price per Share to be paid to the Investor which has exercised the by the Company, as the case may be, shall be equal to the price as may be mutually agreed between the Company, the Promoter and the Investor which has exercised the Buy Back Option (the "**Buy Back Price"**).

230. The Buy Back Price will be proportionally or appropriately adjusted (as required) for:

(a) any distribution of securities by way of return of capital;

(b) any bonus issue by the Company;

(c) any stock split, consolidation or other similar action in respect of the Share Capital of the Company; and

(d) any other reorganization, recapitalization, reclassification, or similar event in respect of the share capital of the Company.

231. Notwithstanding anything contained in Article 227 to 231, in the event that the Company fails to buy back the Shares of the Investors in terms of Articles 227 to 231, the Promoters shall be required to and shall purchase all the Shares then held by the Investor which has exercised the Buy Back Option within the period mentioned in Article 227 or 231 at a price not less than the Buy Back Price.

TERMINATION OF CERTAIN ARTICLES

232. If any Investor terminates any agreement between the Company, the Promoters and such Investor upon an event of default as specified under any agreement entered into between them, the provisions of Part II of these Articles with respect to such Investor shall cease to have effect.

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 are to be entered into by the Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus, will be delivered to the RoC for registration and they, as well as, the documents for inspection referred to hereunder, may be inspected at the business office of the Company situated at 274-275, Udyog Vihar, Phase-VI, Gurgaon 122 001 Haryana, from 11.00 am to 5.00 pm on Business Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Engagement Letters dated December 11, 2006 and March 1, 2007 for the appointment of JM Financial Consultants Private Limited as the BRLM and Karvy Investor Services Limited as the Co-BRLM, respectively.
2. Memorandum of Understanding dated April 2, 2007 between the Company, the Selling Shareholders, the BRLM and the Co-BRLM.
3. Agreement dated April 20, 2007 between the Company, the Selling Shareholders and the Registrar to the Issue.

Documents for Inspection

1. The Memorandum and Articles of Association, as amended.
2. The certificate of incorporation dated November 25, 1994.
3. Extract of the shareholders' resolution dated March 16, 2007 in relation to the Issue.
4. Consents from Directors, Auditors, Bankers, BRLM, Co-BRLM, Syndicate Members, Domestic Legal Counsel to the Issue, Registrar, Escrow Collection Bank(s), Company Secretary and Compliance Officer.
5. Extract of the resolutions of the Board of Directors dated March 16, 2007 authorising the Issue.
6. In-principle approval from the BSE dated May 22, 2007.
7. In-principle approval from the NSE dated July 11, 2007.
8. Agreement dated August 13, 2007 between the Company, the Registrar to the Issue and NSDL.
9. Agreement dated June 5, 2007 between the Company, the Registrar to the Issue and CDSL.
10. Due diligence certificate dated April 16, 2007 to the SEBI from the BRLM.
11. Report of the Auditors on the restated financial statement, prepared as per Indian GAAP and mentioned in this Red Herring Prospectus and letters from the auditor dated August 3, 2007 and August 24, 2007, respectively.
12. Allotment letter dated March 9, 2007 issued by the Haryana Urban Development Authority to our Company in relation to allotment of a plot located at Plot No. 539 and 539-A Sector 37-II, Gurgaon, Haryana.
13. Investment agreement dated June 21, 2006 and amendment agreement dated June 26, 2007 with UTI Venture Funds Management Company Private Limited, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney.
14. Investment agreement dated November 9, 2006 with UTI Venture Funds Management Company Private Limited, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney.
15. Investment agreement dated November 16, 2006 and amendment agreement dated June 30, 2007 with Argonaut Ventures, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney.
16. Investment agreement dated March 21, 2007 with Passport India Investments (Mauritius) Limited, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney.

17. Letter from Mr. DPS Kohli dated April 10, 2007 pursuant to which he has offered to sell 305,514 Equity Shares in the proposed initial public offer of our Company.

18. Letter from Mr. BS Sawhney dated April 10, 2007 pursuant to which he has offered to sell 305,514 Equity Shares in the proposed initial public offer of our Company.

19. Letter from Mr. GS Sawhney dated April 10, 2007 pursuant to which he has offered to sell 305,514 Equity Shares in the proposed initial public offer of our Company.

20. Copies of annual reports of our Company for the past five financial years.

21. SEBI observation letter no. CFD/DIL/ISSUES/NB/DM/100688/2007 dated August 6, 2007 and our in-seriatim reply to the same dated August 28, 2007.

22. Share Purchase Agreement dated June 18, 2007 with FID Funds (Mauritius) Limited, Mr. DPS Kohli, Mr. BS Sawhney and Mr. GS Sawhney.

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 interests of the Company or if required by the other parties to such contracts or documents, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

Signed by all Directors

Mr. D.P.S. Kohli

Mr. Gurmeet Singh Sawhney

Mr. Ajay Mittal

Dr. Rajiv Grover

Mr. Gurdarshan Singh Bhalla

Mr. V.C. Sinha

Mr. Bhupinder Singh Sawhney

Mr. K.C. Sharma

Mr. Anil K. Khatod

Mr. Virendra Kumar Gupta

Mr. Grish Chandra Raghubir

Mr. K. Santhanam

Signed by the Selling Shareholders

Mr. D.P.S. Kohli

Mr. Gurmeet Singh Sawhney

Mr. Bhupinder Singh Sawhney

Signed by the Chief Finance Officer

Mr. Ajay Mahajan

Date: September 1, 2007

Place: Gurgaon