



Draft Red Herring Prospectus
Please read Section 60B of the Companies Act, 1956
(Draft Red Herring Prospectus will be updated upon ROC filing)
Dated [●]
100% Book Building Issue

SPL INDUSTRIES LIMITED

Originally Incorporated in India as Shivalik Prints Private Limited on December 6, 1991 in New Delhi under the Companies Act, 1956 vide Registration No. 05 - 31500. The name of the Company was changed from Shivalik Prints Private Limited to SPL Industries Ltd vide Fresh Certificate of Incorporation dated September 26, 1994.

REGISTERED OFFICE: 5/66 K.C. House 3rd Floor Padam Singh Road, Karolbagh, New Delhi – 110 005
Tel. No: 91-011-25789729, 25716150

CORPORATE OFFICE: Plot no. 21, Sector 6, Faridabad – 121006, Haryana.

Tel no. : 0129-220411, 5069971-72-73; fax no.: 0129-5069978

E-mail: bbsharma@spllimited.com

Contact Person: Mr. B.B. Sharma, Company Secretary

PUBLIC ISSUE OF 90,00,000 EQUITY SHARES OF RS. 10/- EACH ISSUED FOR CASH AT A PREMIUM, AGGREGATING RS. [●] ("THE ISSUE"). THE ISSUE WOULD CONSTITUTE 31.03% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF SPL INDUSTRIES LIMITED.

PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE OF RS. 10/- EACH

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10/- EACH. THE OFFER PRICE IS [●] TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [●] TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after such revision, subject to the Bidding/Issue Period not exceeding 13 days. Any revision of Price Band and the revised Bid/Issue Period, if applicable will be widely disseminated by notification to The National Stock Exchange (NSE) and The Stock Exchange, Mumbai (BSE) where the Equity Shares of the Company are proposed to be listed and to The National Stock Exchange (NSE), whose online IPO system will only be available for bidding, by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager and the terminals of the Syndicate.

The Issue is being made through the 100% book building process wherein upto 50% of the Issue shall be offered on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of SPL Industries Limited, there has been no formal market for the shares of the Company. The face value of the shares is Rs. 10/- and the issue price/ price band is (*) times of the face value. The Price band (has been determined and justified by the Book Running Lead Manager, and the SPL Industries Limited as stated under the justification of premium paragraph) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investment 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 offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document. **Specific attention of the investors is invited to the statement of Risk Factors on Page No. [●] to [●] of the Draft Red Herring Prospectus.**

ISSUER'S ABSOLUTE RESPONSIBILITY

SPL Industries Limited, having made all reasonable inquiries, accepts responsibility for, and confirms that this Draft Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue; that the information contained in this Draft Red Herring Prospectus is true and correct in all material respects 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 document 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 are proposed to be listed on The National Stock Exchange of India Ltd. (NSE), the Designated Stock Exchange and The Stock Exchange, Mumbai (BSE). The in-principle approvals of the Stock Exchanges for listing Equity Shares have been received pursuant to letters dated [●] and [●] respectively.

BOOK RUNNING LEAD MANAGER



Karvy Investor Services Limited.
"Karvy House"
46, Avenue 4, Street No.1,
Banjara Hills
Hyderabad – 500 034
Andhra Pradesh, India
Tel: 91 40 23320251/23312454
Fax: 91 40 23374714
Website: www.karvy.com
E-mail : spl@karvy.com
Contact Person : Mr. T. R. Prashanthkumar

REGISTRAR TO THE ISSUE



Karvy Computershare Private Limited.
"Karvy House"
46, Avenue 4, Street No.1,
Banjara Hills
Hyderabad – 500 034
Andhra Pradesh, India
Tel.No.+91 40-2331 2545
Fax No. +91 40 2331 1968
Website: www.karvy.com
E-mail : mailmanager@Karvy.com
Contact Person : Mr. K. S. Reddy

ISSUE PROGRAMME

BID/ISSUE OPENS ON : [●], 2005 BID/ISSUE CLOSES ON: [●], 2005

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Section I DEFINITIONS AND ABBREVIATIONS

1. Conventional/ General Terms/ Company/Industry related Terms

Act	The Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
Articles/ Articles of Association	Articles of Association of SPL Industries Limited
Auditors	The statutory auditors of the Company, Mehra Goel & Co., Chartered Accountants
BSE	The Stock Exchange, Mumbai
Board/ Board of Directors	Board of Directors of SPL Industries Limited or a committee thereof
Committee	Committee of the Board of Directors of SPL Industries Limited authorized to take decisions on matters related to / incidental to this Issue
Company / SPL / SPLIL / SPL Industries	SPL Industries Limited
CDSL	Central Depository Services (India) Limited
Companies Act/ the Act	The Companies Act, 1956 as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996 as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EPS	Earnings Per Share i.e. profit after tax divided by outstanding number of equity shares at the year end
FEMA	Foreign Exchange Management Act, 1999 as amended from time to time, and the regulations framed thereunder
FCNR Account	Foreign Currency Non Resident Account
FERA	Foreign Exchange Regulation Act, 1973
FI	Financial Institutions
FII(s)	Foreign Institutional Investors (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
Financial Year / Fiscal/ FY	The twelve months ended March 31 of a particular year
FIPB	Foreign Investment Promotion Board, Ministry of Finance and company Affairs, Government of India.
FVCI	Foreign Venture Capital Investor, registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GoI	Government of India
I.T. Act	The Income Tax Act, 1961, as amended from time to time except as stated otherwise
Mn / mn	Million
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by number of issued equity shares
NSE	The National Stock Exchange of India Ltd.
RBI	The Reserve Bank of India
ROC	Registrar of Companies, Registrar of Companies, NCT of Delhi & Haryana at New Delhi – 110003.
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	Securities and Exchange Board of India

SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 as amended from time to time
Sec.	Section

2. Issue related Terms

Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in date after Deducting any bid amounts that may already have been paid by such bidder
Bankers to the Issue	The Bankers with whom the escrow account for the issue shall be opened
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto.
Bid Price/ Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid / Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of the Company in terms of this Draft Red Herring Prospectus
Bid / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus.
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
BRLMs	Book Running Lead Manager to the Issue, in this case being Karvy Investor Services Limited.
Book Building Process/Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this issue is being made
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the issue price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no bids will be accepted
Co-BRLM	Co- Book Running Lead Manager to the Issue, in this case being UTI Securities Ltd.
Cut-off	Any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Designated Stock Exchange	The National Stock Exchange of India Limited
Designated Date	The date on which the funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the Registrar of Companies ('ROC'), following which the Board of Directors shall allot Equity Shares to successful bidders
Directors	The directors of the company
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with ROC at least three days before the bid/offer opening date. It will become a Prospectus after filing with ROC after finalisation of the issue price.
Equity Shares	Equity Shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding equity shares of the Company unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a bid and the Allocation Amount paid thereafter
	Agreement entered into amongst the Company, the Registrar, the Escrow Collection

Escrow Agreement	Bank(s) and the BRLMs for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank (s)	The banks which are clearing members and registered with SEBI as Banker to the issue with whom the Escrow Account for the issue will be opened
Face Value	Value of paid up equity capital per Equity Share
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 finalised and below which no Bids will be accepted
Fresh Issue	The issue of 90,00,000 new Equity Shares of Rs. 10/- each at the Issue Price by the Company in terms of this Draft Red Herring Prospectus
Issue or Public Issue or Offer	Public Issue by the Company of 90,00,000 equity shares of Rs. 10/- each for cash at a price of Rs. _____ aggregating to Rs. _____ lakhs
Issuer	SPL Industries Limited
Issue Size	90,00,000 Equity shares of the Company
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Draft Red Herring Prospectus, as determined by the Company in consultation with the BRLMs, on the Pricing Date
Issue Period	The period between the Bid/ issue Opening date and the Bid/ issue closing date and both these days inclusive
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Memorandum / Memorandum Of Association	The Memorandum of Association of the Company
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
Non-Institutional Portion	The portion of the Issue being a minimum of 22,50,000 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders
NRI/ Non Residents Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Pay-in-date	The last date specified in the CAN sent to the Bidders
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in-Date
Price Band	Being the Price band of a minimum price (Floor price) of Rs. _____ and the maximum price (Cap Price) of Rs. _____ /- and includes revision thereof
Pricing Date	The date on which the Company in consultation with the BRLMs finalises the Issue Price
Prospectus	The Prospectus, filed with the ROC containing inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory And Development Authority (IRDA), Provident Funds with a minimum corpus of Rs 25 crores and Pension Funds with a minimum corpus of Rs. 25 crores
QIB portion	The portion of the issue being 45,00,000 Equity Shares of Rs. Rs. 10/- each available for allocation to QIBs

Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, 1956, which does not have complete particulars on the price at which the equity shares are offered and size of the issue. It carries the same obligations as are applicable in case of a prospectus and will be filed with the ROC at least three (3) days before the opening of the issue. It will become a Prospectus after filing with the ROC after the pricing and allocation.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount in excess of Rs. 50,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being a minimum of 22,50,000 Equity Shares of Rs.10 each available for allocation to Retail Individual Bidder(s).
Registered Office of the Company	5/66 K.C. House 3rd Floor Padam Singh Road , Karolbagh, New Delhi – 110 005
Registrars to the Issue	Karvy Computershare Private Limited
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
Stock Exchanges	NSE and BSE
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs.
Syndicate	The Syndicate members collectively
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate members and the Company to be entered into on or after the Pricing Date
UTI Sec	UTI Securities Ltd.

3. Abbreviations

Abbreviation	Full Form
A/c	Account
AQL	Accepted Quality Level
AY	Assessment Year
BRLMs	Book Running Lead Managers to the Issue, in this case being Karvy Investor Services Limited and UTI Securities Ltd.
BSE	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CC	Cash Credit
CDSL	Central Depository Services (India) Limited
EBITDA	Earning Before Interest Tax Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Equity Share
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and regulations framed thereunder
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FIPB	Foreign Investment Promotion Board
GIR Number	General Index Registration Number
GoI	Government of India
HUF	Hindu Undivided Family
IPO	Initial Public Offering
Mn / mn	Million
NA	Not Applicable
NAV	Net Asset Value
NOC	No Objection Certificate

NR	Non-resident
NRE Account	Non Resident External Account
NRI(s)	Non-resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OEM	Original Equipment Manufacturer
OCB	Overseas corporate bodies
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
QIB	Qualified Institutional Buyer
R & D	Research and Development
RBI	The Reserve Bank of India
ROC	Registrar of Companies, Registrar of Companies, NCT of Delhi & Haryana at New Delhi
RONW	Return on Net Worth
Rs.	Indian Rupees
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI (SAST) Regulations, 1997	Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997
Sec.	Section
SIA	Secretariat for Industrial Assistance
TRS	Transaction Registration Slip
US	United States of America
USD or \$ or US \$	United States Dollar

CERTAIN CONVENTIONS; USE OF MARKET DATA

In this Draft Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word “Lakh” or “Lac” means “one hundred thousand” and the word “Ten lakhs” means “million” and the word “Crore” means “ten million”. In this Draft Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this Draft Red Herring Prospectus, all figures have been expressed in Lakhs unless otherwise stated.

All references to “India” contained in this Draft Red Herring Prospectus are to the Republic of India. For additional definitions used in this Draft Red Herring Prospectus, see the section “Definitions and Abbreviations” on page (____) of this Draft Red Herring Prospectus. In the section entitled “Main Provisions of Articles of Association” on page (____) of this Draft Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association. Industry data used throughout this Draft Red Herring Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

Currency of Presentation

In this Draft Red Herring Prospectus, all references to “Rupees” and “Rs.” are to the legal currency of India,

Section II RISK FACTORS

1. FORWARD-LOOKING STATEMENTS, MARKET DATA

Statements included in this Draft Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with the Company’s expectations with respect to, but not limited to, the Company’s ability to successfully implement its strategy, its growth and expansion, technological changes, its exposure to market risks, general economic and political conditions in India which have an impact on company’s business activities or investments, the monetary and interest 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 and foreign laws, regulations and taxes and changes in competition in the industry.

For further discussion of factors that could cause the Company’s actual results to differ, see the section entitled “Risk Factors” beginning on **page no. -----** of this Draft 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. In accordance with SEBI requirements, the Company will ensure that investors are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Market data used throughout this Draft Red Herring Prospectus was obtained from internal company reports. The information contained in this Prospectus has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, the Company believes that the market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed to be reliable, have not been verified by any independent source.

2. RISK FACTORS AND MANAGEMENT PERCEPTION THEREOF

Investors should consider carefully the following risk factors, together with the other information contained in this Draft Red Herring Prospectus, before they decide to invest in the Company's equity shares. If any of the following risks actually occur, the Company's business, financial condition and results of the operations could suffer, the trading price of the Company's equity shares could decline and investors may lose all or part of their investment.

A. INTERNAL TO THE COMPANY

1. Inability to identify evolving fashion trends and create new designs may adversely affect SPLIL's business.

SPLIL is in the business of manufacturing and exporting of garments to the US & European markets. The key success factor in this business is in creating appealing designs and color combinations to create buyer appeal. To churn out such designs, season after season, the Designers of SPLIL need to have an understanding of the latest fashion trends and also the design requirements of the clients. SPLIL would need to have a continued process of rapid style change, keeping abreast of fashion developments and continuously revamping and renewing the product offer, which would be successful in helping clients reduce markdown activity. Inability on the part of SPLIL to anticipate, identify and recognize international trends could adversely affect the business.

2. The revenues of SPLIL are highly dependent on a limited number of buyers. The loss of business from any one of its major buyers may adversely affect the revenues and profits of SPLIL.

SPLIL is an export oriented apparel manufacturer and its products are targeted mostly at large retailers based in US and European markets. In FY 2002-2003, FY2003-2004 and for the first nine months of FY 2004-2005, SPLIL's largest buyer accounted for 39.82%, 27.08% and 49.54% of its total operational revenues respectively and the top five buyers accounted for 59.64%, 61.32% and 72.27% respectively. As a result, it is possible that SPLIL would face pricing pressure from these buyers. The volume of apparel sourced by these buyers also may fluctuate from year to year since SPLIL is not an exclusive supplier to them. There could be other reasons, internal and external relating to their business, which could affect the quantity they source from SPLIL. The loss of business from any one of its major buyers or any decline in volume of apparels they source may adversely affect the revenues and profits of SPLIL.

3. SPLIL does not have long-term contracts with buyers and buyers prescribe various standards which SPLIL is required to comply with

SPLIL has been dealing with several of its buyers for the past many years, However SPLIL does not have any long term contracts with them. Any change in the buying pattern of buyers can thus adversely impact business at a short notice in the absence of any long term contracts with them. Further, in the absence of such long term contracts there can be no assurance that a particular buyer would continue to purchase apparel from SPLIL in the future. In addition SPLIL has to comply with stringent norms and guidelines prescribed by the buyers in relation to various parameters including quality, confidentiality and intellectual property, non compliance with which may have a material adverse effect on the relationships with such buyers and receipt of further orders from them.

4. SPLIL is yet to place the orders for some of the machinery towards implementation of the project and utilization of the proceeds of this fresh issue.

SPLIL has already placed orders for machinery worth Rs. 495.50 Lakhs being 18.82% of the total machinery requirement for the project. SPLIL has not yet entered into agreements or placed orders for the balance machinery, the value of which is estimated at Rs. 2137.50 Lakhs. SPLIL's in-house team has estimated its total fund requirements for the project which it plans to fund from the proceeds of this issue.

5. The project has not been appraised by any Bank/FI

SPLIL has estimated the total fund requirement internally and the project has not been appraised by any Bank / FI. Deployment of funds towards the project is also at SPLIL's discretion and is not subject to monitoring by any independent agency.

6. SPLIL is exposed to foreign currency risk

SPLIL is an export oriented apparel manufacturer. Approximately 95.00% of SPLIL's revenue is in foreign currency. Since the buyers compare the products with those of SPLIL's competitors in USD denominated rates, appreciation of Indian Rupee vis-à-vis USD would weaken SPLIL's competitive position. At the same time for a given revenue in USD, appreciation of Indian Rupee vis-à-vis USD, will push SPLIL's revenue and profit in Rupee terms in the downward direction. In the recent past Indian Rupee has experienced substantial appreciation against USD. From Rs. 47.52/USD as on March 31, 2003 it has appreciated to Rs.43.83/USD as on March 31, 2004 and it has further appreciated to Rs.43.46/USD as on December 31, 2004. If this trend of appreciation of Indian Rupee continues it will impact SPLIL's revenue and profitability in the short term and competitiveness against apparel manufactures of China, Taiwan, Bangladesh etc. in the long run.

7. The price of the major raw material for the Company i.e. Cotton Yarn is susceptible to volatility and forms major portion of the total cost.

SPLIL is an integrated garment manufacturer. SPLIL is dependent on external suppliers for the cotton yarn requirement which constitutes the largest component of raw material cost. SPLIL then processes the yarn to manufacture fabric under stringent quality control. SPLIL's has a large part of the garment manufacturing value chain in it's own manufacturing facilities. Any upward fluctuations in cotton yarn rates would adversely affect SPLIL's profitability.

8. The quota regime for apparel exports under the Multi Fibre Agreement (MFA) has ended, hence SPLIL may face pricing pressure on it's products.

The end of Multi Fibre Agreement (MFA) quota restrictions on apparel exports has resulted in pricing competition among suppliers from low cost economies. Thus, SPLIL may face further pricing pressure as various suppliers who were hitherto restrained by quotas will start competing for the same orders in the international markets.

9. As of December 31, 2004, SPLIL had contingent liabilities as disclosed in the consolidated statement of assets and liabilities

Rs. In Lakhs			
	CONTINGENT LIABILITIES	AS AT 31.12.2004	AS AT 31.03.2004
(a)	Bank Guarantee for A.E.P.C and Custom Duty	145.87	81.43
(b)	Bills Discounted	308.70	980.33
(c)	Outstanding Letter of Credit (Net of Margin of Rs. 170.21(P.Y. 74.97))	1369.38	674.76
(d)	Export Obligation	2851.00	4067.00
(e)	Disputed Liability towards Provident Fund and E.S.I	431.14	431.14
(f)	Disputed Liability towards Sales Tax	91.82	--
(g)	Estimated amount of Contract remaining to be executed (Net of Advance)	32.62	31.61

10. There are a number of outstanding litigations against SPLIL, its promoters, its subsidiaries and group companies.

SPLIL and some of its promoter group companies / entities are involved in some legal proceedings incidental to their business and operations. SPLIL cannot assure that these matters will be settled in it's favour, and that no further liability will arise out of these claims.

Type of cases	No. of cases	Amount involved
Against the Company		
Labour Cases	2	Not ascertainable
Statutory authorities	8	Rs. 560.40 lakhs

Against the Group companies :

Type of cases	No. of cases	Amount involved
Against the Sadhu Forging		
Labour Cases	7	Not ascertainable
Statutory authorities	2	Rs.4.56 Lakhs

Against Elkay Telelink Limited		
Statutory authorities	2	Rs.2.60 Lakhs
Against SPL Exports		
Civil Cases	1	Rs. 18.53 Lakhs
Statutory authorities	1	Rs.10.28 Lakhs

For details of the outstanding litigations, please refer to Section VI "Legal and Other Information".on the page no. _____

11. Some of SPLIL's subsidiaries & group companies are loss making as per their latest audited financial statements

Some of SPLIL's subsidiaries & group companies are incurring losses, details of which are given below:

Rs. In Lakhs

Name of the company	Profit / (Loss) as on 31st March 2002	Profit / (Loss) as on 31st March 2003	Profit / (Loss) as on 31st March 2004
Subsidiary			
Mode Prints Ltd	(16.12)	2.73	3.15
Group Companies			
Elkay International Ltd	(110.53)	7.88	(107.94)
Elkay Telelink Ltd	93.41	(14.80)	14.10
Elkay Strips Ltd	(23.35)	(22.80)	(73.28)
Group Firms			
M/s.SPL Overseas	-	(36.42)	(60.25)
M/s.SPL Exports	121.75	39.98	(31.30)

12. SPLIL has a huge labour force, most of it is on contract basis

SPLIL has apparel manufacturing industry is labour intensive. SPLIL is constrained by the labour laws in India which limit the flexibility on downsizing the workforce. SPLIL manages a large portion of the workforce through labour contractors. This system helps the company to tune the manpower requirement in line to the actual requirement. Non-Compliance of any of the provisions of the applicable labour laws by the Contractor would make SPLIL liable towards the contract labour.

13. Factory licenses for all the factory units have expired on December 31, 2004

SPLIL has made applications to The Chief Inspector of Factories, Haryana for renewal of the factory licenses vide letters dated November 25 2004, for plot no. 21/6, 22/6 and 7/6, November 26, 2004, for plot 15/1 and November 29, 2004 for plot no. 128/24. The approvals for the renewal should be received by the company in normal course of business.

14. SPLIL has availed a term loan of Rs. 10 crore from IDBI. The Loan agreement provides for a right to IDBI to convert its loan to equity in case of three consecutive defaults.

The company has availed loans from IDBI for the last 8 years and there has been no default in the payment of interest as well as principal.

B. EXTERNAL RISK FACTORS

1. Reduction or termination of policies instituted to promote growth of the textile sector

The Government of India has instituted several policies to promote the growth of the Indian textile sector. These include interest rate subsidies, duty / tax reimbursement schemes like duty drawback / DEPB. Termination of or variation in the terms of such policies can adversely impact the profitability of textile companies in the country.

2. Probable opposition to sourcing apparel from India

Potential threats to the domestic textile industry in developed countries and geographies that are not as competitive as India and China has led to a growing political opposition to sourcing of apparel from

countries such as India. Any increase in such opposition can lead to non quantitative restrictions being imposed on export of apparel from countries such as India and China and impact the growth of textile industry players in such countries.

Additionally, countries such as the USA can impose anti surge restrictions should the growth of exports from any geography exceed certain acceptable limits. Such restrictions can adversely impact the growth.

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

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

4. Probability of consignments getting seized because of faulty documentation

The chances of SPLIL's export consignments getting seized due to faulty documentation or delinquent shipping by the agent cannot be ruled out in SPLIL's line of business.

5. SPLIL's performance is linked to the stability of policies and the political situation in India.

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 rate of economic liberalization could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt the business and economic conditions in India.

South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries. Military activity or terrorist attacks in the future could have an impact on the Indian companies, including the Equity Shares and the market for SPLIL's issue.

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 policies and taken initiatives that support continued economic liberalization.

6. After this Issue, the prices of SPLIL's equity shares may be volatile, or an active trading market for SPLIL's equity shares may not develop.

The price of SPLIL's equity shares in Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- Volatility in the Indian and Global securities market;
- The results of operations and performance;
- Perceptions about SPLIL's future performance or the performance of Indian Apparel Manufacturing companies;
- Performance of competitors in the Indian Apparel Manufacturing industry and market perception of investments in the Indian Apparel Manufacturing sector;
- Adverse media reports on SPLIL or on the Indian Textile industry;
- Change in the estimates of SPLIL's performance or recommendations by financial analysts;
- Significant development in India's economic liberalization and deregulation policies; and
- Significant development in India's fiscal and environmental regulations.

There has been no public market for SPLIL's equity shares till now and the prices of SPLIL's equity shares may fluctuate after this Issue. There can be no assurance that an active trading market for the equity shares will develop or be sustained after this Issue, or that prices at which SPLIL's equity shares are initially offered will correspond to the prices at which SPLIL's equity shares will trade in the market subsequent to this Issue. SPLIL's share price could be volatile and may also decline.

Notes to Risk Factors:

- The net worth of the Company as per the Financial Accounts of the Company as on December 31, 2004 is Rs. 7831.20 lakhs and the size of the Issue is Rs. [●] Lakhs
- The average cost of acquisition of Equity shares of the Promoters is Rs.5/- per share. The Book value per share as on December 31, 2004 is Rs.78.31 per share of Rs.10/- each.
- The promoters / directors / key management personnel of the Company have no interest other than

- reimbursement of expenses incurred or normal remuneration or benefits.
- None of the other Ventures of the Promoters have business interests / other interests in the Issuer Company.
 - No loans and advances have been made to any person(s) / Companies in which the Director(s) of the Company are interested except as stated in the Auditors Certificate. For details please refer to **page No. __ of auditor certificate**
 - The Investors are advised to refer to the Para on “Basis for Issue Price” before making any investment in this Issue.
 - Investors may note that in case of over-subscription, in the issue allotment to non institutional and retail portion allotment shall be on proportionate basis for more information , see “Basis of Allotment” beginning on page no. _____ of this Red Draft Herring Prospectus.
 - The Investors may contact the Book Running Lead Managers or the Compliance Officer for any complaint / clarification / information pertaining to the Issue, who will be obliged to attend to the same.
 - For detailed Related Party Transactions please refer to **page no. _____**

SECTION III INTRODUCTION

1. SUMMARY

i) Summary of the Industry and business of the Company

Industry

The apparel industry is one of India's largest foreign exchange earners, accounting for 9.6% of the country's total exports in FY2004. For FY2004, readymade garment exports stood at Rs.27,977 crore (source: CMIE). However, the garment manufacturing is one of the most fragmented sectors of the Indian textile industry.

The garment industry comprises manufacturers of ready-made garments for either the domestic or export markets or, in certain cases, both. The constituents of this segment are very diverse in terms of their size, production facility, the type of apparel manufactured, the quality of output, fabric requirement, price sensitivity etc.

According to a CII-Mckinsey Report: "Made in India – The next big manufacturing export story", a window of opportunity to expand apparel exports will open for India post-January 2005. If India does the right things, enhances operational and design skills in industry and aggressively reforms policy, it can seize the opportunity to become the second largest exporter of apparel among low cost countries (LCCs) by 2015. This would result in apparel exports growing from US \$6 billion in 2002 to US \$25-US\$30 billion by 2015.

The opportunities in apparel exports can be summarized as follows:

- Global trade in apparel is already high (US\$200 billion in 2002) and growing at 1.5 per cent per annum. It will expand still further after the dismantling of the Multi Fibre Arrangement (MFA) regime in 2005, at 3-5 per cent a year, to potentially exceed to US\$300 billion by 2015.
- If companies step up their performance and further policy reforms are passed, India can grow apparel exports from US \$6 billion in 2002 to US \$25-US\$30 billion by 2015 and emerge as the second largest LCC exporter in apparel. This would require India to grow exports at 12-13 per cent a year against a historical average of 6 per cent.
- Most Indian companies today lack scale, operational expertise and effective organizational practices. To capture large export opportunities, Indian companies will need to significantly enhance their performance by pursuing one of two business models: operational excellence led (lowest cost, global operations, world scale factories) or design and innovation-led (innovative fabric, fashion trend-driven). Those who pursue neither could become low-cost contract manufacturers or aggregators, who will survive but will have to struggle for profitability.
- The government needs to continue the reform process. It especially needs to focus on improving port capacity and turnaround times, allowing flexibility in contract labour, continuing the reform of the textile sector, and driving the creation of full-scale integrated apparel parks.

Business of the Issuer Company

SPLIL was incorporated as Shivalik Prints Private Limited in 1991, with the main objective of carrying on the business of manufacturing and export of apparel. The name of the company was changed to SPL Industries Limited in 1994. The Company's plants are located 30 km away from Delhi in the industrial township of Faridabad.

SPLIL established its first textile unit named "SPL processing house" with a focus on printing and dyeing of cloth with a capacity of 1,00,000 meters/day. SPLIL planned to become a major supplier of printed and dyed cloth in northern India. In July 1992, SPLIL expanded its operation by installing new equipment and increased its capacity to 150,000 meters/day.

In March 1995, the company set up a vertical integrated plant for apparel manufacturing, which had the facilities for knitting, dyeing, processing, cutting and stitching, with a capacity of producing 100,000 pieces of knitted garment per month. Due to a growing customer base and demand for its products, SPLIL increased its capacity by another 150,000 pieces per month i.e. a total of 250,000 pieces per month.

In 1999, SPLIL sold off the printing unit. In 2000, SPLIL decided to further diversify its operations and started a sweater division with a capacity of 120,000 pieces per month.

In 2000, SPLIL established another knitwear unit with capacity of 250,000 pieces per month and 100,000 pieces per month of Home Furnishings. Thus the total capacity reached 500,000 pieces per month of garments. Later in 2002, SPLIL opened another Knitted Garment unit with capacity of 250,000 pieces per month which increased the capacity to 7,50,000 pieces per month.

The Company has a well equipped design studio. SPLIL employs a team of designers who design and develop the products as per the requirements of the customers. They regularly visit International fairs like Piiti Fillatt, Expofil and Premier vision. These fairs determine the latest trends in yarn / fabric and colours for the following season. The design team regularly interacts with the customers which helps it to keep pace with their expectations.

SPLIL exports knitted apparels to USA, Europe, Canada and Japan. Almost 95% of the total production is exported. The major customers of the company are GAP, J.C.Penny, Kohls, Haggars, Sears, Arrow, PVH etc. The company adheres to international standards as required by the customers.

SPLIL also manufactures Home Furnishings which include Bedsheets, Curtains, pillows etc. these products are exported to Middle East and USA

The company's total income for the year ended March 31, 2004 was Rs. 15,388.45 lakhs with a profit after tax of Rs.429.24 lakhs and for the 9 months ended December 31, 2004 total income was Rs. 12074.09 Lakhs with a profit after tax of Rs. 633.11 Lakhs.

The vision of the company is to become a global leader in apparel manufacturing by continuously excelling its quality, service, customer satisfaction and employee satisfaction using the best technology, processes and people.

ii) Issue Details in brief

Fresh Issue by the Company	90,00,000 Equity Shares
Of which	
Qualified Institutional Buyers (allocation on discretionary basis)	45,00,000 Equity Shares constituting 50% of the issue size
Non-Institutional Portion (allocation on proportionate basis)	22,50,000 Equity Shares constituting 25% of the issue size
Retail Portion (allocation on proportionate basis)	22,50,000 Equity Shares constituting 25% of the issue size

Under- subscription, if any, in any of the categories would be allowed to be met with spillover from the other categories, at the sole discretion of the Company, and BRLMs.

Equity Shares outstanding prior to the Issue	2,00,00,004 Equity Shares
Equity Shares outstanding after the Issues	2,90,00,004 Equity Shares

(iii) Summary Financial, Operating and other data:

Statement of Profits & Losses For The Year Ended 2000,2001,2002,2003,2004 and for the Period Ended 31.12.2004							
					Rs. in Lakhs		
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004	
A. Income							
-- Sale of Products							
Manufactured Goods	8,581.48	8,525.40	12,429.84	13,837.16	13,411.60	10,105.94	
Traded Goods							
--Processing Charges	432.18	1,016.58	845.02	1,121.80	610.62	849.92	
--Export Incentives	1,174.67	1,066.44	1,239.63	1,641.27	1,125.91	985.46	
Total	10,188.33	10,608.42	14,514.49	16,600.23	15,148.13	11,941.32	
Other Income	37.63	219.52	275.42	150.95	240.32	132.77	
Increase/(Decrease) in Inventories	19.05	231.02	421.49	1,093.35	178.32	2,629.81	
Total	10,245.01	11,058.96	15,211.40	17,844.53	15,566.77	14,703.90	
B. Expenditure							
Raw Material Consumed	3,880.17	4,226.86	6,836.23	8,498.26	7,588.30	7,150.71	
Stores Consumed	91.37	100.37	163.64	177.38	157.92	62.34	
Employee Cost	350.20	636.23	1,177.11	1,475.00	1,354.30	1,372.99	
Power & Fuel	434.22	587.36	716.79	853.07	766.79	732.81	
Other Manufacturing Expenses	1,328.47	1,423.97	1,970.07	2,860.48	2,165.95	1,553.61	
Administrative Expenses	217.12	265.10	437.06	571.41	490.95	595.31	
Selling & Distribution Expenses	1,737.17	1,204.95	1,576.52	1,954.06	1,262.27	1,243.33	
Provision for Excise Duty on Finished Goods	-	-	-	-	12.64	(1.09)	
Interest	282.37	310.80	446.14	463.94	550.71	478.73	
Miscellaneous Expenditure Amortised	0.44	0.44	0.44	0.36	0.36	-	
Goodwill Amortized	-	-	-	-	0.57	-	
	8,321.53	8,756.08	13,324.00	16,853.96	14,350.76	13,188.74	
Net Profit Before Depreciation, Tax & Prior Period Items (A-B)	1,923.48	2,302.88	1,887.40	990.57	1,216.01	1,515.16	
C. Depreciation/Amortisation	284.13	365.57	740.60	611.54	690.63	501.79	
Net Profit Before Tax & Prior Period Items	1,639.35	1,937.31	1,146.80	379.03	525.38	1,013.37	
Provision for Wealth Tax	0.74	0.60	0.61	0.61	0.68	0.85	
Provision for Current Tax	26.60	48.60	12.10	26.00	22.00	222.00	
Provision for Deferred Tax	-	-	-	64.20	71.43	157.41	
Tax Paid/Provision Written Back for earlier Year	-	(26.41)	(3.83)		2.03		
Net Profit Before Prior Period Items	1,612.01	1,914.52	1,137.92	288.22	429.24	633.11	
D. Prior Period Items			1.24	173.06	4.64	-	
Net Profit as per Audited Financial Statements	1,612.01	1,914.52	1,136.68	461.28	433.88	633.11	

Statement of Assets and Liabilities, as restated						Rs. in Lakhs	
				For the Period/Year Ended			
		31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
A	Fixed/Intangible Assets						
	Gross Block	3,034.11	5,060.50	6,031.76	7,735.42	8,773.20	9,053.89
	Less: Depreciation	1,119.87	1,478.52	2,190.43	2,618.83	3,270.47	3,719.21
	Net Block	1,914.24	3,581.98	3,841.33	5,116.59	5,502.73	5,334.68
B	Capital work in progress	33.51	10.62	94.80	222.80	369.44	232.11
C	Investments	876.00	1,598.28	1,089.43	1,089.43	816.17	802.68
D	Current Assets, Loans and Advances:						
	Inventories	981.01	1,480.24	2,112.33	3,715.60	3,569.54	6,682.02
	Sundry Debtors	1,066.00	1,078.97	1,135.85	1,733.00	1,905.50	2,552.48
	Cash and Bank Balances	123.12	693.67	233.41	469.76	179.02	239.33
	Loans and Advances	793.62	1,373.40	2,035.56	2,211.08	2,657.48	3,224.47
	Other Current Assets						
		2,963.75	4,626.28	5,517.15	8,129.44	8,311.54	12,698.30
	TOTAL A TO D	5,787.50	9,817.16	10,542.71	14,558.26	14,999.88	19,067.77
E	Liabilities and Provisions:						
	Secured Loans	1,361.53	3,023.05	3,002.17	4,703.58	4,994.00	6,740.33
	Unsecured Loans					332.11	89.11
	Current Liabilities and Provisions	615.80	1,344.46	953.78	2,742.08	2,058.62	3,832.66
		1,977.33	4,367.51	3,955.95	7,445.66	7,384.73	10,662.10
F	Deferred Tax Liability	-	-	-	345.63	417.06	574.47
G	Networth	3,810.17	5,449.65	6,586.76	6,766.97	7,198.09	7,831.20
H	Represented by						
	1. Share Capital	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
	2. Reserves	2,811.78	4,450.81	5,587.48	5,767.33	6,198.09	6,831.20
		3,811.78	5,450.81	6,587.48	6,767.33	7,198.09	7,831.20
I	Miscellaneous Expenditure to the extent not written off or adjusted	1.61	1.16	0.72	0.36	-	-
J	Networth (H-I)	3,810.17	5,449.65	6,586.76	6,766.97	7,198.09	7,831.20
	TOTAL (E+F+G)	5,787.50	9,817.16	10,542.71	14,558.26	14,999.88	19,067.77

II. GENERAL INFORMATION

Registered Office: 5/66 K.C. House 3rd Floor Padam Singh Road , Karolbagh, New Delhi – 110 005

Tel. No: 91-011-25789729 , 25716150

Registration Number: 05-31500

Registrar of Companies, NCT of Delhi & Haryana at New Delhi
C.G.O. Complex, Paryavaran Bhawan, 2nd floor, NCT, New Delhi, Pin. 110 003

Corporate Office

Plot No. 21-22 , Sector 6 , Faridabad 121 006, Haryana
Tel No. : 0129-2240411 , Fax No. : 0129- 5069978 , 2243340
E Mail : bbsharma@spllimited.com

Board of Directors of the Company

Board of Directors of the Company comprises of the following members:

- i) Mr. H R Gupta – Chairman & Managing Director
- ii) Mr. Vijay Jindal – Joint Managing Director
- iii) Mr. Praveen Garg – Wholetime Director
- iv) Mr. Mukesh Aggrawal - Wholetime Director
- v) Mr. Pankaj Garg - Wholetime Director
- vi) Mr. Naresh Aggrawal - Director
- vii) Mr. Suresh Aggrawal - Director
- viii) Mr. Ram Babu Bansal - Director
- ix) Mr. Y. Harishankar - Director
- x) Mr. Kailash B. Goel- Director

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

Mr. H R Gupta, Chairman and Managing Director: Aged 58 years, is a Commerce graduate with over 35 years of business experience. He is the Chairman of Sadhu group of Industries comprising of Sadhu Forging Ltd. (Steel, Forging & Gear division), Elkay Telelinks Ltd. (Cable Division), and has over 14 Years of experience in the Textile & garments industry having promoted SPL Industries Ltd.

He looks after the financial and commercial activities of the company. He is also responsible for new projects and initiatives of the company. He is President of Faridabad Industries Association.

Mr. Vijay Jindal, Joint Managing Director: Aged 46 years, is a Bachelor in Engineering (Mechanical) from Thappar College of Engineering, Punjab University. He has over 20 years of experience which includes 6 years in Elkay Strips Ltd. and almost 14 years of experience in textile and garment industry.

Mr. Jindal looks after the marketing and production function at SPLIL. He is actively involved in the strategic planning for the company and also handles new projects for the company.

Mr. Praveen Garg, Whole time Director: Aged 33 years, is a Bachelor in Engineering. He has over 10 years of experience in textile and garments industry. He is in charge of a garment unit of the company where he is responsible for the marketing, production and quality assurance.

He has taken charge of the new home furnishing unit of the company.

Mr. Mukesh Aggrawal, Whole time Director: Aged 38 years, has over 15 years of experience. He was instrumental in starting the of tele cables manufacturing unit at Elkay Telelinks Limited. He worked at Elkay Telelinks Limited for over 10 years. He has over 5 years of experience in textile and garment industry. He is also responsible for targeting the European market for Knits and woven garments products of the company. He is responsible for setting up the new Woven garments facility as proposed by the company.

Mr. Pankaj Garg Whole time Director: Aged 28 years, is a Bachelor of Engineering (Industrial) from University of Pune. He has an experience of 3 years in the textile and garment industry.

He is independently handling the Sweater unit of the company where he responsible for the marketing, production, quality assurance etc.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. B. B. Sharma

5/66 K.C. House,
3rd Floor,
Padam Singh Road,
Karolbagh,
New Delhi – 110 005
e-mail: bbsharma@spplimited.com

Investors may note that incase of any pre Issue / post Issue related problems such as non-receipt of letters of allotment / share certificates / refund orders, etc. they should contact the Compliance Officer

LEGAL ADVISORS TO THE ISSUE

M/s. Seth Dua & Associates

Solicitors & Advocates
C-56, Neeti Bagh,
New Delhi – 110 049
Tel no. : 91-11-516 44400
Fax no.: 91-11-516 44500
Email: sunil.seth@sethdua.com

BANKERS TO THE COMPANY

State Bank of India, Overseas Branch
9th Floor STC Building, Tollstoy Marg
Cannnaught Place , New Delhi
Contact Person : Mr. Pradeep Sholapurkar
Tele. No.: 91-011-23354512,23374918
Fax. No. : 91-011-23711580

Citi Bank, N.A.

UGF, Himalaya House
23, KG. Marg, NewDelhi-110001
Contact Person: Mr. Sandeep Thapliyal
Tele no. :91-011-23730951
Fax No. 91-011-23753524
E Mail : sandeep.thapliyal@citigroup.com

The Hongkong and Shanghai Banking Corporation Ltd.

Ashoka Estate,
3rd Floor, 24 Barakhamba Road,
New Delhi – 110001
Tel nos: 91-011-51992005 / 51992006

Fax no.:91-011-51995154
E Mail : padmanabhprabhakar@hsbc.co.in

BOOK RUNNING LEAD MANAGERS



Karvy Investor Services Limited
SEBI Registration No.: INM000008365
MAPIN No. UIN 100029413
“Karvy House”, 46 Avenue Street No. 4
Banjara Hills,
Hyderabad – 500 034
Contact Person: Mr. T R Prashanth Kumar
Tel: 91 40 2332 0251/2331 2454
Fax: 91 40 2337 4714
e-mail: spl@karvy.com
Website: www.karvy.com

CO-BOOK RUNNING LEAD MANAGER



UTI Securities Ltd.
SEBI Registration No.: INM000007458
MAPIN No. UIN 100000489
‘Dheeraj Arma’
Anant Kanekar Marg,
Bandra (East),
Mumbai – 400 057.
Tel: 91-22- 5667 0673 / 5667 0676
Fax: 91-22- 2203 0165
Email: spl@utisel.com
Contact Person : Mr. Jinesh N Mehta

REGISTRAR TO THE ISSUE



Karvy Computershare Private Limited.
SEBI Registration No.: INR000000221
MAPIN No. UIN 100013979
“Karvy House”
46, Avenue 4, Street No.1,
Banjara Hills
Hyderabad – 500 034
Andhra Pradesh, India
Tel.No.+91 40-2331 2545
Fax No. +91 40 2331 1968
Website: www.karvy.com
E-mail : mailmanager@Karvy.com

BANKERS TO THE ISSUE

BROKERS TO THE ISSUE

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue

SYNDICATE MEMBERS

AUDITORS

M/s Mehra Goel & Company

Chartered Accountants

505, Chiranjiv Tower, Nehru Place

New Delhi-110019

Tele No. : 91-011-26419527. 26430349

Fax no. : 91-011- 26217981

E Mail : mehragoel@vsnl.net

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONG LEAD MANAGERS

Inter-se allocation of responsibilities entered into between Karvy Investor Services Ltd (Karvy) and UTI Securities Ltd. (UTISEL) is as under:

No.	Activity	Responsibility	Coordination
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	Karvy	Karvy
2.	Conducting a due diligence of the Company's operations / management / business plans / legal, etc. Drafting and designing the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus. Ensuring compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.	Karvy	Karvy
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.	Karvy	Karvy
4.	Primary coordination of drafting/proofing of the design of the Draft Red Herring Prospectus /Red Herring Prospectus/ Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.	Karvy	Karvy
5.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.	Karvy	Karvy
6.	Appointing the Registrars, Appointing Bankers to the Issue, Appointing other intermediaries viz. printers and advertising agency	Karvy	Karvy
7.	Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"> Formulating marketing strategies, preparation of publicity budget, Finalizing media & public relations strategy, Finalizing centers for holding conferences for press and brokers, etc., Finalizing collection centers, Following-up on distribution of publicity and issue material including form, prospectus and deciding on the quantum of the Issue material, and preparing all roadshow presentations. 	Karvy / UTISEL	Karvy
8.	Coordinating institutional investor meetings, coordinating pricing decisions and institutional allocation in consultation with the Company, finalizing the Prospectus and RoC filing.	Karvy / UTISEL	Karvy
9.	Co-ordinating post bidding activities including management of escrow accounts, coordinating Non-Institutional allocation, intimating allocation and despatch of refunds to Bidders, etc.	Karvy/ UTISEL	Karvy
10.	The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing the listing of instruments and despatch of certificates and dematerialized delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company	UTISEL	UTISEL

TRUSTEES

This being an issue of Equity Shares, appointment of Trustees is not required.

CREDIT RATING

This being an issue of Equity Shares, credit rating is not required.

BOOK BUILDING PROCESS IN BRIEF

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

1. The Company
2. Book Running Lead Managers;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters. The BRLMs to appoint Syndicate Members.

[The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Issue shall be allocated on a discretionary basis to QIBs. Further, not less than 25% of the Issue shall be available for allotment on a proportionate basis to Non Institutional Bidders and not less than 25% of the Issue shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.] SPLIL will comply with the SEBI Guidelines for this Issue. In this regard, SPLIL has appointed the BRLMs to procure subscriptions to the Issue.

The IPO is through the process of book building, under SEBI Guidelines so the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date.

Please see the section entitled “Terms of the Issue” on **page** of this Draft Red Herring Prospectus for more details.

Steps to be taken by the Bidders for bidding:

- Check whether he/she is eligible for bidding;
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

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

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

Name & Contact details of the Underwriter	Indicated no. of shares to be underwritten	Amount underwritten (Rs. Lakhs)
Karvy Investor Services Limited	[●]	[●]
UTI Securities Ltd.	[●]	[●]

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

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

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allotment to QIBs is discretionary as per the terms of this Draft

Red Herring Prospectus and may not be proportionate in any way and the patterns of allotment to the QIBs could be different for the various Underwriters.

3. CAPITAL STRUCTURE

Capital Structure of the Company

	PARTICULARS	Nominal Value	Aggregate Value
A.	AUTHORISED CAPITAL 3,00,00,000 Equity Shares of Rs.10/- each	30,00,00,000	
B.	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL 2,00,00,004 Equity Shares of Rs.10/- each fully paid-up	20,00,00,040	
C.	PRESENT ISSUE- PUBLIC ISSUE OF 90,00,000 Equity Shares of Rs.10/- each at a premium of Rs...../- per share	9,00,00,000	(*)
D.	TOTAL PAID UP SHARE CAPITAL AFTER THE PRESENT ISSUE 2,90,00,004 Equity Shares of Rs.10/- each	29,00,00,040	(*)
E.	SHARE PREMIUM ACCOUNT Before the issue After the issue		Nil (*)

*The figures to be finalised after the book building process

DETAILS OF INCREASE IN AUTHORIZED CAPITAL

Sr. No.	Particulars of increase	Date of meeting
1.	1,00,00,000	At the time of Incorporation
2.	1,00,00,000 to 1,50,00,000	October 22, 1992
3.	1,50,00,000 to 3,00,00,000	March 11, 1993
4.	3,00,00,000 to 10,00,00,000	June 3, 1994
5.	10,00,00,000 to 15,00,00,000	July 14, 1994
6.	15,00,00,000 to 30,00,00,000	February 7, 2005

NOTES TO CAPITAL STRUCTURE

1. Capital History

Details of present equity share capital of the Company are as follows :

Date of which Equity shares allotted/Made fully paid-up	No Of Shares	Face Value(Rs.)	Issue Price(Rs.)	Consideration (Rs.)	Cumulative no. of shares	Cumulative Paid-up capital
November 27, 1991	30	100	100	Cash	30	3000
March 31, 1992	67,499	100	100	Cash	67,529	67,52,900
May 27, 1992	7,915	100	100	Cash	75,444	75,44,400
July 24, 1992	6,521	100	100	Cash	81,965	81,96,500
August 18, 1992	17,870	100	100	Cash	99,835	99,83,500
March 30, 1993	68,348	100	100	Cash	1,68,183	1,68,18,300
March 31, 1994	1,23,616	100	100	Cash	2,91,799	2,91,79,900
July 14, 1994	-	10	-	Splitting of Shares from face value of Rs.	29,17,990	2,91,79,900

				100/- to Rs. 10/-		
December 9, 1994	31,63,940	10	10	Cash	60,81,930	6,08,19,300
March 30, 1996	39,18,070	10	10	Cash	1,00,00,000	10,00,00,000
September 22, 2003	2	10	-	Consideration other than Cash	1,00,00,002	10,00,00,020
February 07, 2004	1,00,00,002	10	-	Bonus	2,00,00,004	20,00,00,040

Explanation :

- a. The Company split the face value of shares from Rs.100/- to Rs. 10/- vide resolution dated July 14, 1994 in their EGM.

2. PROMOTERS' CONTRIBUTION AND LOCK-IN PERIOD

The following shares will be locked in for a period of 3 years as part of the promoter's contribution.

Name	Date of allotment	Consideration	No. of Shares	Face Value	Issue Price	% of post issue	lock in period
Mr. Hari Ram Gupta	February 7, 2005	Bonus	63,600	10	0	0.22%	3 years
Mr. Hari Ram Gupta (HUF)	February 7, 2005	Bonus	988,200	10	0	3.41%	3 years
Mr. Praveen Garg	February 7, 2005	Bonus	548,000	10	0	1.89%	3 years
Mr. Vijay Jindal	February 7, 2005	Bonus	300,450	10	0	1.04%	3 years
Mr. Brij Mohan Garg	February 7, 2005	Bonus	640,580	10	0	2.21%	3 years
Mr. Ram Bilas Aggarwal (HUF)	February 7, 2005	Bonus	617,200	10	0	2.13%	3 years
Mr. Sushil Garg	February 7, 2005	Bonus	417,850	10	0	1.44%	3 years
Mr. Lakhmi Chand Garg (HUF)	February 7, 2005	Bonus	1,155,860	10	0	3.99%	3 years
Ms. Sunita Jindal	February 7, 2005	Bonus	424,780	10	0	1.46%	3 years
Mr. Narindar Aggarwal	February 7, 2005	Bonus	150,000	10	0	0.52%	3 years
Ms. Shakuntala Devi	February 7, 2005	Bonus	265,250	10	0	0.91%	3 years
Mr. Ram Vilash Aggarwal	February 7, 2005	Bonus	177,200	10	0	0.61%	3 years
Mr. Love Garg	February 7, 2005	Bonus	88,740	10	0	0.31%	3 years
Total			5,837,710			20.13%	

*The lock in period shall commence from the date of allotment of shares in the public issue

Written consents have been obtained from the persons whose shares form part of Promoters contribution and are subject to lock-in provisions.

Other than the above, the entire pre-issue capital of the Company including the following shares held by the Promoters shall be subject to a lock-in of one year from the date of allotment of shares in this public issue.

Shareholding of the promoters

Name	Date of allotment	Consideration	No. of Shares	Face Value	Issue Price	% of post issue	lock in period
Mr. Hari Ram Gupta	December 20, 1994	Bonus	17,600	10	10	0.06%	1 year
	March 30, 1996		11,000	10	10	0.04%	1 year
	October 16, 1998		35,000	10	10	0.12%	1 year
	February 07, 2004		63,600	10	0	0.22%	3 Years
	Total		1,27,200			0.44%	
Mr. Vijay Jindal	December 20, 1994	Bonus	51,900	10	10	0.18%	1 year
	March 30, 1996		1,07,900	10	10	0.37%	1 year
	September 29, 1999		22,500	10	10	0.08%	1 year
	February 14, 2000		10,000	10	10	0.03%	1 year
	March 20, 2000		14,500	10	10	0.05%	1 year
	March 20, 2001		12,350	10	10	0.04%	1 year
	March 30, 2001		75,000	10	10	0.26%	1 year
	August 12, 2003		6,300	10	10	0.02%	1 year
	February 07, 2004		3,00,450	10	0	1.04%	3 years
	Total		6,00,900			2.07%	
Grand Total			728100			2.51%	

- There is no “buy back” or “stand by” arrangement for purchase of equity shares by the Promoters, Directors, Company or Lead Managers for the equity shares offered through this Prospectus.
- An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer while finalizing the basis of allotment.
- In this Issue, in case of over-subscription in all categories, upto 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category would be met with spill over from other categories at the sole discretion of the Company in consultation with the BRLMs.

6. Top ten shareholders

The ten largest shareholders two years prior to March 30, 2005 are as follows:-

S.No.	Name of the Shareholder	No. of Shares (of Rs.10/- each)	% to post issue share capital
1	Notex Vyapar Pvt. Ltd.	12,82,500	12.83 %
2	Mr. Lakhmi Chand Garg (HUF)	11,55,860	11.56 %
3	Mr. Hari Ram Gupta (HUF)	9,88,200	9.88 %
4	Sadhu Sons India P. Ltd.	10,02,690	10.03 %
5	Mrs. Punita Jindal	6,80,550	6.81 %
6	Mr. Brij Mohan Garg	6,40,580	6.41 %
7	Mr. Ram Bilas Aggarwal (HUF)	6,17,200	6.17 %
8	Mr. Sushil Garg	4,17,850	4.18%
9	Mrs. Sunita Jindal	4,24,780	4.25 %
10	Mr. Praveen Garg	5,48,000	5.48 %

The ten largest shareholders 10 days prior to prior to March 30, 2005 are as follows:-

S.No	Name of the Shareholder	No. of Equity	% of the post issue
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		Shares	share capital
1	Notex Vyapar Pvt. Ltd.	25,65,000	12.82 %
2	Mr. Lakhmi Chand Garg (HUF	23,11,720	11.56 %
3	Mr. Hari Ram Gupta (HUF)	19,76,400	09.88 %
4	Sadhu Sons India P. Ltd.	14,89,380	07.45 %
5	Mrs. Puneeta Jindal	13,61,100	06.81 %
6	Mr. Brij Mohan Garg	12,81,160	06.41 %
7	Mr. Ram Bilas Aggarwal (HUF)	12,34,400	06.17 %
8	Mr. Sushil Garg	8,35,700	04.18 %
9	Mrs. Sunita Jindal	8,99,560	04.50 %
10	Mr. Praveen Garg	10,96,000	05.48 %

The ten largest shareholders as on date prior to March 30, 2005 are as follows:-

S.No.	Name of the Shareholder	No. of Shares (of Rs.10/- each)	% to post issue capital
1	Notex Vyapar Pvt. Ltd.	25,65,000	12.82 %
2	Mr. Lakhmi Chand Garg (HUF)	23,11,720	11.56 %
3	Mr. Hari Ram Gupta (HUF)	19,76,400	09.88 %
4	Sadhu Sons India P. Ltd.	14,89,380	07.45 %
5	Mrs. Puneeta Jindal	13,61,100	06.81 %
6	Mr. Brij Mohan Garg	12,81,160	06.41 %
7	Mr. Ram Bilas Aggarwal (HUF)	12,34,400	06.17 %
8	Mr. Sushil Garg	8,35,700	04.18 %
9	Mrs. Sunita Jindal	8,99,560	04.50 %
10	Mr. Praveen Garg	10,96,000	05.48 %

7. Pre-Issue and Post-Issue shareholding pattern assuming full subscription of the present issue is given below:

Particulars	Pre-Issue Capital		Post-Issue Capital	
	No. of Equity Shares	%	No. of Equity Shares	%
Promoters				
Mr. Hari Ram Gupta	127,200	0.64%	127,200	0.44%
Mr. Vijay Jindal	600,900	3.00%	600,900	2.07%
Total	728,100	3.64%	728,100	2.51%
Promoters Group	19,271,904	96.36%	19,271,904	66.45%
Others	0	0.00%	0	0.00%
Public	0	0.00%	9,000,000	31.03%
Total	200,00,004	100.00%	29,000,004	100.00%

8. The details of sale/purchase/financing of shares by Promoters/Directors The Promoter Group/Directors have not purchased and/or/sold/financed any shares of the company during the period of six months preceding the date on which the Draft Red Herring Prospectus was filed with the Board other than those mentioned below:

Purchases

Name	No. of Shares	Price	Date of transaction
Ms. Sunita Jindal	25,000	10/-	28/12/2004

Mr. Jai Narayan & Sons (HUF)	50,000	10/-	28/12/2004
Mr. Sunil Jindal (HUF)	2,27,950	10/-	28/12/2004

Sale

Name	No. of Shares	Price	Date of transaction
Ms. Avni Jindal	25,000	10/-	28/12/2004
Sadhu Sons India Pvt. Ltd	2,58,000	10/-	28/12/2004
Ms. Renu Garg	2,700	10/-	28/12/2004
Ms. Vidushi Garg	17,250	10/-	28/12/2004

9. There are no outstanding warrants, options or rights to convert debentures or other instruments into equity shares as on date.
10. The Company does not currently have an Employee Stock Option Plan.
11. Shares Issued for consideration other than cash
 - On February 07, 2004 company issued 1,00,00,002 equity shares as fully paid-up Bonus shares in the ratio of 1:1 by capitalization of Rs.10,00,00,020 from its reserves as approved in its EGM.
 - Company has issued 2 shares to the shareholders of SPL Machines Private Ltd. (Formerly known as J. Perrot Company India Private Ltd.) on amalgamation with SPL Industries Ltd. as per Honourable Delhi High Court decision dated August 21, 2003.
12. The shares held by the person other than the promoters, prior to IPO, which are locked-in may be transferred to any other person holding shares which are locked in subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
The equity shares to be held by the promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the equity shares held by promoters, which are locked-in, may be transferred to and amongst promoter/promoter group or to a new promoter or persons in control of the company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable. The promoters may pledge their equity shares with bank's or financial institutions as additional security for loans whenever availed by them.
13. The Company has not issued any equity shares out of revaluation reserves.
14. The Company has not taken any "bridge loans" from any bank for any purpose whatsoever or for the proposed project.
15. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares offered through this Draft Red Herring Prospectus have been listed.
16. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company goes in for acquisitions and joint ventures the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.
17. There shall be only one denomination of the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time.
18. No single applicant can make an application for number of shares, which exceeds the number of shares offered.

19. The company has 52 shareholders as on March 29, 2005 . The list of the same is as follows

Sr. No.	Name of Shareholders	Total Share
1	Ankit Aggarwal	76,580
2	Avni Jindal	40,600
3	Avnish Jindal	1,93,000
4	Brij Mohan Garg	12,81,160
5	Brij Mohan Garg (H.U.F)	61,200
6	Hari Ram Gupta	1,27,200
7	Hari Ram Gupta (H.U.F)	19,76,400
8	Harsh Garg	78,220
9	Jai Narayan Jindal & Sons (H.U.F)	1,00,000
10	Kiran Aggarwal	13,400
11	Kushal Aggarwal	57,000
12	Lakhmi Chand Garg	1,30,500
13	Lakhmi Chand Garg (H.U.F)	23,11,720
14	Love Garg	1,77,480
15	Mam Chand Sadhu Ram (H.U.F)	56,180
16	Mohindargarg (H.U.F)	5,200
17	Mukesh Aggarwal	2
18	Narindar Aggarwal	3,00,000
19	Nikita Garg	50,000
20	Nilesh Jindal	1,13,720
21	Nirmalgarg	22,200
22	Nishant Aggarwal	41,180
23	Notex Vyapaar Pvt. Ltd.	25,65,000
24	Pankaj Kumar	10,000
25	Pragyanam Communication(P)Ltd	2,00,000
26	Prashant Aggarwal	44,780
27	Praveen Garg	10,96,000
28	Punita Jindal	13,61,100
29	Puspa Gupta	81,400
30	Ram Bilas Aggarwal (H.U.F)	12,34,400
31	Ram Rati Devi	31,500
32	Ram Vilash Aggarwal	3,54,400
33	Ran Karan Dass (H.U.F)	2,57,080
34	Sadhu Sons India Pvt Ltd	14,89,380
35	Saket Garg	65,580
36	Sarala Garg	94,600
37	Saroj Garg	29,400
38	Satish Garg	30,002
39	Satish Garg (H.U.F)	14,900
40	Shakuntala Devi	5,30,500
41	Shashi Aggarwal	65,100
42	Sunil Jindal	2,00,000
43	Sunil Jindal (H.U.F)	4,55,900
44	Sunita Garg	28,600
45	Sunita Jindal	8,99,560
46	Sushil Garg	8,35,700

47	Sushil Garg (H.U.F)	200
48	Ujjwal Garg	55,680
49	Uma Garg	54,300
50	V. K. Jindal (H.U.F)	35,800
51	V.K. Jindal	6,00,900
52	Vipul Aggarwal	65,300
	TOTAL	2,00,00,004

4. OBJECTS OF THE ISSUE

The objects of the Issue are :-

1. To set up a new Yarn Dyeing Plant
2. Expand the existing capacities for knitting and dyeing of Fabric
3. Expand the existing capacities for knitting Garment Plant
4. To set up a new plant for manufacturing of woven garments
5. Expansion for manufacturing of home furnishings, Embroidery
6. To meet the additional working capital requirement
7. To meet the issue expenses
8. To list the shares on National Stock Exchange of India Limited ("NSE") and The Stock Exchange Mumbai ("BSE").

The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present Issue. SPLIL further confirms, that the activities of the Company carried out until now are in accordance with the objects of the Memorandum of Association of the Company.

a) COST OF THE PROJECT AND MEANS OF FINANCE

Fund requirement as per Company's own estimates in accordance with the objects of the Issue are as under:-

Cost of the Project

S.No.	Particulars	Amount Rs. lakhs
1.	Setting up of new Yarn Dyeing Plant	517
2.	Expansion of Knitting and Dyeing of Fabric Plant	1,406
3.	Expansion of Knitted Garment Plant	1,050
4.	Setting up of Woven Garment Plant	120
5.	Expansion of Home furnishing Plant	80
6.	Expansion of Embroidery Plant	60
7.	Contingencies	450
8.	Additional working capital	500
9.	Primary and Pre operative expenses	[-]
	Total	[-]

b) Means of Finance

S.No.	Particulars	Amount Rs. lakhs
1.	Public Issue of Equity Shares	[-]
2.	Term Loan	500
3.	Internal Accruals	[-]
	Total	[-]

Notes:

- SPLIL has been sanctioned a term loan of Rs. 10 Crores by IDBI under the TUFs scheme vide sanction letter dated September 1, 2004 and loan agreement dated September 10, 2004. An amount of Rs. 5 crore has been disbursed and balance Rs. 5 crore which forms of this project, is yet to be disbursed.
- The substantial amount of the funds requirement is proposed to be funded through an IPO. In case of any shortfall in meeting project cost, the same shall be met through further internal accruals and promoters contribution. Excess money, if any will be utilized for general corporate purpose including but not restricted to repayment of loans.
- No part of the Issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associate or group Companies.

- Pending utilization, the proceeds will be invested in high quality, interest/dividend bearing short term/long term instruments including deposits with the Banks, for the necessary duration. These investments would be authorised by the Board of Directors or a duly authorised committee thereof.

Cost of the project

1. Setting up of new Yarn Dyeing Plant

SPLIL currently purchases dyed yarn from the other manufacturers. The dyed yarn is then used to prepare fabric. With the setting up of new yarn dyeing unit, the company's dependence on yarn suppliers will be reduced. This added capability will give SPLIL control over one more leg of the apparel manufacturing value chain thus reducing the time to market.

The proposed capacity of the yarn dyeing unit is 5 MT per day.

Particulars	Rs. in Lacs
Construction of Building	117
Plant and Machinery	400
Total	517

Construction of Building

SPLIL is planning to construct a building on Plot No., 39 Sector 6, Faridabad for the proposed Yarn Dyeing Plant. The approximate area covered would be 23,000 sq. ft. The approximate cost of the same is Rs.117 lakhs @ approx Rs. 500 per sq. feet. This land is owned by the company.

Plant and Machinery

The estimates for the yarn dyeing unit have been prepared by the Company on the basis of quotations received. The cost of plant and machinery is as follows:

Particulars	Amount (Rs. in lakhs)	Quotations received
Winder & Un-winder	90	Supplier Peass Industrial Engineers Ltd. Offer dated March 7, 2005
	90	
Dyeing M/C – 800 Kgs.	100	Supplier – STAFI Engineers Pvt. Ltd./ Offer dated January 14, 2005
Dyeing M/C – 400 Kgs.	50	- do -
Dyeing M/C – 200 Kgs.	30	- do -
Dyeing M/C – 100 Kgs.	20	- do -
Dyeing M/C – 25 Kgs.	10	- do -
Dyeing M/C – 10 Kgs.	10	- do -
	220	
R F Drieng & Hydro	90	Supplier-STALAM, Italy Offer dated February 23, 2005
	90	
Total	400	

2. Expansion of Knitting and Dyeing of Fabric plant

SPLIL has state of the art facility for Knitted Fabrics with an ultra modern humidification plant. The unit manufactures a variety of knitted structures such as Single Jersey, Jacquard, Rib Eight Locks, Interlocks, Fleece, Mini Jacquards, Flat backs, Auto stripes Fleece, Double Jersey Jacquard, Waffles and many other textures. The capacity of the knitting unit is 4,600 MT per annum. The Company is planning an expansion of the existing capacity for captive consumption by the expanded garment facility. The capacity of the knitting will be increased by 600 MT per annum and fabric processing capacity will be increased by 2500 MT per annum.

Particulars	Rs. in Lakhs
Plant and Machinery	
• Dyeing of fabric	786
• Knitting of fabric	400
• Utilities	220
Total	1406

Plant and Machinery

For the Fabric Dyeing plant the Company has placed orders for item no. 1 and 5 below.

For item no 1, Placed order for Dyeing machine costing 125.50 lakhs from Brazzoli S. P. A. Italy on March 24, 2005 vide their order confirmation no. BRA- 10.309 The machine is likely to be delivered by June 2005.

For item no 5, Placed order for Dyeing machine costing 135.00 Lakhs from BTM Co Limited, Korea on March 23, 2005 vide their order confirmation no BTM NDL-050128. The machines are likely to be delivered by May 2005.

Sr. no.	Particulars	Amount (Rs. In lakhs)	Quotations received
	Dyeing of Fabric		
1.	Dyeing Brazzoli – 1.0 x 1 nos.	125.5	
2.	Dyeing Brazzoli – 1.0 x 1 nos	125.5	BRA10.309 dated 09-12-2004 Supplier : Brazzoli S.P.A. Italy
3.	Dyeing Brazzoli – 0.2 x 1 no.	50	Supplier : Brazzoli S.P.A. Italy
4.	Open Compector (1 no.)	150	Supplier – FERRARO , Italy
5.	Open Stenter (1 no.)	135	
6.	Drier	50	Supplier – Harish Enterprises Pvt. Ltd., Bombay.
7.	Automatic Dye Kitchen	150	Supplier – LAWER Italy EURO 225,225.00
	Total	786	

In case of Knitting machines, the company has placed order for 5 Auto Striper with Mayer & CIE, Germany on February 23, 2005. The machine is likely to be delivered by May 2005

Sr. no.	Particulars	Amount (Rs. In lakhs)	Quotations received
	KNITTING M/C		
7.	Full Jaquard (1 NOS)	65	Supplier – Mayer & Cie Offer dated 18/3/05
8.	Auto Striper (5 NOS)	235	
9.	Colour M/C (5 NOS)	100	Supplier – PROTTI, Italy Offer dated 18/3/05
	Total	400	

The estimates for the Utilities in Knitting and Dyeing of Fabric Plant have been prepared by the Company on the basis of quotations received from Ecotherm Engineer Pvt. Ltd. vide their letter dated March 16, 2005, Thermax Limited vide its letter February 2, 2005 and Sudhir GenSet vide its letter dated March 16, 2005.

Sr. no.	Particulars	Amount (Rs. In lakhs)
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1.	Boiler	50
2.	Thermopack	20
3.	Water softening plant	60
4.	DG, Pipeline and others	70
5.	ETP	20
	Total	220

3. Expansion of Knitted Garment Plants

SPLIL's Knitted garment plant has a capacity of 90 lakh pieces per annum. The company now proposes to expand the capacity by an additional 54 lakh pieces per annum.

Particulars	Rs. in Lacs
Construction of Building	450
Plant and Machinery	600
Total	1050

Construction of Building

SPLIL is planning to construct building on Plot No. 7, Sector 6 for the expansion of Knitted Garments Plant. The approximate area covered would be 1,00,000 sq. ft.. The approximate cost of the same is Rs.450 lakhs. This land is owned by the company. The company also plans to expand its capacities at its plants located at Opposite plot no. 84 sector 25, Plot no. 127 sector 24 and Plot no. 22 sector 6

Plant and machinery:

The company has placed order on January 13, 2005 with Pegasus, Singapore for 220 sewing machines out of total of 400 sewing machines mentioned in item 1 below.

Sr. no.	Particulars	Amount (Rs.in lakhs)	Details of the quotations
1.	Sewing Machines (400 nos.)	300	Supplier – India Industrial Garment Machines Pvt. Limited. Offer dated 16/3/05
2.	Finishing Tables (30 nos.)	30	Supplier- Hoffman-New Yorker Inc Offer dated 18/3/05
3.	Other Machines for Cutting / Buttons etc	40	Supplier – India Indl. Garment Machines Pvt.Ltd. Offer dated 16/3/05
4.	Misc.	80	
5.	New Laundry Unit	150	
	Total	600	

4. Setting up of Woven Garments Unit

SPLIL proposes to set up a Woven Garment manufacturing plant with a capacity of 18 lakh pieces per annum.

Particulars	Rs. in Lacs
Construction of Building	33
Plant and Machinery	87
Total	120

Construction of Building:

The Company has signed a lease agreement with Mode Prints Limited, a 100% subsidiary of SPL, on August 9, 2000, for plot no. 15/1 Mathura Road, Faridabad, Land admeasuring 12,975 sq meter. The lease is for a period of 10 years from August 1, 2000, with provision for renewing every year thereafter The Company proposes to construct a building with built-up area of approximately 7,000 sq ft to for setting up of unit of Woven Garment manufacturing. For renovation and modification of the existing facilities and constructing a new block the approximate cost is expected to be Rs. 33 Lakhs.

Plant and Machinery

The company has placed orders for some machines for cutting, buttons etc with Brother International Pte Ltd. on March 16, 2005.

Particulars	Amount (Rs. In lakhs)	Details of the quotations
Sewing Machines (150 nos)	70	Supplier – Pegasus Sewing Machines Pte Ltd, Singapore Offer dated 13/1/05
Finishing Tables (8 NOS)	2	Supplier- Hoffman-New Yorker Inc. Offer dated 18/3/05
Other M/c Cutting / Button	15	
Total	87	

5. Expansion of Home furnishing

SPLIL had setup a Home Furnishing manufacturing capacity for 100,000 pieces per month in year 2000. The Company's Home furnishing products have received good response from the international markets. SPLIL intends to set up an additional capacity for manufacturing value added made ups. The unit is located at 15/1 Mathura Road, Faridabad.

Particulars	Amount (Rs. In lakhs)	Details of the quotations
Quelting M/C (5 nos)	50	Supplier-Richteace- Offer dated- 17.03.05
Sewing M/c (100 nos)	30	Supplier – India Industrial Garment Machines Pvt. Ltd. Offer dated 13/1/05
Total	80	

6. Expansion of Embroidery Section

SPLIL's embroidery section currently operates three computerised embroidery machines. The company plans to add two more computerized embroidery machines. These machines will improve the design capability and increase the variety of value added products besides increasing the capacity of the embroidery section. This unit is located at 15/1 Mathura Road, Faridabad.

Particulars	Amount (Rs. In lakhs)	Details of the quotations
Computerised Embroidery machines (20 heads) (2 nos)	60	Supplier-Barudan Japan offer dated 18.03.05
Total	60	

The above estimates are based on quotations received over the last six months. Orders for some machinery have been placed. In case of more than one quotation for a particular item the lowest has been indicated above. The company is yet to finalise the suppliers for equipment.

7. Contingencies

The Contingencies are estimated to be Rs. 450 lakhs being 9.18% of the project size.

8. Additional Working Capital

Additional Working capital requirement raised through the public issue is Rs. 5.00 crores. The details of the estimates of the working capital requirement is as given below:

Particulars	Amount in Rs. crore			
	2004-05		2005-06	
	Months	Amount	Months	Amount
Stock WIP	2.00	27.58	2.00	44.53
Stock FG	0.50	6.90	0.50	11.13
Stock RM	1.75	13.44	1.75	21.77
Debtors	1.25	17.24	1.25	27.83
Current Assets (A)		65.16		105.25
Less Creditors				
Yarn	1.00	5.76	1.00	7.23
Denim Fabric		-		-
Fabric for Woven GMT		-	1.50	3.63
Dyes & Chemicals	1.50	1.56	1.50	2.03
Others	1.50	1.33	1.50	2.17
Current Liabilities (B)		8.65		15.05
Net Current Assets (A)-(B)		56.52		90.20
Less Margin	25%	14.13		22.55
Bank Finance		42.39		56.97

9. Public Issue Expenses: The expenses for this Issue includes underwriting and management fees, selling commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated at Rs. [•] lakhs, which will be paid by the Company.

Rs. In Lakhs		
Sr. No.	Preliminary & Preoperative Expenses	Amount
1	Issue Management	[•]
2	Registrars fees	5.00
3	Printing of Stationery	42.00
4	Advertising and marketing expenses	45.00
5	Underwriting, Brokerage and Selling commission	[•]
6	Other expenses	[•]
	Total	[•]

Details Regarding the term loan

SPL Industries Limited has been sanctioned a Term Loan from I D B I of Rs.10.00 Crores, Sanctioned vide letter no. NBO/CFDII/166 dated September 1, 2004 under the TUFs scheme. Only Rs. 5.00 crores of this amount has been disbursed.

Repayment terms: Interest at 8.50% less subsidy under TUFS Scheme @ 5%

Security: First pari-passu charge on Fixed Assets of the company and also secured by way of second charge on current assets of the company

APPRAISAL: The project of the company has not been appraised by any financial institution

SCHEDULE OF IMPLEMENTATION:

Activity	Start	Completion	Commercial Production
Setting up of new Yarn Dyeing Plant	September 2005	March 2006	April 2006
Expansion of Knitting and Dyeing of Fabric plant	April 2005	October 2005	November 2005
Expansion of Knitted Garment Plant	April 2005	November 2005	December 2005
Setting up of Woven Garment Plant	May 2005	September 2005	October 2005
Expansion of Home furnishing Plant	September 2005	April 2006	May 2006
Expansion of Embroidery Plant	October 2005	February 2006	March 2006

PROPOSED DEPLOYMENT OF FUNDS IN THE PROJECT

The quarter -wise breakup of proposed deployment of funds is mentioned below:

Amt. in Rs. Crores

Particulars	For the quarter ended June 2005	For the quarter ended September 2005	For the quarter ended December 2005	Total
Working Capital	5.00	2.50	2.50	10.00
Building	3.00	3.00	0.00	6.00
Plant & Machinery	8.00	9.00	9.33	26.33
Issue Expenses	[•]	0.00	0.00	[•]
Contingencies	1.50	1.50	1.50	4.50
Total	[•]	16.00	13.33	[•]

8. Interim Use of Funds:

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorised by our Board or a duly authorised committee thereof.

9. BASIC TERMS OF ISSUE

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

10. BASIS FOR ISSUE PRICE

Quantitative Factors

(i) Earnings per share *

Financial year	EPS * (Rs.)	Weightage
31 st March, 2003	4.61	1
31 st March, 2004	4.34	2
31 st December, 2004	6.33	3
Weighted average EPS	6.10	

* EPS on Equity Share of face value of Rs.10/-

(ii) Price/Earning Ratio (P/E Ratio) in relation to Issue price of Rs. ____ per share

Based on 31 st December, 2004 EPS	()
Based on weighted average EPS	()

(iii) Return on Networth

Financial year	RONW %	Weightage
31 st March, 2003	4.32 %	1
31 st March, 2004	6.15 %	2
31 st December, 2004	8.08 %	3
Weighted average RONW	7.84 %	

(iv) Minimum return on total net worth needed after the Issue to maintain EPS (as on March 31, 2005) at Rs. ____ is ____ (at an offer price of Rs.10/- per share)

(v) Net Asset Value *

As at March 31, 2004	71.98
As at December 31, 2004	78.31
After Issue at Issue Price of Rs./-	()

NAV on Equity Share of face value of Rs.10/-

(vi) Comparison of accounting ratios of the Company with industry average and accounting ratios of peer group for Financial Year 2004.

Name of the company	Face Value of Equity Shares	EPS	PE Ratio	RONW	NAV
SPL Industries Limited	10	4.34	()	6.15	71.98
Industry Average			27.80		
Peer Group					
Alps Industries	10	7.40	8.90	9.20	85.10
Alok Industries	10	5.20	9.80	25.00	28.80
Nahar Spinning	10	9.60	28.50	3.10	338.60
Welspun	10	5.40	23.00	14.90	54.70

Source: Capital market Vol XX/01 (March 14-March 27, 2005)

(vii) The face value of the shares is Rs.10/- and the Issue price is [●] times of the face value at a price of Rs. [●]

Qualitative Factors

Professional Management

The Company is managed by the qualified management team with several years of relevant experience in their domain. The management team is supported by Board of Directors who are qualified and having a vast experience in textile industry.

Strong customer relationships

The present customers of the company are GAP, Kohls, J-C.Penny, PVH, Arrow, FMG etc. The strong designer team has been keeping close relationships with these customers to understand their needs and create the apparel designs as per their quality requirements, follows stringent norms and guidelines prescribed by the customers to adhere with their quality standards. The company has been selling to these customers for past 4-8 years. The company has developed strong relationships with all these customers.

Capability to Manage Multiple and Large Orders

The Large orders require managing large workforce, complex sourcing, production planning, and ensuring timely delivery to the customer. Over the years, the company has developed the expertise to manage multiple large orders concurrently as well as have developed a diversified product range which has helped the company grow.

Global Sourcing Capabilities

SPLIL has developed capabilities to source raw materials globally. Since the quantities sourced are large, SPLIL has developed an efficient supply-chain which allows it to reduce input costs and enhance competitiveness. This also allows SPLIL to reduce lead times, where required, by being able to source from suppliers who can meet delivery time schedules.

Design Capabilities

Design is a critical element of apparel manufacturing. The ability to identify and stay abreast of evolving fashion trends, and design apparel that meets with buyers' requirements allows SPLIL to enhance market share with existing buyers and develop new customers. Additionally, the ability to add value to the designs or design thoughts that the customers bring to the company helps develop stronger relationships with these customers and further strengthen the company's competitive position vis-à-vis competitors.

Sampling Capabilities

A fully equipped sample room with approximately 100 machines, including certain specialized machines backed with a pattern making and a fully-automated CAD room enhances the ability to provide samples as per buyer requirement with quick turnaround times.

Manufacturing Scale and Cost Efficiency

SPLIL runs 4 factories in Faridabad with advanced equipment. What makes SPLIL different from other exporters is its vertically integrated operations facility i.e all manufacturing operations under one roof of SPLIL, which has in-house knitting, Dyeing, Processing, Washing, embroidery, printing, specialized washes, garment stitching & washing and Finishing facilities. The scale of operations, high level of automation, in-house ancillary units as well as ability to plan production across specialised factories as required allows SPLIL to reduce costs and lead times.

Timely delivery

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

deliveries, SPLIL meticulously plans the entire range of activities well in advance, right from sourcing of Yarn and components to manufacturing and then to shipping.

Quality Standards

SPLIL adheres to all the quality standards as prescribed by customers for products and processes. Buyers are keen to work with vendors who are capable of meeting quality standards to enable them to maintain their brand equity with their customers and enhance their sales. Though SPLIL has no agreement it follows all the stringent guidelines and procedures prescribed by the customers.

Reliability

SPLIL has been in this business for over one decade and has built long-term relationships with buyers. SPLIL maintains complete confidentiality of buyers' designs and innovations so as to avoid any conflict of interest. SPLIL also strives to meet commitments to buyers.

11. TAX BENEFITS

The Company has been advised by M/s Mehra Goel & Co., Chartered Accountants, Statutory Auditors of the Company, vide their letter dated February 07, 2005 that under the current provisions of the Income Tax Act, 1961 and the existing laws for the time being in force, the following benefits, *inter-alia*, will be available to the Company and the Members. The statement of tax benefits certificate from the Statutory Auditors of the Company is reproduced below:

“We hereby report that the enclosed annexure states the possible tax benefits available to SPL Industries Ltd (the “Company”) and its shareholders under the current direct tax laws. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill. The benefits discussed herein are not exhaustive.

This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult 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:

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

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

for Mehra Goel & Co.
CHARTERED ACCOUNTANTS

(R.K. Mehra)

Partner

Membership No. 06102

Dated : March 09, 2005

Place : New Delhi

ANNEXURE TO THE STATEMENT OF TAX BENEFITS

A. TO THE COMPANY

Under the Income Tax Act, 1961 ("Act")

1. Tax holiday under Section 10B of the Act

As per the provisions of Section 10B of the Act, the Company is eligible to claim a benefit with respect to profits derived from a hundred percent export oriented undertaking/s setup for export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking/s begin to manufacture or produce such articles or things or computer software. However, the benefit is available subject to fulfillment of conditions prescribed under the Section and no benefit under this Section shall be allowed with respect to any such undertaking for the assessment year beginning on the 1st day of April, 2010 and subsequent years. The eligible amount would be 90% of the proportion that the profits of the undertaking/s bear to the export turnover of the undertaking/s vis-à-vis the total turnover of the undertaking/s.

2. The Company is eligible under section 35D of the Act to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and the conditions specified under the said section.

B. TO THE RESIDENT MEMBERS OF THE COMPANY

Under the Income Tax Act, 1961 ("Act")

1. Members will be entitled to exemption, under section 10(34) of the Act, in respect of the income by way of dividend received from the Company.
2. If the shares of the Company are sold by its members, after being held for more than 12 months, in a transaction entered into in a recognized stock exchange in India, the gain, if any, would be exempt from tax as per the provisions of Sections 10(38).
3. If the shares of the Company are sold by the members, after holding them for a period of less than 12 months, in a transaction entered into in a recognized stock exchange in India, the gain, if any, shall be chargeable to tax @10% [plus applicable surcharge and education cess] as per the provisions of Section 111A of the Act.
4. The long-term capital gains accruing to the members of the Company from the transfer of the shares of the Company, otherwise than as mentioned in point 2 above, shall be charged to tax after deducting the indexed cost of acquisition at 20% (plus applicable surcharge and education cess) or without the benefits of indexation @10% (plus applicable surcharge and education cess) as per the provisions of Section 112 of the Act.

Long Term Capital Gains on sale of shares of the Company by the members shall be exempt from income tax if such gains are invested in bonds/equity shares specified in Section 54EC or Section 54ED of the Act respectively, subject to the fulfillment of the conditions specified in those sections. In the case of individual or HUF members, Long Term Capital Gains on sale of shares of the Company shall be exempt from Income tax u/s 54F of the Act subject to the fulfillment of the conditions specified therein.

Under Wealth Tax Act, 1957

Assets as defined under section 2 (ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

C. TO THE NON-RESIDENT INDIAN MEMBERS OF THE COMPANY

Under the Income Tax Act, 1961 ("Act")

1. Members will be entitled to exemption, under section 10(34) of the Act, in respect of the income by way of dividend received from the Company.
2. If the shares of the Company are sold by its members, after being held for more than 12 months, in a transaction entered into in a recognized stock exchange in India, the gain, if any, would be exempt from tax as per the provisions of Section 10(38) of the Act.
3. If the shares of the Company are sold by the members, after holding them for a period of less than 12 months, in a transaction entered into in a recognized stock exchange in India, the gain, if any, shall be chargeable to tax @10% [plus applicable surcharge and education cess] as per the provisions of section 111A of the Act.
4. Under Section 115E of the Act where shares in the company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares in a manner other than as specified in Section 10(38) of the Act held for a period exceeding 12 months shall be concessionally taxed at the flat rate of 10% (plus applicable surcharge and education cess of 2% of tax) (without indexation benefit but with protection against foreign exchange fluctuation).
5. Under section 115F of the Act, long term capital gains arising to a Non-Resident Indian on transfer of shares of the Company in the manner other than as specified in 10(38) of the Act subscribed to in convertible foreign exchange shall be exempt from income tax, if net consideration is re-invested in specified asset within six months of the date of transfer. If only part of the consideration is so invested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax, if the specified assets are transferred or converted within three years from the date of their acquisition.
6. Under provision of section 115G of the Act, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
7. Under provision 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 under section 139 of the Act declaring therein that the provisions of this chapter shall not apply to him for that Assessment Year whereupon his total income for that assessment year will be computed according to the other provisions of the Act and he would be eligible to get concessions applicable to a resident individual and would get be taxed accordingly.
8. Under the first proviso to section 48 of the Act in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales, consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares. However, the benefit will be available only when the shares are transferred in a manner other than as specified in Section 10(38) of the Act.

Under Wealth Tax Act, 1957

Assets as defined under section 2 (ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

D. TO FOREIGN INSTITUTIONAL INVESTORS

1. Income by way of dividend received on shares of the Company is exempt u/s 10(34) of the Act..

2. If the shares of the Company are sold by its members after being held for more than 12 months in a transaction entered into in a recognized stock exchange in India, the gain, if any, would be exempt from tax as per the provisions of Section 10(38) of the Act.
3. If the shares of the Company are sold by the members, after holding them for a period of less than 12 months, in a transaction entered into in a recognized stock exchange in India, the gain, if any, shall be chargeable to tax @10% [plus applicable surcharge and education cess] as per the provisions of Section 111A of the Act.
4. Under Section 115AD(1)(b)(ii) of the Act, Income by way of Short Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the Company for a period of less than 12 months will be taxable @30% (plus applicable surcharge and education cess).
5. Under Section 115AD(1)(b)(iii) of the Act, Income by way of Long Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 1 above) held in the Company will be taxable @10% (plus applicable surcharge and education cess). It is to be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by Section 45 of the Act are not available to Foreign Institutional Investors.

E. VENTURE CAPITAL COMPANIES/FUNDS

In terms of section 10(23FB) of the Act all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from an income from sale of shares of the Company.

F. 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 thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2004.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect of Non-Residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the Non-Resident has fiscal domicile.
4. 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 Issue.

Section IV ABOUT THE ISSUER COMPANY

1. INDUSTRY OVERVIEW

Removal of quotas and its impact on Indian textile and clothing exports

For 40 years, the international trade in textiles and clothing was regulated by special arrangements outside the rules of General Agreement on Tariff and Trade (GATT). The framework of Multi-Fibre Arrangement (MFA) applied to international trade in textiles and clothing for the period 1974 to 1994. This MFA imposed restrictions on exports from low-cost Asian textile/garment producers.

Consequent upon the establishment of the World Trade Organisation (WTO) with effect from January 01, 1995, the quantitative restrictions in the bilateral agreements under the MFA were being governed by the Agreement on Textiles and Clothing (ATC) contained in the final Act of the Uruguay Round negotiations.

The ATC was a transitory regime between the MFA and the full integration of textiles and clothing into the multilateral trading system. Four countries carried the MFA restrictions into the ATC (Canada, the EU, Norway and the United States). As per the ATC agreement, the signatory members were to remove all the quantitative restrictions in four phases over a 10-year period.

Integration of textiles and clothing into GATT

Date	Minimum volume integrated (%)	Accumulated volume integrated (%)	Remaining quota growth rate
01.01.1995	16	16	16
01.01.1998	17	33	25
01.01.2002	18	51	27
01.01.2005	49	100	Full Integration

Source: Staff of the WTO Secretariat

The quota regime in the textile sector as a result now stands completely phased out by the end of 2004.

However, it is important to understand that the ATC agreement gave members choice to remove quota of textile and clothing (T&C) categories as per their preference/competence even though the percentage of quotas to be lifted was prescribed. Hence, by default most of the countries/regions lifted quantitative restrictions on categories in which they were strong to fight foreign competition. In doing this the weaker categories were postponed for the final deadline – January 01, 2005. Thus on individual country basis, the T&C categories that go off-quota this time are probably the weakest of the lot.

A discussion Paper “The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing” by Hildegunn Kyvik Nordås (WTO) argues that quotas could also be seen as a tax on exports in the exporting country. An estimate of the equivalent average export tax for India found that it varied between 24 per cent (in 1997) and 40 per cent (in 1999) during the period 1993-99 for exports to the United States and between 14 per cent (in 1994) and 19 per cent (in 1999) for exports to the EU.

The Paper further states that India also has a number of domestic distortions that if eliminated would improve the performance of the clothing and textiles sector substantially. Thus, according to a study by the World Bank, the welfare gains to India from the elimination of the ATC quotas would be three times as high if combined with domestic reforms. The discussion Paper uses a Global Trade Analysis Project (GTAP) model to estimate the export tax equivalent of the T&C quotas in the base year (1997). It shows that India has the highest export tax equivalent of quota among all the nations mentioned in the table below.

Export tax equivalent of quotas base year

	USA/Canada (%)		EU (%)	
	Textiles	Clothing	Textiles	Clothing
Bangladesh	15.3	8.1	8.4	7.3
China	20.0	33.0	12.0	15.0
Hongkong, China	1.0	10.0	1.0	5.0
Hungary	6.9	5.0	0.0	0.0
India	9.8	34.2	12.0	15.2
Indonesia	8.1	7.8	6.3	6.0
Philippines	6.5	7.8	5.7	6.0
Poland	6.9	5.0	0.0	0.0
Sri Lanka	15.3	8.3	5.5	6.6
Thailand	8.3	13.2	6.4	7.8
Turkey	7.0	4.9	1.5	0.0
Vietnam	6.9	7.1	7.5	7.2
Other Central Europe	6.9	5.0	0.0	0.0

Source: Staff of the WTO Secretariat

It is noticed that in most cases the United States has the most restrictive quotas of the two major importers and that the EU has no quotas on the Central and Eastern European countries. It is also generally the case that the quotas are more restrictive for the clothing sector than for the textile sector, although there are some exceptions such as Bangladesh and the Eastern European countries. By far the most restricted countries were India and China. The expected import share of total domestic demand for textiles and clothing in the United States/Canada and the EU before and after quotas are eliminated is presented in the table below.

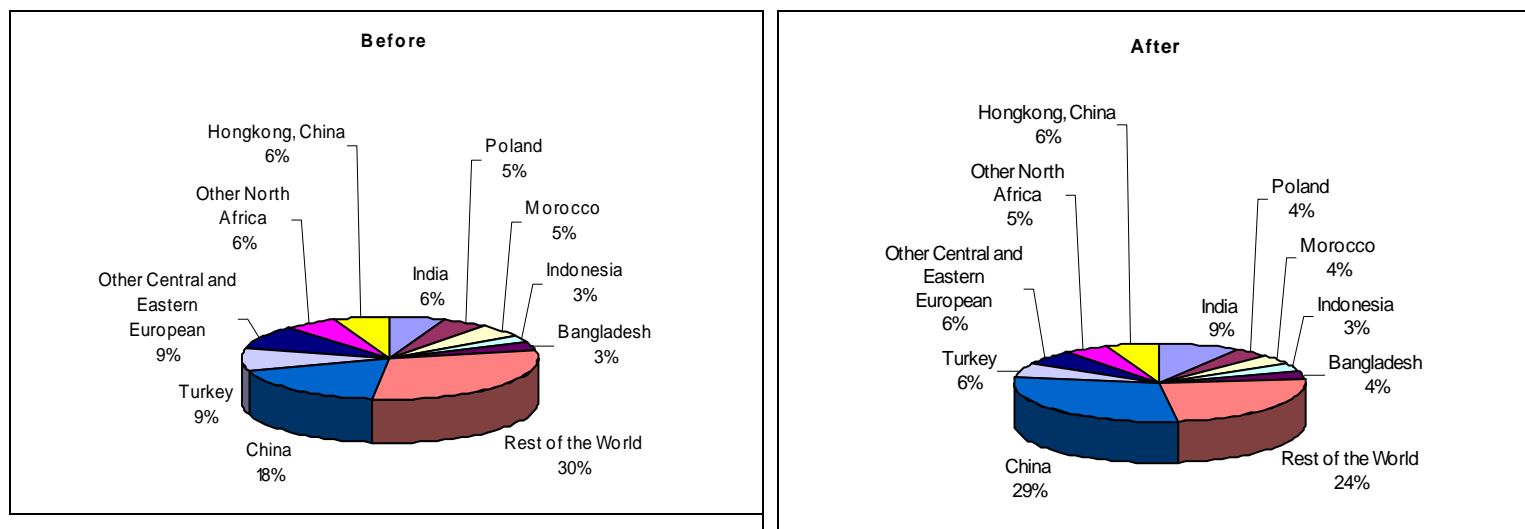
Imports as share of domestic demand with and without quotas

	USA/Canada (%)		EU (%)	
	Textiles	Clothing	Textiles	Clothing
Before	20.9	33.8	52.5	48.5
After	21.5	45.0	53.0	51.0

Source: Staff of the WTO Secretariat

The Paper also estimates the market shares of various countries in the international T&C trade.

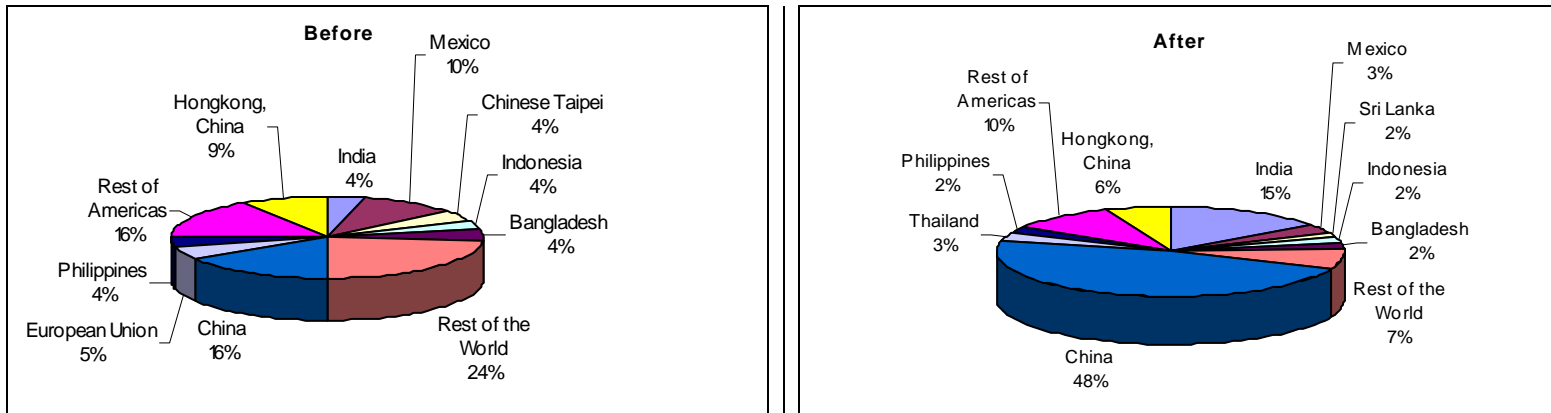
Market shares before and after quota elimination, clothing, EU



Source: Staff of the WTO Secretariat

Both India and China are expected to almost double their market share, and China is estimated to be the single largest exporter. All the countries listed in Table above with quotas equivalent to an export tax of more than 5 per cent in absolute value are expected to gain market share, while Africa, the United States/Canada, Turkey, Central and Eastern European countries and richer Asian countries and territories such as Republic of Korea and Chinese Taipei are projected to lose market share.

Market shares before and after quota elimination, clothing, USA



Source: Staff of the WTO Secretariat

In the U.S market, the post-quota impact is much more dramatic. China and India combined are estimated to take 65 per cent of the export market – China is expected to triple its market share while India's market share is seen to quadruple. All others are estimated to lose market share and the largest losses are incurred by African countries and Mexico, whose market shares decline by close to 70 per cent.

The Paper however, also draws a cautionary note. Apparently, the GTAP results are driven by changes in relative prices, rendering the previously restricted low-cost producers more competitive and thus increasing their market share. The limits of such low-cost producers' expansion in the model simulations are production capacity constraints and the fact that increased demand for unskilled labour in textiles and clothing industries raises the wage rate and cost competitiveness is somewhat reduced as a result.

The GTAP model simulations also do not capture the changes in technology and possible increase in the relevance of time and distance as a trade barrier. Therefore the projected decline in the market share of Mexico and the rest of Latin America might be exaggerated in the model simulation. Nevertheless, there is no doubt that India and China will increase their world market share substantially in the textiles and clothing sector following the elimination of quotas as agreed under the ATC.

India has the potential to become the second largest exporter among low cost countries (LCCs)

India has the potential to grow apparel exports from US\$ 6 billion in 2002 to US\$25-US\$30 billion by 2015 and emerge as the second largest apparel exporter among LCCs, with 8-10 per cent of world trade. This would require growing exports at 12-13 per cent a year, as against a historical average of 6 per cent.

This goal may seem ambitious, but it is attainable. China's share of world trade today is already at 20 per cent and its apparel exports amount to US\$42 billion. Analysis indicate that China could grow its apparel exports still further and capture 40-50 per cent of world trade if rapid liberalization takes place. This would imply an aspiration of over 20 per cent annual growth for the Chinese apparel sector.

Globally, the apparel market can be segmented into two categories:

- Basic segment: this includes men's shirts, trousers, suits, coats and innerwear, women's skirts, trousers, tops and innerwear; and infant wear. It accounts for an estimated 70-75 per cent of world trade in garments. Demand Cost

is the biggest factor in selecting a supplier. Efficient sourcing, large-scale operations, quality control and efficient supply chain management are required for successful manufacturing.

- Value added segment: it includes women's dresses, women's coats and jackets and accessories such as ties. It accounts for an estimated share of 25-30 per cent of world trade in garments. Consumer demand is relatively difficult to forecast and orders are usually placed in small lots according to seasonal sales trends. Short lead times, high quality and creative design are critical. An ability to suggest design changes, a skilled workforce, quick turnaround and low-cost but high quality production are needed for successful manufacture of these garments.

Indian apparel makers and foreign buyers have recognized India's competitiveness in the second category and started producing value-added garments and accessories such as women's tops and embroidered products. But they have been unable to leverage India's potential in basic segments such as men's shirts, and men's and women's trousers. Traditional buyers as well as Indian companies have persisted in seeing India as competitive in skill-intensive products, while China leads in large scale basic garments.

Source: CII-Mckinsey Report: Made in India – The next big manufacturing story.

Indian Textile and Clothing Industry

The US\$36 billion (FY 2003-2004) Indian textile industry is well diversified, both from manufacturing and marketing perspective. It offers the entire gamut of products ranging from fibre to garments and cotton to synthetic. Around two-third (US\$ 23 billion) of the total textile and clothing production is consumed in the domestic market and remaining one-third (US\$ 13 billion) is merchandised to foreign consumers.

The balanced industry nature is however, to an extent constrained by the unorganized segment with rather limited resources dominates over large-scale players. The biased government policies in favour of SSI sector have constantly discouraged large investments and accordingly growth prospects of the industry have also got restricted. This has also made it prone to import competition.

Strengths and weakness of the Indian Textile sector:

Strengths:

- Easy availability of raw material i.e. cotton man-made fibre, viscose fabric etc.
- World class spinning mills
- Integrated operation
- Availability of a strong base of skilled and cheap workforce
- Huge domestic market that can absorb export shocks
- Desire of foreign buyer to not put all their eggs in one basket and use India as an alternative for China
- Access to finance at subsidized rates and improving infrastructural amenities
- Distinct ability to provide with ornate design work

Weakness:

- Fragmented industry
- Small size companies lack economies of scale
- Low investment in research and development
- Poor supply chain causes wastage of resources and increases cost
- regressive government policies
- Undue favour to small-scale enterprises discourage large investment plans
- outdated production solutions
- Lack of proper network between the two ends of the textile value addition chain i.e. Fibre and Garments
- Stringent labour laws
- Absence of a common body to promote industry interest from one platform

Source: Karvy Stock Broking, Industry

Abolition of quantitative restrictions is viewed as a big opportunity and accordingly the government is taking steps to encourage investments in the industry. Textile ministry has set an export target of US\$ 50 billion by 2010, which would need a CAGR growth of 25 per cent from the current levels of US\$ 13 billion. Share of garments (clothing) in total Textile & clothing exported is expected to increase from US\$ 5.8 billion to US\$ 25 billion.

Bulk of the growth is expected to come as the WTO replaced the MFA with the ATC on January 1, 2005. The global textile and clothing industry is estimated to be worth US\$ 395 billion with the clothing accounting for 60% of the market and textiles the balance 40%. The Indian textile industry enjoys a strong presence in global markets for fabrics (India produces about 12% of world cotton and 7% of polyester fibre and 14% of total yarn), however structural restrictions in the form of quotas prevented the industry from moving up the value chain. With the phasing out of the quotas, the industry is expected to expand capacities and move into value-added segments to drive exports. Along with the trend towards outsourcing, India can position itself as the second largest outsourcing destination after China in the textiles sector.

Export of textile and clothing – World and India

(US\$ Bn)	Textiles			Clothing		
	World Exports	India's Exports	India's Share	World Exports	India's Exports	India's Share
1990	104.35	2.18	2.09%	108.13	2.53	2.34%
1995	151.62	4.36	2.88%	158.34	4.11	2.60%
2000	153.88	5.70	3.71%	196.33	5.48	2.79%
2001	147.17	5.57	3.78%	193.26	5.05	2.61%
2002	158.04	5.89	3.73%	206.38	5.53	2.68%

Source: *Compendium of International Textile Statistics, 2004*

Over the last decade India's share in the global T&C trade has hardly improved. Even though 51 per cent of the total quotas in the global T&C industry are removed, India's share has remained in the 2-3 per cent band. From 1995 to 2002 India's share in textiles improved from 2.88 per cent to 3.73 per cent and that in clothing increased from 2.6 per cent to 2.68 per cent.

Trend in India Textiles exports

The Indian textile industry contributes significantly to the country's Gross Domestic Product, providing employment to millions and in earning precious foreign exchange. The industry contributed to 20% of the country's total exports in FY2004 and also accounted for 2.3% of the country Gross Domestic Product (at factor cost) in the same period. For the last five years, the industry has shown a compounded growth of 7.87%, however with the dismantling of the quota system the pace of export growth is expected to pick up.

Textile and Clothing Export Data

Period	Mar-00	Mar-01	Mar-02	Mar-03	Mar-04	CAGR
Total Exports	159,095	201,356	209,018	255,137	291,582	
Exports of Textiles and Readymade garment exports	42,562	51,555	48,677	56,221	57,626	7.87%
<i>As a % of total exports</i>	27%	26%	23%	22%	20%	
Textiles (excluding readymade garments) export	21,913	26,114	24,799	28,684	29,649	7.85%
<i>Of which:</i>						
Cotton yarn fabrics made-up etc. export	13,388	15,810	14,655	16,217	15,276	
<i>As a % of Textile Exports</i>	61%	61%	59%	57%	52%	
Readymade garments export	20,648	25,441	23,878	27,537	27,977	7.89%
<i>Of which:</i>						
Readymade garments cotton incl. accessories export	14,397	17,941	17,646	21,510	21,384	
<i>As a % of Readymade garments exports</i>	70%	71%	74%	78%	76%	

Data in Rs crore. Source: CMIE

According to the New Textile Policy, 2000 announced by the government of India India's textile exports are expected to grow from the current levels to US \$50 billion by 2010, consequent to the removal of the quota system. Apparel exports are expected to be the key drivers of this growth and are expected to reach US \$25 billion by 2010.

Exports of Readymade Garments during January-December 2004 period

Exports of readymade garments to Restricted Countries during the period January-December'2004 have amounted to 1248.3 million pieces valued at US\$ 5205.6 million (Rs. 23582.80 crores). This represents an increase of 5.48% in terms of quantity and 11.86% in terms of value (US\$), when compared to the same period of previous year.

Exports to USA, during January-December'2004 have amounted to 432.7 million pieces valued at US\$ 2178.5 million (Rs. 9880.41 crores). In comparison to January-December '2003, there has been an increase of 9.91% in terms of quantity and 7.26% in terms of value (US\$).

Exports to E. U., during the period under review have amounted to 763.1 million pieces valued at US\$ 2855.6 million (Rs.12925.51 crores). When compared to the same period of last year, there has been a increase of 4.52% in terms of quantity and 17.39% in terms of value (US\$). Garment export to Hungary has shown the highest increase of 166.67% in terms of value (US\$) while export to Slovak Republic, Austria & Sweden has shown a decline when compared to the same period of last year.

Exports to Canada, during January-December'2004 have registered a decrease of 12.06% in terms of quantity and 9.64% in terms of value (US\$) when compared to the same period of previous year. During the period under review, exports have amounted to 52.5 million pieces valued at US\$ 171.5 million (Rs. 776.88 crores).

Source: Apparel Export Promotion Council

Availability of Cotton, key Raw Material

Cotton is one of the major crops cultivated in India. It accounts for more than 75 % of the total fibre consumption in the spinning mills and more than 58 % of the total fibre consumption in the textile sector. The New Textile Policy - 2000 (NTxP-2000) aims at improving the quality of cotton to that of international standards through the effective implementation of the Technology Mission on Cotton (TMC). Production and Consumption During the last five decades, the production of cotton increased from 30 lakh bales of 170 kgs. Each in 1950-51 to an all time high of 177.90 lakh bales (170 Kg each) in 1996-97. There has also been a substantial rise in area under cultivation from 58.91 lakh hectares in 1950-51 to a record high of 93.87 lakh hectares in 1998-99. The average yield has also rose from 88 kgs in 1950- 51 to a high of 330 kg in 1996-97. For the cotton season 2003-2004 (Oct-Sept), the production of cotton is estimated at 167.50 lakh bales, area at 76.57 lakh hectares and the average yield per hectare at 372 Kg.

The consumption of cotton has been increasing over the last few years.

As against a total consumption of 115.50 lakh bales during 1990-91 (Mill and Non-Mill), the consumption level including consumption by spinning units in the small scale sector and non-mill consumption touched a record high 173.36 lakh bales in the 1999-2000 cotton season. The domestic consumption for 2003-04 cotton season was estimated at 167 lakh bales.

The variety wise demand for cotton almost follows the same pattern as the variety-wise production. The major demand is for medium and medium long staple variety, which also has the largest share in the total production of cotton. The demand for short staple varieties is relatively very small.

Source: Ministry of Textiles Annual Report 2003-04

Cotton prices have also declined recently

FY2003-04 witnessed historically high cotton prices when the Cotlook A index quoted at six-year high of 68 cents per pound. High cotton prices triggered an increase in the world cotton cultivation area by 10% to 35.3 mn hectares in 2004-05. Favourable weather conditions in the first half of 2004-05 resulted in better yields of 715 kilograms per hectare, 71 kilograms per hectare (11%) above the previous record. As a result, world cotton production in 2004-05 is estimated to

increase by 22% to a record of 25.2 million tonnes. Average cotton prices also fell by a significant 31% in 2004-05. The Cotlook A Index is expected to average 47 cents per pound this season i.e., 21 cents (31%) below the six-year high in 2003-04. In line with the global markets, domestic cotton production too increased to a record 21.3mn bales; prices have also declined by around 33% to Rs 45/ kg as of February 2005

Source: Karvy Stock Broking

Key Government Initiatives to Promote growth of the Indian Textile Industry

In order to encourage upgradation of textiles sector and to give a fillip to exports of textile products, some of the important initiatives taken are as follows (*Source: Ministry of Textile Annual report 2003-04*):

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

ii) Technology Up-gradation Fund Scheme (TUF): In view of the urgent need for stepping up the process of modernization been prescribed and this scheme remained under operation.

The latest Budget also provides for capital subsidy of 10% for investments in processing (over and above 5% TUF benefit). The Budget also announced enhanced allocation of Rs.440 crore on TUF.

(vi) Duty Exemption Pass Book (DEPB) Scheme: DEPB credit rates have been prescribed for 82 textiles and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalized.

However, these export incentives are to be reviewed shortly to make it WTO-compatible.

(vii) Duty Drawback Scheme: The exporters are allowed refund of the excise and import duty suffered on raw materials under the scheme so as to make the products more competitive in the international market.

From January 19, 2005, the Ministry of Finance restructured the drawback rate from value-based to quantity-based.

(viii) Human Resource Development: Attention has also been paid to Human Resource Development in the textile sector. Towards this end, particular mention deserves to be made of National Institute of Fashion Technology (NIFT) which is imparting training to Fashion Designers and Fashion Technologists to cater to the human resource requirements of garment industry. The NIFT has 7 branches at Delhi, Mumbai, Calcutta, Hyderabad, Bangalore, Chennai and Gandhinagar.

The Ministry of Textiles is also concerned over the need to improve the quality of textile training institutes in the country. Therefore, a Nodal Centre for Upgradation of Textile Education has been established at the Indian Institute of Technology, Delhi with funding from the Ministry of Textiles. The Apparel Export Promotion Council has been running Apparel Training and Design Centres (ATDCs) at important apparel centres located at Chennai, Delhi, Kolkata, Hyderabad, Jaipur and Bangalore in order to impart training at shop floor level to meet the growing needs of apparel industry.

(ix) Construction of Apparel International Mart: Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from Government. For this purpose a grant of Rs. 15 crore was released during the year 2001-02 and of Rs.30 crore has been released during the year 2003-04.

(x) Setting up of modern laboratories: The Ministry of Textiles has assisted the Textile Committee in setting up of modern textile laboratories to ensure that the textiles exported from the country meet all international environmental standards.

(xi) Apparel Park for Exports Scheme: A centrally sponsored scheme titled “Apparel Parks for Exports Scheme” has been launched. The scheme is intended to impart focussed thrust to setting up of apparel Manufacturing units of international standards at potential growth centres and to give fillip to exports. Since the inception of scheme in March 2002, eleven Project Proposals has been sanctioned for setting up Apparel Parks at Tronica City & Kanpur (U.P.), Surat (Gujarat), Thiruvananthapuram (Kerala), Visakhapatnam (Andhra Pradesh), Ludhiana (Punjab), Bangalore (Karnataka), Tirupur & Kanchipuram (Tamil Nadu), SEZ, Indore (Madhya Pradesh) and Mahal (Jaipur, Rajasthan).

(xii) Textile Centres Infrastructure Development Scheme (TCIDS): Development of infrastructure facilities at predominantly textile/apparel sector areas is one of the thrust areas of NTxP-2000. For attaining this objective, a new scheme (TCIDS) has been launched for upgrading infrastructure facilities at important textile centers.

Meanwhile, in the recent Budget, the government reduced the import duty textile machinery from 20% to 10%.

2. BUSINESS OVERVIEW

(i) DETAILS OF THE BUSINESS OF THE ISSUER COMPANY

(a) LOCATION OF THE PLANTS

The Company's Plants are located at

1. Fabric Dyeing and processing plant - Plot No.21, Sector-6, Faridabad-121 006 (India).
2. Garment manufacturing plant - Plot No.22, Sector-6, Faridabad-121 006 (India)
3. Garment manufacturing plant - Plot No.128 , Sector-24, Faridabad-121 006 (India)
4. Garment manufacturing plant - Plot No. 15/1, Mile Stone, Mathura Road, Faridabad-121006 (India)
5. Garment manufacturing plant - Opp. Plot No. 84, sector 25, Village Khera, Faridabad
6. Garment manufacturing plant - Plot No. 7 Sector-6, Faridabad
7. Proposed Yarn Dyeing and Knitting Plant - Plot No.39 , Sector-6, Faridabad-121 006 (India)

All Locations are within 30 KM from New Delhi, and located within 10-12 km from each other.

(b) MACHINERY, TECHNOLOGY, PROCESS, ETC.

1. The Knitting unit

The company has state of the art facility with ultra modern humidification plant. The unit manufactures a variety of knitted structures such as Single Jersey, Jacquard, Rib Eight Locks, Interlocks, Fleece, Mini Jacquards, Flat backs, Auto stripes Fleece, Double Jersey Jacquard, Waffles and Different Texture. The capacity of the knitting Unit is 4,600 MT per annum.the knitted structures use Lycra which gives elasticity to the fabrics

The various machines that are used with the capacities are

Type	Machine Make	No. of Machines	Lycra	Capacity per Day
Single Jersey	Mayer & Cie (Germany)1 Tarrot (Germany) Pie lung (Taiwan)	13	Yes	5.5 Ton
Rib & Eight locks	Mayer & Cie, Pie lung	16	Yes	5.5 Ton
Fleece	Mayer & Cie	4	Yes	2.4 Ton
Mini Jacquards	Mayer & Cie, Pie Lung	5	Yes	800 Kg
Auto Striper	Mayer & Cie	6		1.12 Ton
Interlock	Mayer & Cie, Tarrot	2		1 Ton
Flat Knitting –Collars	Protti (Italy) Shiema Seiki (Japan) Matsuya (Japan)	12		1.35 ton

2. The Dyeing and Finishing unit:

DYEING

SPLIL has one of the best dyeing operations in India. Dyeing is equipped with the world class machines and trained work force. The unit is capable of dyeing all types of fabric including cotton, poly, lycra and blended both in tabular and open width form total capacity for dyeing is 16 Tons per day. Current capacities for Dyeing are as given below:

Machine make	Capacity
Brazzoly - Italy	800 Kg X 2
Theis – Germany	620 Kg
Theis – Germany	400 KgX2
Sclavos - Greece	400 Kg
Sclavos - Greece	500 Kg
Theis – Germany	200 Kg
Theis – Germany	050 Kg
Sampling Machine	5 Kg to 90 Kg

FINISHING Unit:

Type	Make	Features	Capacity per day
Tabular Hydro Twister	Santex (Swiss) Weiss	With balloon padding	20 Ton
Air Slit System	Bianco (Italy)	Can produce open width fabric up to 2400 mm.	10 Tons
Relax Dryer	Ruck/ Santex/ Harish	Equipped with heat recovery system	16 Ton
Hot Air Stener	IL Sung (Korea)	Fully automatic. Can produce all types of open width fabric with edge gumming and trimming. Fabric width up – to 2200 mm, electronic sensors to straighten up striped/jacquard fabric.	5 Tons
Compaction 3 machines	Tubetex - USA Santex – Swiss Sperotto – Italy	Can produce fabric from 24 to 60 in tabular/ open width . Less than 5 % residual shrinkage	20 Tons
Singeing	Ponk Kong – Korea	Burns out al protruding fibers on the surface of fabric to give a smooth appearance	10 Tons
Brushing Sueding (peachirig)	Laffer Ponk Kong – Korea	Can do brushing on Fleece or any cotton knitted fabric	6 Tons
Roiling & Inspection	Bianco - Italy	Open width inspection and batching for rolling precisely	5Tons
Layering Machine(fabric)	GGT - USA	Automatic layering for tabular as well as open width fabrics.	7 Tons

3. Mercerizing Unit

Mercerizing, in the manufacture of textiles is a process of treating cotton yarn or fabrics with chemicals by which they are made stronger and are given a luster or gloss. The chemicals employed in the mercerizing process are usually caustic soda and sulphuric acid. The following machine is used for the said process:

Machine	Make	Features	Capacity per day
Mercerizing (Fabric)	Dornier (Germany)	With 3 vertical cigars	5 Tons

4. The garment washing and Dyeing unit

The garment washing and dyeing unit has following capabilities

- Acid Wash
- Stone wash
- Silicon Wash
- Bio Wash
- Enzyme Wash
- Caustic Wash
- All Types of garment dyeing including Tie & Dye, Batik etc.
- Pigment Garment Dye
- Reactive Garment Dye
- Wicking Process

All factories of the company are equipped with washing units. The capacity for the garment washing and Dyeing Unit is 25,000 pieces per day

5. The Computerized Embroidery Unit

The company has three computerised embroidery machines of which one is a sampling computerized machine. These machines are used for better designing capability and increased variety of value added products in garment and home furnishing. The following are the machines in the embroidery section:

Machine	Make	Capacity
2 Computerized Embroidery	Barudan	40 Heads
1 Sampling Computerised Embroidery	Barudan	04 Heads

6. The Sewing Unit

Each of SPLIL's factories is fully equipped with cutting, stitching, finishing, washing and packing facilities using state of the art machinery and equipment.

Unit	No of Machines	Monthly capacity
01	550	3,00,000 garments
02	450	2,50,000 garments
03	300	2,00,000 garments
Total	1,300	7,50,000 garments

Total Capacity : 750,000 garments per month.

7. The Sweater Division

The sweater unit has all modern machines and equipped with high technology machines for:

- Fully fashioned,
- Jacquard computerized knitting,
- Computerized flat knitting,
- Hand flat knitting machines.
- linking,
- Stitching,
- Washing,
- Dry cleaning
- Finishing

Knitting	Number
Fully fashioned computerised knitting	19
Computerized flat knitting	16
Flying Tiger Hand Fat Knitting	1500

Machines are available in 4,5,7 and 12 gauges. There is a Flexibility of changing to other gauges. The sweater factory has full capacity of Knitting, linking, stitching, washing and packing. The total capacity is 1,20,000 pieces per month

8. The Home Furnishing Division

Home furnishing division has a total capacity to produce made ups out of 5,00,000 sq mts of fabrics every month.

Products	Fabrics	Value Addition
Bed Sheets		
Bed covers	Fabric	Value Addition
Pillow Shams	Fine Knits	Embellishments
Quilts	Broad Knits	Embroidery:
Blankets	Single Jersey	Hand
Throws	Jacquards	Machine
Cushion Covers	Pique	Computerised
Duvet Covers	Rachael Knits	Printing:
Kids Bed Sheets	Pointelle	Rotary
Kids Bed Covers	Polar Fleece	Screen
Kids Blankets		Table Prints
Kids Fitted Sheets		

Total capacity : 25,000 sets per month

9. The Research and development lab

The Company has a state of the art in-house R & D laboratory. The Company's success can be attributed to its R & D team for its strength and efforts. Over the years the Company has developed the art of continuous improvement and innovation through rigorous research and development. The lab has following equipments:

- Color dispensing unit for most accurate recipe (by data color)
- Macbeth spectra light – III color matching cabinet
- Ahiba top speed & easy dye
- All types of physical testing equipment

The company's strong R & D team which helps in maintaining various quality parameters such as washing fastness, color fastness, crocking , shrinkage etc.

10. Quality Assurance

The company believes that quality is one of the most critical components of its business. Therefore the Company has elaborated stringent quality systems to ensure consistently superior quality of the product as well as the process.

The Quality Assurance team of SPLIL has been divided into two structures i.e. AQL 1.5 and AQL 2.5:

1. Production Planning
2. Yarn Quality Assurance
3. Fabric Quality Assurance
4. Garment Quality Assurance
5. Product safety Procedures and policies

The Company's Quality Assurance procedures include style analysis , in-process quality control and final product quality audit. The Quality Assurance team strives to achieve quality standards at AQL 1.5 at different levels while the final product is audited at AQL 2.5.

11. Product development and design

SPLIL is known for its design capabilities. The Company has well equipped design studio where new design inputs are taken from trend agencies and runway reports from all the high fashion designers from New York, Los Angeles & San Francisco. There is a team of designers who regularly visit International fairs like Piiti Fillatt, Expofil and Premier vision. These fairs give the latest trends in yarn/ fabric and also colour forecast for the coming seasons. Regular visit to various Hi Fashion stores and client visits keep the designer in tandem with new market trends for next season. With close contacts with the customers, the company is able to get better ideas of their requirements. SPLIL not only manufactures basic garments, where fabric is important but also a lot of value added garments which are heavily embroidered or accessoried. Bottom line fashion is not only researched but also studied at various levels. Support in all manner is also given to customers through road shows and mill weeks in U.S & Europe.

(c) COLLABORATIONS, ANY PERFORMANCE GUARANTEE OR ASSISTANCE IN MARKETING BY THE COLLABORATORS

The Company has entered into collaboration agreement with M/s Nano Tex LLC (USA), company organised under the laws of California, USA on February 1, 2004.

Major terms and Conditions of the Agreement

Nano Tex has granted license to the company to use the licensed process of wrinkle resistance and water and oil repellent technology for 100% cotton or chief value cotton blend knitted garments to make the Nano-Care™ and Nano- Pel™ products only in India and sell the Nano-Care™ and Nano- Pel™ products to garment retailers duly licensed by Nano Tex in all the countries except Japan. Duration of the agreement for a period of one year from the effective date i.e. date of Government approval of the agreement which is August 17, 2004.

The Collaborator shall provide the company in writing and through direct interface with Nano-Tex's quality control advisors, all information and instructions, including process control directions and material safety data sheets, necessary to assist the Company in producing the Nano-Care™ and Nano- Pel™ Products by using the process technology.

The company has agreed that the finished product quality and performance specifications shall be met with before the products are shipped to the customer.

Royalty Payment- Royalty: US\$ 0.05% per garment of the licensed products during the full term of the agreement. Such royalties are to be paid on a quarterly basis not later than 30days after the end of each quarter during the term and shall be accompanied by a reasonably detailed report showing the data used to calculate such payment.

Particulars	
Place of registration	California (USA)
Year of Incorporation	1998
Paid up share capital	4.8 million USD

(d) INFRASTRUCTURE FACILITIES FOR RAW MATERIALS AND UTILITIES LIKE WATER, ELECTRICITY, ETC.

Raw Material

The main Raw Materials required for the garment manufacturing are cotton yarn, blended yarn, Lycra, dyes and chemicals and accessories.

Cotton / Dyed / Blended yarn

The most important raw material required in manufacturing of fabric is cotton yarn. Since the company has a vertically integrated plant, the fabric is used in manufacture of garments. Hence the cotton yarn becomes the basic raw material. The company procures cotton yarn from various yarn manufacturers like

- Nahar Spinning and Weaving Mills
- Rajasthan Spinning and Weaving Mills
- Auro Dyeing Mills Limited
- Winsome Textile industries Limited
- Rana Polycot Limited
- Sutlej Industries Limited

These suppliers have been supplying to the company for last 4-8 years. The company does not foresee any problems in procuring raw materials in near future.

Dyes and Chemicals

The dyes and chemicals are used in the processing of the grey fabric. These are procured from

- Clariant
- CIBA
- SPICA
- ICI
- Atul Colour Limited
- Dyestar
- Nano Tex

Accessories

The Company imports as well as buys from the local markets accessories like buttons, tags, labels, zippers, price tickets, inter lining etc. These accessories are very easily available in the market.

Water, Power, Electricity and Fuel

Existing	Power	Water (in litres per day)	Tube well (nos)	Husk Per month	LDO Per month	Back up DG Sets
Plot no. 21-22,39/6	1700 KW	12,00,000	3	1350 MT	36 MT	1 (nos.) 625 KVA 1 (nos.) 400 KVA 3 (nos.) 320 KVA Total : 1985 KVA
Plot no. 128/24	750 KW	2,00,000	1			1 (nos.) 250 KVA 1 (nos.) 115 KVA 1 (nos.) 320 KVA Total : 685 KVA
Plot no. 15/1	705 KW	2,00,000	1	60 MT		1 (nos.) 110 KVA 2 (nos.) 320 KVA Total : 750 KVA
Plot no. 7/6	500 KW					1 (nos.) 115 KVA 1 (nos.) 18 KVA Total : 133 KVA

New Requirement	New Requirement Kw Power	New Requirement Water In Litres Per Day	Fuel : Husk Requirement Per Day Mt	Fuel: Requirement Ldo Litres Per Day
Yarn Dyeing Plant	800	5,00,000	20	
Knitting Fabric	1,000	8,00,000	35	
New Knitted Garment Unit	250	1,00,000		800
Increase In Capacity	200	1,00,000	5	
Wooven Garment	200	50,000		800
Home Furnishing	100			400
Embroidery	10			
Total	2,560	15,50,000	60	2,000

Environment clearance:

The Company has received approval from the pollution control Board vide letter dated 24/12/04 for the plant, plot no 128, sector 24, Faridabad Haryana.

Man Power requirement Details

Existing Manpower as on December 31, 2004

This manpower is spread over existing plants / units.

Staff	Casual	Total
1477	820	2297

Manpower Requirement for the proposed project

Sr. No.	Yarn Dyeing Plant	Skilled	Unskilled	Total	Contract Basis	Grand Total
1	Yarn Dyeing plant	10	20	30	0	30
2	Knitting Plant	10	20	30	0	30
3	New Knitted Garment Plant	50	75	125	175	300
4	Capacity increase in existing Knitted Plant	20	30	50	50	100
5	Wooven Garments Plant	50	75	125	175	300
6	Home Furnishing Plant	10	20	30	50	80
7	Embroidery Section	2	3	5	0	5
	Total	152	243	395	450	845

(e) Products of the Company

- Men's T – Shirts/ Sweat Shirts
- Men's Polo Shirts & Golf Shirts
- Sweaters
- Ladies tops & Blouses – Embroidered , printed, batik, tie & dye and other embellishments
- Kids T Shirts
- Infants & Toddlers Wear
- Sleepwear
- Bottoms
- Bed sheets

The Company can also make the following products using a variety of fabrics

- Solids
- Pigments and reactive prints
- Jacquards
- Stripers
- Pointless in cotton & Blends
- Polyester
- Rayon
- Lycra Blends
- Off all structures , textures and dias

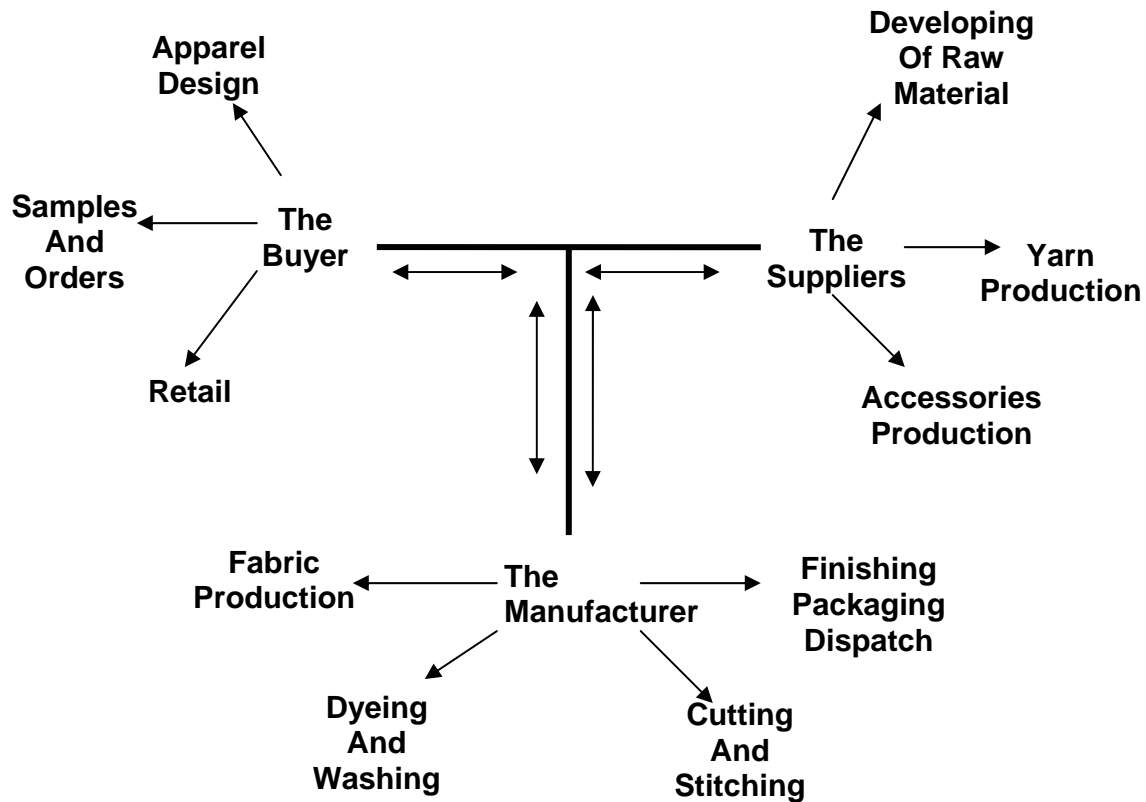
Description of Apparel Business Processes

The textile and apparel supply chain accounts for a good share in terms of number of companies and people employed. The apparel industry is divided into four main segments. At the top of the supply chain, there are fibre (raw material) producers using either natural or synthetic materials. Raw fibre is spun, woven or knitted into fabric by second segment. The third segment of the supply chain is the apparel manufacturer which converts fabric into garment with many processes involved. The final segment is the retailers who are responsible for making apparels available to consumers.

The “T” angle of the apparel supply chain shows how buyer, suppliers and garment manufacturer are linked to each other. There are two sides of the “T” i.e. left and right. The left side is called the buyer to the manufacturer and the right side is called the suppliers to manufacturer. The two horizontal sides are linked to each other through the vertical side i.e. the buyer and suppliers are linked through apparel manufacturer.

The “T” angle illustrates how information flows from the buyer to the apparel manufacturer. The information normally, sketches of the garment given by the buyer, are studied by the manufacturer and accordingly list of raw materials required is made. The different swatch (standard for type of yarn, colour of the yarn and piece of accessories) are sent to different suppliers for development. The supplier develops and sends it to manufacturer and which is forwarded to buyer. Once approved by buyer, the orders are placed with the suppliers with approved samples. When the raw materials are received as per the specifications given to the supplier, in-house manufacturing starts with the production. The different process of manufacturing results in the final garment product which is finally dispatched to the Buyer. The Buyer then retails the same through stores to the ultimate consumers.

Figure 2: The “T” angle of the Apparel Supply Chain



Description of the Buyer Side of the Apparel Supply Chain

The buyer side is normally involved with designing of the garment, production of samples, order collection, apparel retail.

Apparel Design

Designing of Apparel is either done in-house or contracted to design companies. The first step in designing is the analysis of the consumer which the company is targeting. The apparel design is influenced by various parameters like other designer collection presented in the fashion cities of the world, fashion reviews from earlier seasons, fashion magazine also plays an important input for the design efforts and most important is the feedback gained from the sales of the similar products that were developed earlier.

Prototype garments are made for design approval which consumes considerable amount of time.

Production of samples and order collection

The next step after the design in apparel supply chain is the production of the samples.

Once the designs are developed, decisions regarding the fabric like cotton or polyester and quantity etc are made. Based on fabric and quantity decided, decisions related to country and manufacturers are made. Once decision is made, developed designs are sent to different manufacturers and are asked to develop proto samples (the stage brings design

from paper to cloth for design appearance). Normally, during proto stage manufacturer figure stands between 5 and 8. Once proto are developed, number of manufacturers is reduced to 2 to 3 depending on the total quantity of the article and also on selected manufacturer production capacity or volumes. The order quantities are placed to different manufacturers and manufacturer is asked to develop size-sets (alternate sizes of the garment are developed example S: Small, L: Large, XXL: Extra Extra Large). Once size-set is approved, sale samples (samples developed for advertising and see the market response towards the article) are made. Finally, with everything in place two identical pieces are developed one for the buyer and other for the manufacturer called as sealer (sealer sample is identification or standard for production). This sample is stamped by the buyers and the manufacturer can proceed with the production.

Description of the Supplier Side of the Apparel Supply Chain

The suppliers in the apparel manufacturing are quite diversified. It involves suppliers of different raw materials such as fibre and yarn producers, fabric manufacturers and other raw-materials.

Fibre and Yarn Production

Fibres are categorised into two groups: natural and man-made. Natural fibre includes plant fibres such as cotton, linen, jute etc and animal fibre such as wool. Synthetic fibres include nylon, polyester, acrylic etc. Synthetic fibre production usually requires significant capital and knowledge. Natural and synthetic fibres of short lengths are converted into yarn by “spinners”, “throwsters” and “texturizers”. Different types of fibres can also be blended together to produce yarn such as grindle etc.

Fabric production

This segment of supply chain transforms the yarn into fabric by different processes such as weaving, knitting a non-woven process. In a weaving process, yarns are looped together lengthwise and width wise at right angles. Grey Yarn may be woven by a simple procedure to produce grey fabric and which are then dyed for a specific colour. Instead, dyed yarns may also be woven but not dyed. In knitting, yarn is interloped by latched and spring needles i.e. two different loops are mingled together with needle adjustment.

Once the approvals regarding the raw-material are made by the buyer, the manufacturer can proceed with the production.

Apparel Production

The process proceeds once the fabric is produced; it is either dyed or washed. The dyed (coloured) yarn fabric is washed and grey fabric is dyed into a specific colour. After dyeing or washing, fabric is finished by removing water in the tumbler and later pressed in stenter which also maintains width of the fabric. Now the fabric is ready for garmentising i.e. it is ready to be cut and stitched into the garment.

Garmentising starts with the design of the garment to be made (usually on the paper called specs). Patterns (usually made up of thicker and stronger paper) are made from the design which is then used to cut the fabric (cutting usually happens in the form of layers). An efficient layout of the patterns on the layers of fabric is crucial for reducing the wasted material. CAD systems are used for pattern layout and are integrated together with cutting systems. In apparel manufacturing, all the stages are labour intensive as they are not suitable for any kind of automation. In the stitching section, garment is usually assembled using the progressive bundle system (PBS). In PBS, the work is delivered to individual work stations from the cutting department in bundles. Sewing machine operators then process or sew them in batches i.e. first few are operation are joining the different parts together and then further amendments related to design are carried out. The supervisors direct and balance the line activities and check the quality. This involves large work in progress (WIP) inventories and minimal flexibility. For faster apparel production, use of unit production system which reduces buffer sizes between the operations or modular assembly systems which allow a small group of sewing operators to assemble the entire garment.

Finishing, Packaging and Dispatch of Apparel

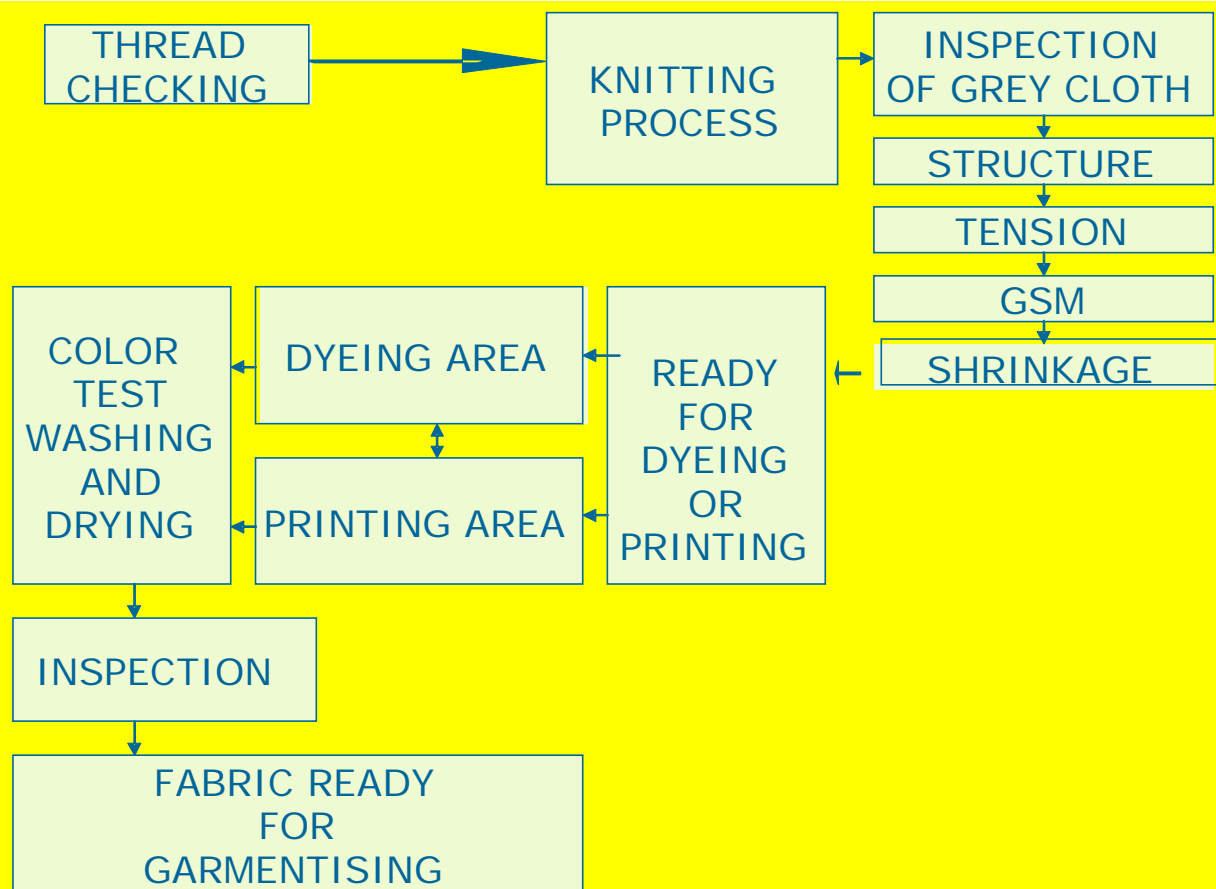
Garments produced are labeled, packaged and usually shipped to a warehouse. The garments are then shipped to the retailers' warehouse. In an effort to reduce time from placement of the product order to the consumer's purchase of the apparel, several practices are gaining popularity. There is increased automation and use of electronic processing in the warehouses of both manufacturers and retailers.

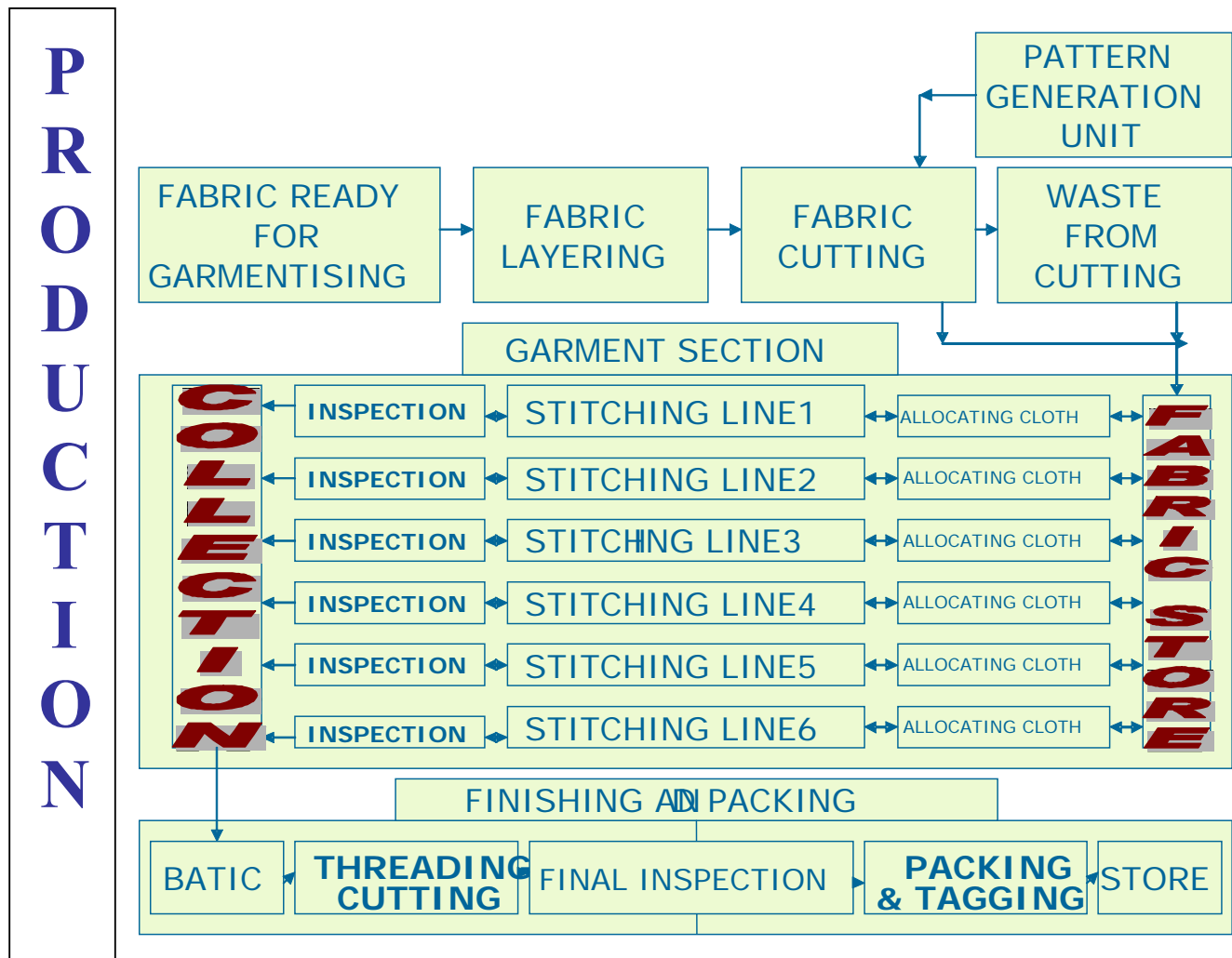
Apparel Retail

Apparel products are made available to consumers in a variety of retail outlets. Specialty stores offer a limited range of apparel products and accessories specialising in a specific market segment. Apparel sales also take place through wholesalers or mass merchandisers such as Wal-mart, Kmart and Target. These retailers offer a variety of hard and soft goods in addition to apparel. Departmental stores like Macy's, Nordstrom offer a large number of national brands in both hard and soft goods categories. Off-price stores, such as Marshall's and T.J.Maxx buy excess stock of designer- label and branded apparel from retailers and are able to offer lower prices but with incomplete assortments. The apparel sale is also shared by mail order companies, e-tailers through internet, and factory outlets etc.

Manufacturing Process and Production

P R O C E S S





The above two diagrams show detailed picture of SPLIL's Apparel Manufacturing and Supply Chain. The manufacturer supply chain starts when yarn is in-house and ends when garment is produced and is ready for dispatch. The entire process is divided into two segments i.e. the process and the production. The process involves yarn inspection, knitting, dyeing or washing and finishing. In the process, the yarn is converted to fabric then it is either dyed or washed and finally finished. The production involves fabric cutting, stitching, and garment being finished and finally dispatched.

SPL: Departments Functions and Operations

Company mainly deals in two segments of the apparel supply chain i.e. one manufacturing of fabric and other manufacturing of garment. These two segments are two different processes but are very much linked in the supply chain.

The company has different departments each having specified functions and responsibilities.

Description of each department will follow in respect to how they occur in supply chain:

Yarn Department

Yarn (thread) is one of the most important raw-materials for the garment manufacturing. Company purchases yarn from other spinning mills across the country and also sometimes from other countries such as China and Italy. Yarn department is responsible for placing order of yarn to the mills. Their responsibility is to make sure yarn is ordered from right supplier, delivered in right time with desired quality and maintain stock listing of yarn. Yarn department is also responsible for checking the quality i.e. strength, colour and quantity of the yarn delivered. The decision regarding the

yarn quantity, quality and strength is decided by PPC i.e. production, planning and control department. PPC places the order one month in advance.

Knitting Department

Knitting department is responsible for producing knitted fabric i.e. fabric from yarn. For fabric production, two types of machines are normally used i.e. circular knitting machine and flat knitting machine. Knitting department receives orders from PPC stating article or style number and quantity of fabric required. The knitting department makes the production planning for all knitting machines based on request from PPC and also calculates and orders required yarn from the yarn department. Planning is usually done for every week.

Washing and Dyeing Department

The department is responsible for two different stages in garment manufacturing. For grey (not coloured) fabric, department is responsible for colouration of fabric and for dyed (coloured) fabric, department is responsible for washing. The process of dyeing is time consuming and as different colour checks are required. The department receives order from the PPC stating article and quantity required. The department makes the production plan for the dyeing and the washing machine based on order from the PPC and also sends request to knitting department for the dispatch of the fabric. Planning is done on weekly basis.

Finishing Department

The department is responsible for finishing of the fabric with a proper procedure so that it is ready for garment production. Whether the fabric is dyed or washed, it follows the same process in the finishing department. Once the fabric is washed or dyed, it needs to be tumbled in tumbler (sort of big washing machine) responsible for removing water and maintain the fabric width and shrinkage. After which fabric is dried in a Stenter (dryer) and packed in layer and is ready for garment production. The finishing departments receive orders from PPC again stating the article or style number and the quantity. The department sends the fabric to the mentioned cutting section.

Cutting Department

The department is responsible for cutting of the fabric into different parts of the garment. This department is mainly responsible for cutting and avoiding wastage. To ensure minimum wastage, proper set of tools such as CAD and others are used in the process. The PPC by using CAD and other tools issues article average with a draft or diagram of how different patterns should be placed on to the layer. The cutting department based on their experience and expertise either accepts the proposed average or sometimes gives a better average by few percent. The department makes production plan for all cutting stations based on article or style requested. This also works on weekly basis. Once fabric is cut different parts of the same garment are bundled together.

Stitching Department

The department is responsible for stitching different parts of garment together. The process takes place in the assembly line system. The assembly line system is the set of many different stitching machines each for a specific purpose. These machines are arranged in an orderly fashion depending on how different parts of garment should be attached. Assembly line method is used for large production. PPC decides on the article or style to be produced with quantity. The stitching department makes necessary production planning i.e. time line in accordance with each article. The stitching process is the most time consuming and labour intensive process in the entire garment production. The planning is done weekly.

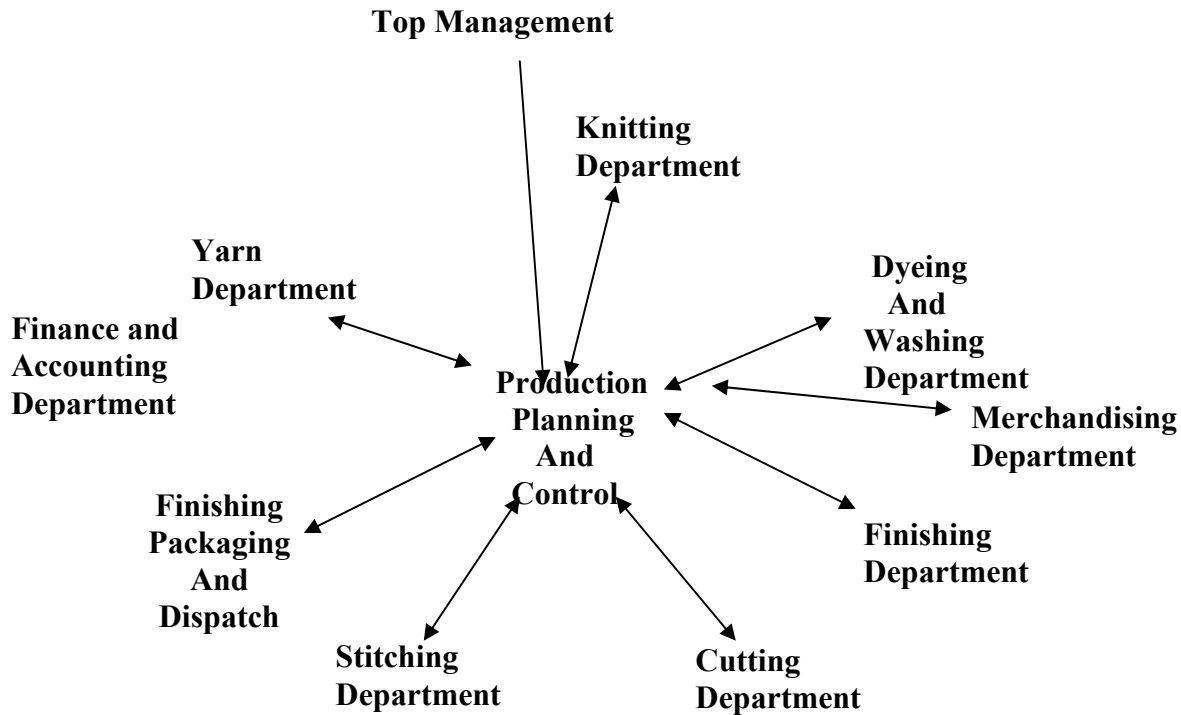
Finishing and Packaging Department

This is final stage before the garment is ready to be shipped. As the garment is already finished, it requires a series of quality checks. The garment goes through the quality checks like colour test, washing test, stitching test etc. After which it is steam pressed, labeled, packed into garment bags and finally, put into the cartons. Once all cartons are packed and labelled, external quality check takes place and goods are shipped. The PPC department gives the details of the PO to be finished, packed and dispatched

Production Planning and Control (PPC) Department

The department is responsible for making plans for the entire organization i.e. all the departments. PPC being in the centre of all departments also controls their functionality. The PPC sends production plan to different departments on weekly basis and daily for any amendments. The PPC keeps check on different departments by requesting planning and production reports for each day. PPC only receives orders from the Management. With order quantity and dispatch date, it does the planning for product cycle. The top management is in continuous contact with PPC.

The PPC link with other departments



Merchandising Department

The department acts as a liaison between the buyer and manufacturing division. On one hand, the department is responsible for notifying changes in the product to the PPC and also to make sure that article is produced as per planning by the PPC and within dispatch time limits. On the other hand, it has to continually update buyer with planning and production status. The department takes care of all correspondence with buyer and is responsible for communicating it to PPC. The department also takes care of necessary sampling such as proto, size set and final which is necessary prior to production.

Corporate Customers

The customers of the company include apparel brands like GAP, Federated, Kohls, J.C. Penny, PVH, HMX, Sears, Hagger. The company's goods are exported into countries like USA, Canada, Mexico, UK, Germany, Austria, Spain, Netherlands, Australia, Middle East, and Japan

Marketing

Design

Designing is an integral part of the marketing process. The company's ability to keep abreast of the dynamic fashion trends enables it to showcase its capabilities and understanding the buyers' requirements. Being an export oriented apparel manufacturer, tracking the changing fashion trends across different geographics for various end customers is critical for success. Company has a well equipped Product Development / Design division & team working in-house. Besides the company has opened a Product Development and Sales office at US.

The Apparel trade has four basic seasons;

- Spring
- Summer
- Fall/Autumn
- Holiday/Winter

The designers along with the marketing team visit various fairs / fashion shows across the globe at regular intervals .

Marketing / Merchandising

The company's marketing team endeavors to enhance its share of the business with existing customers as well as expand the customer base.

The company receives orders from customers by:

- Growth in business from existing customers
- New customers developed through cold calls, trade fair meetings
- Walk-in customers.

The company's experienced marketing team has been able to devise different strategies to suit the needs of both existing & new buyers. For the existing buyers, the company's prime focus is to expand the product base and enhance volumes. By leveraging the long standing relationships with the buyers, the company strives to be a preferred partner to the buyers.

For the new buyers, based on the understanding of their product range and brand identity / customer identity, the company presents to them the entire product range. This gives them a good idea of areas of the company's expertise and capabilities.

Sometimes the buyers come to SPLIL with their thoughts on designs, where they offer their suggestion on modifications. In case where they come to SPLIL with a predetermined design requirement, they also try to add value by suggesting modifications to enhance functionalities or appeal, or to reduce costs while retaining the existing design. SPLIL's

designers along with the sampling department provide the client with prototypes, which undergo various alterations till the client finalizes the design.

Once the buyer finalizes a particular style it is translated into samples as quickly as possible because the entire season's business depends on timely delivery of samples. The costing exercise is done concurrently at this stage. SPLIL's manufacturing scale and efficiency and global sourcing ability enables SPLIL to compete with international vendors effectively. This is proven by the growth of the company in non-quota categories, where competition has already been open without any quota related barriers. Quality and ability to deliver the required products on time and competitive pricing enables to enhance share with customers.

The merchandising teams are to service the requirements of different customers. On receipt of the enquiry, the merchandiser coordinates with PPC to get an estimate of the raw material consumption, likely suppliers and costs, accessories as well as the conversion efforts. Based on this, the costing sheet is prepared. Modifications are also suggested on apparel design or engineering, or fabric to try and bring the cost to the buyer within their required range. The price setting process thus becomes a collaborative effort with company's customers instead of just a negotiation process, with both the company and buyer working together to meet a common objective. Therefore, whenever a prospective buyer places his requirement with the company, company can work out an optimal price-quality combination for him through permutation and combination of quality & source of raw materials, along with design.

Export Obligations if any

Particulars	Amount	Amount (Rs. In Crore)
Export obligations as on April 1, 2004		40.67
FOB Value of Export Sales till 31.12.2004	95.17	
Less: Obligation 2004-2005	<u>83.01</u>	<u>12.16</u>
Export Obligation as on 31/12/2004		28.51

Business Strategy

The removal of quotas has created significant opportunities for growth for the Indian Garment Manufacturing Industry. The company therefore does not have a limit on exports quantity. The removal of quotas has also opened up new competition within India and from other countries, which have similarly been restrained by quotas for growth.

SPLIL proposes the following strategy for its future growth:

New Facility and Expansion of the Existing facilities: The Company proposes to enter into yarn dyeing business. Today company has been buying dyed yarn from outside manufacturers or getting the yarn dyed from outside. The company also proposes to expand its capacities in knitting, fabric dyeing and processing to meet the increasing demand for the garments.

Increasing product portfolio: The Company intends to extend existing range of products to include a wider range of garments. Further, they also propose to expand in the home furnishings to give the value added products to the customers. The company is also entering into manufacture of woven garment business.

Enhancing customer base: SPLIL intends to continue to grow business by adding new customers in existing and new countries. SPLIL aims to do this by effectively leveraging their marketing skills and relationships and further enhancing customer satisfaction.

Strengthening sourcing capabilities: SPLIL keeps identifying new & more efficient suppliers to reduce costs, increase speed of delivery and reduce lead times, including by identifying raw material manufacturers.

Reduction of operational costs: The Company strives to reduce the operational costs to increase the competitiveness in market.

CAPACITY & CAPACITY UTILIZATION AND PROJECTIONS

Product		Unit	2001- 02	2002- 03	2003- 04	2004- 05	2005- 06	2006- 07
Knitting	Installed Capacity	MT	3,000	4,500	4,600	4,850	5,500	5,500
	Utilised Capacity	MT	2,816	3,805	3,256	3,017	3,575	3,575
	% of Utilised capacity		93.87%	84.56%	70.78%	62.21%	65.00%	65.00%
Dyeing	Installed Capacity	MT	4,200	4,800	5,000	6,000	7,500	7,500
	Utilised Capacity	MT	4,320	5,852	4,273	4,990	6,375	6,750
	% of Utilised capacity		102.86%	121.92%	85.46%	83.17%	85.00%	90.00%
Garmenting (Knits)	Installed Capacity	No.	7,200,000	9,000,000	9,700,000	10,800,000	12,000,000	14,400,000
	Utilised Capacity	No.	4,789,799	5,817,276	4,527,507	6,330,000	8,500,000	10,500,000
	% of Utilised capacity		66.52%	64.64%	46.68%	58.61%	70.83%	72.92%
Garmenting (Woven)	Installed Capacity	No.	0	0	0	0	1800000	1800000
	Utilised Capacity	No.	0	0	0	0	1200000	1260000
	% of Utilised capacity		-	-	-	-	66.67%	70.00%

Property

There is no property which the company has purchased or acquired or proposed to be purchased or acquired, which is to be paid for wholly, or in part, from the net proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Draft 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, and the contracts 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

Except as elsewhere stated in this Draft Red Herring Prospectus, SPLIL has not purchased any property in which any of the promoters and directors, have any direct or indirect interest in any payment made thereof.

(iii) COMPETITIVE STRENGTHS

Professional Management

The Company is managed by a qualified management team with several years of relevant experience. The management team is supported by Board of Directors who are qualified and having a vast experience in textile industry.

Strong customer relationships

The present customers of the company are GAP, Kohls, J-C.Penny, PVH, Arrow, FMG etc. SPLIL's design team interacts closely with these customers to understand their needs and create the apparel designs as per their quality

requirements. SPLIL has built a track record for timely deliveries and excellent design capabilities which has further strengthened relationships with each of these clients. The company has been supplying garments to these customers for the last 4-8 years.

Capability to Manage Multiple and Large Orders

Large orders require capabilities to manage large workforce, complex sourcing, production planning, and ability to ensure timely delivery to the customer. Over the years, the company has developed the expertise to manage multiple large orders concurrently. The company has also developed a diversified product range which has helped it grow.

Global Sourcing Capabilities

SPLIL has developed capabilities to source raw materials globally. SPLIL sources raw materials in large quantities and has hence developed an efficient supply-chain which allows it to reduce input costs and enhance competitiveness. This also allows SPLIL to reduce lead times, where required, by being able to source from suppliers who can meet delivery time schedules.

Design Capabilities

Design is a critical element of apparel manufacturing. SPLIL's ability to identify and stay abreast of evolving fashion trends, and design apparel that meets with buyers' requirements allows it to enhance market share with existing buyers and develop new customers. Additionally, the ability to add value to the designs or design ideas which the customers bring to SPLIL helps it develop stronger relationships with these customers and further strengthen competitive position vis-à-vis competitors.

Sampling Capabilities

A fully equipped sample room with approximately 100 machines, including certain specialized machines backed with a pattern making and a fully-automated CAD room enhances SPLIL's ability to provide samples as per buyer requirement with quick turnaround times.

Manufacturing Scale and Cost Efficiency

SPLIL runs 4 factories in Faridabad with advanced equipment. What makes SPLIL different from other exporters is its vertical operation facility i.e all manufacturing operations under one roof of SPL, which has inhouse knitting, Dyeing, Processing, Washing, embroidery, printing, specialized washes, garment stitching & washing, Finishing facilities. SPLIL's scale of operations, high level of automation, in-house ancillary units as well as ability to plan production across specialised factories as required allows it to reduce costs and lead times.

SPLIL has in-house facilities for value added services like embroidery, printing & specialized washes. The scale of operations, high level of automation, in-house ancillary units as well as ability to plan production across specialized factories as required allows SPLIL to reduce costs and lead times. In addition, SPLIL's business philosophy focusing on Punctuality, Quality, Reliability, Speed, Transparency and Flexibility further helps them to enhance competitive strengths.

Timely delivery

Meeting customer deadlines on a consistent basis is paramount for SPLIL's business. Fashion is time bound and any delay in meeting deadlines results in loss of sales or exhibiting incomplete collections on the retailer's shelves. To ensure timely deliveries, SPLIL meticulously plans the entire range of activities well in advance, right from sourcing of Yarn and components to manufacturing to shipping.

Quality Standards

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

Reliability

SPLIL is in business for over a decade and has built long-term relationships with the buyers. SPLIL maintains complete confidentiality of buyers' designs and innovations so as to avoid any conflict of interest.

Speed

Buyers want to reduce their fashion related risks by shortening the time frame from design to market. Hence, SPLIL's ability to strategically source raw materials in the shortest time possible and vertical integrated facilities make it a very efficient and competitive. SPLIL has inhouse knitting, dyeing, processing, washing, embroidery, printing, specialized washes, garment stitching & washing & finishing facilities which contribute to speedy delivery of goods to buyers.

Transparency

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

Flexibility

SPLIL offers flexibility both in sourcing and manufacturing. SPLIL's sourcing capability allows it to procure raw materials from any part of the world. This ensures the best quality at competitive rates and at the specified delivery schedules. Even the facilities are equipped to manufacture varied run sizes and can be re-configured to handle different products as per changing seasonal requirements.

HUMAN RESOURCES

The Company has its own HR policy, which includes recruitment, training and development, performance management system, labour welfare. The Company emphasizes on the development of its team members by imparting them training, for which they have a training calendar for the year. Employees are benefited by their performance appraisals.

Apart from this, company is also committed for the social upliftment of the adjoining area. The company is running adult education programmes, education for destitute children, training for ladies on stitching machines. These programmes have helped the company garner a very special position with the local population. This local population contributes a major part of the work force in the company.

INSURANCE

DATE	POLICY NO.	Co. Name	Policy Type	FROM	TO	AMOUNT	PREMIUM
	/ C-N NO.						
20.12.04	3851	Oriental Insurance	Fixed Assets	21.12.04	20.12.05	50,000,000	90,915
20.12.04	3850	Oriental Insurance	Fixed Assets	21.12.04	20.12.05	100,000,000	181,830
18.05.04	3724	Oriental Insurance	Fixed Assets	19.05.04	18.05.05	420,000,000	1,024,002
15.06.04	1621	Bajaj Allianz Gen. Ins	Fixed Assets	15.06.04	14.06.05	13,000,000	36,855
						583,000,000	1,333,602
19.04.04	3703	Oriental Insurance	Stock (Fire)	01.05.04	30.04.05	50,000,000	135,000
20.12.04	3852	Oriental Insurance	Stock (Fire)	22.12.04	21.12.05	40,000,000	72,793

20.12.04	138454	Oriental Insurance	Stock (Burglary)	22.12.04	21.12.05	40,000,000	4,408
20.12.04	3854	Oriental Insurance	Stock (Fire)	22.12.04	21.12.05	5,000,000	9,092
2012.03	138456	Oriental Insurance	Stock (Burglary)	22.12.04	21.12.05	5,000,000	551
20.12.04	3853	Oriental Insurance	Stock (Fire)	22.12.04	21.12.05	40,000,000	72,793
20.12.04	138455	Oriental Insurance	Stock (Burglary)	22.12.04	21.12.05	40,000,000	4,408
31.3.04	6133	Bajaj Allianz Gen. Ins	Stock (Fire)	31.03.04	30.03.05	60,000,000	139,320
31.3.04	5845	Bajaj Allianz Gen. Ins	Stock (Fire)	22.03.04	21.03.05	40,000,000	92,880
11.06.04	1450	Bajaj Allianz Gen. Ins	Stock (Fire)	11.06.04	10.06.05	100,000,000	178,200
						420,000,000	709,445

KEY INDUSTRY-REGULATION

There is no key industrial regulation. Please refer to the section on Industry Overview for further details.

3. History and Corporate Structure of the Company

SPLIL was incorporated as Shivalik Prints Private Limited in 1991, with the main objective of carrying on the business of manufacturing and export of apparel. The name of the company was changed to SPL Industries Limited in 1994. The Company's plants are located 30 km away from Delhi in the industrial township of Faridabad.

SPLIL established its first textile unit named "SPL processing house" with a focus on printing and dyeing of cloth with a capacity of 1,00,000 meters/day. SPLIL planned to become a major supplier of printed and dyed cloth in northern India. In July 1992, SPLIL expanded its operation by installing new equipment and increased its capacity to 150,000 meters/day.

In March 1995, the company set up a vertical integrated plant for apparel manufacturing, which had the facilities for knitting, dyeing, processing, cutting and stitching, with a capacity of producing 100,000 pieces of knitted garment per month. Due to a growing customer base and demand for its products, SPLIL increased its capacity by another 150,000 pieces per month i.e. a total of 250,000 pieces per month.

In 1999, SPLIL sold off the printing unit. In 2000, SPLIL decided to further diversify its operations and started a sweater division with a capacity of 120,000 pieces per month.

In 2000, SPLIL established another knitwear unit with capacity of 250,000 pieces per month and 100,000 pieces per month of Home Furnishings. Thus the total capacity reached 500,000 pieces per month of garments. Later in 2002, SPLIL opened another Knitted Garment unit with capacity of 250,000 pieces per month which increased the capacity to 7,50,000 pieces per month.

The Company has a well equipped design studio. SPLIL employs a team of designers who design and develop the products as per the requirements of the customers. They regularly visit International fairs like Piiti Fillatt, Expofil and Premier vision. These fairs determine the latest trends in yarn / fabric and colours for the following season. The design team regularly interacts with the customers which helps it to keep pace with their expectations.

SPLIL exports knitted apparels to USA, Europe, Canada and Japan. Almost 95% of the total production is exported. The major customers of the company are GAP, J.C.Penny, Kohls, Haggars, Sears, Arrow, PVH etc. The company adheres to international standards as required by the customers.

SPLIL also manufactures Home Furnishings which include Bedsheets, Curtains, pillows etc. these products are exported to Middle East and USA

The company's total income for the year ended March 31, 2004 was Rs. 15,388.45 lakhs with a profit after tax of Rs.429.24 lakhs and for the 9 months ended December 31, 2004 total income was Rs. 12074.09 Lakhs with a profit after tax of Rs. 633.11 Lakhs.

The vision of the company is to become a global leader in apparel manufacturing by continuously excelling its quality, service, customer satisfaction and employee satisfaction using the best technology, processes and people.

Major Events of the company

Year	Events Achievement
1991	Company incorporated in the name of Shivalik Prints Pvt. Ltd. for process and printing of Woven Fabrics
1994	Company changed name from Shivalik Prints Private Ltd. to SPL Industries Ltd.
1995	Setup new factory for Knitted Garments
2000	Setup cotton sweater plant
2001	Setup two new factories for Knitting Garments to enhance the capacity of Knitting as well as Dyeing
2002	Factory for Value added items like computerized embroidery
2003	Enhance capacity for Knitting, Dyeing and Garments
2003	Setup unit for manufacturing home furnishing items like Bed sheet, curtains, pillows cushions etc.
2003	Amalgamation of SPL Machine to SPL Industries Ltd. As per Delhi High Court decision

2005	Accorded the status of Two Star Export House in accordance with the provisions of the Foreign Trade Policy , 2004-09.
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Awards

YEAR	AWARD	Awarded by Govt. / Buyers
1997	5 Star Award for outstanding service in the development of Federated Department Stores	Federated Merchandising Group
1997	Award for outstanding performance in export by Government of Haryana (Department of Industries)	Government of Haryana
1998	5 Star Award for outstanding service in the development of Federated Department Stores	Federated Merchandising Group
1999	5 Star Award for outstanding service in the development of Federated Department Stores	Federated Merchandising Group
2000	5 Star Award for outstanding service in the development of Federated Department Stores	Federated Merchandising Group
2000	Award for outstanding performance in export by Government of Haryana (Department of Industries)	Government of Haryana
2001	5 Star Award for outstanding service in the development of Federated Department Stores	Federated Merchandising Group
2002	5 Star Award for outstanding service in the development of Federated Department Stores	Federated Merchandising Group
2004	Appreciation of your outstanding contribution to Faridabad industries by Chief Minister of Haryana	Faridabad Industries Association

THE MAIN OBJECTS TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION ARE:

- 1 To carry on the business of printing, processing, dyeing, colouring, spinning, weaving, combing, knitting, bleaching, preparing, manufacturing, finishing, buying, selling, importing, exporting and deal in, all kinds of textiles, cotton, silk, wool, jute and other fibrous and synthetic substances.
- 2 To buy, sell, import, lease out or take on lease commodities, raw materials, stores, tools, dies, jigs, fixtures, moulds, gauges, plants and machinery used in the manufacture of items stated in sub-clause (1) above whether in India or abroad and to offer technical consultancy services.
- 3 To carry on the business of importers, exporters, general merchants, traders, commission agents, distributors, concessionaries and consultants in the items as referred to in sub-clause (1) above.

(ii) Subsidiaries of SPL Industries Ltd.: Mode Prints Limited

Constitution: Limited Company

Date of incorporation: June 20, 1990

Board of Directors

Satish Garg
Pankaj Garg
Prashant Garg

Nature of activities: Presently the company is not doing any activity. The only income received is from the rent of the land..

Shareholding pattern- Mode Prints is wholly owned subsidiary of SPL Industries Limited.

Brief Financials

Rs. in lakhs

Particulars	31-Mar-02	31-Mar-03	31-Mar-04
Sales & Other Income	6.58	6.60	6.66
PAT	-16.12	2.73	3.15
Equity Capital	130.10	130.11	130.11
Share application Money	0.00	0.00	0.00
Reserves & Surplus excl Revaluation	-54.34	-51.61	-63.76
EPS (Rs.)	-1.24	0.21	0.24
Book Value/ Share (Rs.)	58.23	60.33	50.99

Shareholders Agreements

There are no shareholders agreements entered into by company with any of the shareholders

Other Agreements

The company has entered into an agreement with Nano Tex LLC (USA) as mentioned in **page no. [REDACTED]**. Under the collaborations. Besides this company has not entered into any other agreement.

Strategic Partners

There are no strategic partners agreements entered into by company.

Financial Partners

There are no financial partnership agreements entered into by company.

4. MANAGEMENT

Board of Directors

The Board of Directors of the Company comprises of the following members:

Name, Designation, Qualification, Age, Experience, Address and Occupation	Appointment in the Company and date of expiration of current term of office	Other Directorships
Mr. H R Gupta, Chairman and Managing Director S/o Late Shri Sadhu Ram B Com Age: 58 years Experience : 35 Years 1178, Sector 15 Faridabad (Haryana) Businessman	24 -8-1998 31.12.2009 Term 5 years Liable to retire by rotation	Sadhu Forging Ltd , Elkay Telelink Limited, Elkay International Limited
Mr. Vijay Jindal, Joint Managing Director S/o Late Shri Jai Naryatan Jindal BE (Mech) Age: 46 years Experience : 20 Years 1047, Sector 15 Faridabad (Haryana) Businessman	Since inception / 31-12-2009 Term 5 years Liable to retire by rotation	N.A.
Mr. Praveen Garg, Whole time Director S/o Shri H.R.Gupta BE Age: 33 years Experience : 10 Years 1178, Sector 15 Faridabad (Haryana) Businessman	30-09-1998 31.12.2009 Term 5 years Liable to retire by rotation	N.A
Mr. Mukesh Aggarwal, Whole time Director S/o Shri Ram Bilas Aggarwal B Com Age: 38 years Experience : 15 Years H.No.144, Ashok Vihar Phase-I, New Delhi Businessman	30-09-1998 31.12.2009 Term 5 years Liable to retire by rotation	Sadhu Forging Ltd. Elkay Telelink Ltd., Elkay International

Mr. Pankaj Garg, Whole time Director S/o Shri Brij Mohan Garg 1187, Sector 15 Faridabad (Haryana) BE Age: 28 years Experience : 3 Years Businessman	22-02-2002 31.12.2009 Term 5 years Liable to retire by rotation	N.A.
Mr. Naresh Agarwal Director S/o Late Shri Ved Prakash Agarwal B.Com, Age: 52 Years Experience : 30 Years 24, B , Alipore Road, Civil Lines, Delhi Businessman	01.01.2005 Term: Liable to retire by rotation	Sunstar overseas Limited VAE VKN Industries Pvt. Ltd.
Mr. Suresh Aggrawal, Director S/o Late Mulchand Agarwal B.com (Hons) Age: 53 Years Experience : 29 Years Flat -14A, Ankur Building, 10, Lord Sinha Road, Kolkata 700 071. Businessman	01.01.2005 Term: Liable to retire by rotation	Aluminium Industries (Assam) Pvt. Ltd. Avon Steels Pvt. Ltd
Mr. Ram Babu Bansal, Director S/o Late Shri lakhi Ram Bansal BA Age: 69 Years Experience : 50 Years H.No.-1324/26, Mohlla Mahajanon Parao Rohtak (Haryana) Businessman	01.01.2005 Term: Liable to retire by rotation	N.A
Mr. Y. Harishankar, Director S/o Late Shri K.S.Yegna Narayanan MA in Economics, Diploma in Management Age: 63 years Experience : 41 Years H.No-1172, Sector – 14, Faridabad – 121 007 (Haryana) Consultant	01.01.2005 Term: Liable to retire by rotation	N.A
Mr. Kailash B. Goel Director B.Com., F.C.A Age:38 years Experience : 18 Years S/o Shri Brahma Nand Goel 764, Block P, New Alipore, Kolkata 700053 Businessman	01.01.2005 Term: Liable to retire by rotation	KBG Consultants Pvt. Ltd. Vista Business Centre Pvt. Ltd. Shanti Business Centre Pvt. Ltd Vikrangee Sales & Services Pvt. Ltd. Logastys India Ltd.

Brief profile of the Directors

Mr. H R Gupta, Chairman and Managing Director: Aged 58 years, is a Commerce graduate with over 35 years of business experience. He is the Chairman of Sadhu group of Industries comprising of Sadhu Forging Ltd. (Steel, Forging & Gear division), Elkay Telelinks Ltd. (Cable Division), and has over 14 Years of experience in the Textile & garments industry having promoted SPL Industries Ltd.

He looks after the financial and commercial activities of the company. He is also responsible for new projects and initiatives of the company. He is President of Faridabad Industries Association.

Mr. Vijay Jindal, Joint Managing Director: Aged 46 years, is a Bachelor in Engineering (Mechanical) from Thappar College of Engineering, Punjab University. He has over 20 years of experience which includes 6 years in Elkay Strips Ltd. and almost 14 years of experience in textile and garment industry.

Mr. Jindal looks after the marketing and production function at SPLIL. He is actively involved in the strategic planning for the company and also handles new projects for the company.

Mr. Praveen Garg, Whole time Director: Aged 33 years, is a Bachelor in Engineering. He has over 10 years of experience in textile and garments industry. He is in charge of a garment unit of the company where he is responsible for the marketing, production and quality assurance.

He has taken charge of the new home furnishing unit of the company.

Mr. Mukesh Aggrawal, Whole time Director: Aged 38 years, he has over 15 years of experience. He was instrumental in starting the of tele cables manufacturing unit at Elkay Telelinks Limited. He worked at Elkay Telelinks Limited for over 10 years. He has over 5 years of experience in textile and garment industry. He is also responsible for targeting the European market for Knits and woven garments products of the company. He is responsible for setting up the new Woven garments facility as proposed by the company.

Mr. Pankaj Garg Whole time Director: Aged 28 years, is a Bachelor of Engineering (Industrial) from University of Pune. He has an experience of 3 years in the textile and garment industry.

He is independently handling the Sweater unit of the company where he responsible for the marketing, production, quality assurance etc.

Mr. Naresh Aggrawal, Independent and Non Executive Director: Aged 53 years, is a B.Com from Gurunanak University Amritsar. He is the Chairman of M/s Sunstar Overseas Ltd., a star trading house. He is a Co-Chairman cum Managing Director of M/s VAE VKN Industries Pvt. Ltd., a multinational joint venture company engaged in railways track turnout systems. Mr. Aggarwal is also very active in social activities for the last three decades and has served on the international Board of Directors of Lions Clubs International for two years in the years 1998-2000. No compensation is being paid to him except the sitting fee for attending the board meetings.

Mr. Suresh Aggrawal, Independent and Non Executive Director: Aged 52 years, is a commerce graduate with Honours. Mr. Agarwal is the managing director of M/s Aluminium Industries (Assam) Pvt. Ltd. He is also a director at M/s Avon Steels Pvt. Ltd. and is associated with charitable trusts such as AnaraDevi Charitable Trust of Kolkata. No compensation is being paid to him except the sitting fee for attending the board meetings.

Mr. Ram Babu Bansal, Independent Director: Aged 69 years is an Arts graduate. He has over 50 years of business experience in various fields like Textile, packaging industry. He is in the remuneration committee of the company. No compensation is being paid to him except the sitting fee for attending the board meetings.

Mr. Y. Harishankar, Independent Director: Aged 63 years, is an MA in Economics, and has completed a diploma course in Management. Mr. Shankar is from the IPS cadre of 1966 batch of Haryana. Mr. Harishankar was Secretary to the Government of India (Security). He is now actively engaged in consulting on security, intelligence and management related issues. He is closely associated with many academic institutions and is on the Governing body, Academic council of many colleges and takes active interest in helping schools for mentally challenged children and other social and religious institutions. No compensation is being paid to him except the sitting fee for attending the board meetings.

Mr. Kailash B.Goel, Independent and Non executive Director: Aged 38 years, is a Commerce graduate and Chartered Accountant. He is a partner in Kailash B. Goel and Co. and director in M/s KBG Consultants Pvt. Ltd. which is engaged in Financial and Management Consultancy. He is also the member of industry bodies like Taxation Committee of FICCI. He is the Chairman of the Audit committee. No compensation is being paid to him except the sitting fee for attending the board meetings.

There are no pending litigations against any of the Directors

Details of borrowing powers:

Save as stated otherwise in the section titled “Main Articles of Association of SPL Industries Limited” on page no. in this Draft Red Herring Prospectus, the Directors of the Company do not have any borrowing powers.

Compensation of Managing Directors/ Whole time Directors

The remuneration for Mr. H. R. Gupta, Chairman and Managing Director, Mr. Vijay Jindal, Joint Managing Director, Mr. Pankaj Garg, Whole-time Director, Mr. Praveen Garg, Whole-time Director and Mr. Mukesh Aggarwal, Whole-time Director has been approved in the Extra Ordinary General Meeting on February 7, 2005. The details are as given below:

Name	Mr. H. R. Gupta
Designation	Chairman and Managing Director
Period	5 Yr.
Salary	65,000/- P.M.
Perquisites	<ul style="list-style-type: none"> • Gratuity at the rate of half month salary for each year of completed service • Encashment of unavailed leave will be allowed at the end of tenure. Leave with full pay as per the rules of the Company • Club Fee subject to a maximum of two clubs. This will not include admission and membership fees • Reimbursement of medical expenses incurred in India or abroad including hospitalisation, nursing home and surgical charges for self and family • Reimbursement of actual traveling expenses for proceeding on leave to any place in India and return there from once in a year in respect of himself and family • Personal accident insurance policy in accordance with the scheme applicable to senior employees • Free use of company’s car for company’s work as well as personal purposes along with the driver • Two telephones at residence at company’s cost • Subject to any statutory ceiling’s, the directors may be given any other allowances, perquisites, benefits and facilities as the Board of Directors may from time to time.

Name	Mr. Vijay Jindal
Designation	Joint Managing Director
Period	5 Yr.
Salary	50,000/- P.M.
Perquisites	<ul style="list-style-type: none"> • Gratuity at the rate of half month salary for each year of completed service • Encashment of unavailed leave will be allowed at the end of tenure. Leave with full pay as per the rules of the Company • Club Fee subject to a maximum of two clubs. This will not include admission and membership fees • Reimbursement of medical expenses incurred in India or abroad including hospitalisation, nursing home and surgical charges for self and family • Reimbursement of actual traveling expenses for proceeding on leave to any place in India and return there from once in a year in respect of himself and family • Personal accident insurance policy in accordance with the scheme applicable to

	<p>senior employees</p> <ul style="list-style-type: none"> • Free use of company's car for company's work as well as personal purposes along with the driver • Two telephones at residence at company's cost • Subject to any statutory ceiling's, the directors may be given any other allowances, perquisites, benefits and facilities as the Board of Directors may from time to time.
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Name	Mr. Pankaj Garg
Designation	Whole time Director
Period	5 Yr.
Salary	45,000/- P.M.
Perquisites	<ul style="list-style-type: none"> • Gratuity at the rate of half month salary for each year of completed service • Encashment of unavailed leave will be allowed at the end of tenure. Leave with full pay as per the rules of the Company • Club Fee subject to a maximum of two clubs. This will not include admission and membership fees • Reimbursement of medical expenses incurred in India or abroad including hospitalisation, nursing home and surgical charges for self and family • Reimbursement of actual traveling expenses for proceeding on leave to any place in India and return there from once in a year in respect of himself and family • Personal accident insurance policy in accordance with the scheme applicable to senior employees • Free use of company's car for company's work as well as personal purposes along with the driver • Two telephones at residence at company's cost • Subject to any statutory ceiling's, the directors may be given any other allowances, perquisites, benefits and facilities as the Board of Directors may from time to time.

Name	Mr. Praveen Garg
Designation	Whole time Director
Period	5 Yr.
Salary	45,000/- P.M.
Perquisites	<ul style="list-style-type: none"> • Gratuity at the rate of half month salary for each year of completed service • Encashment of unavailed leave will be allowed at the end of tenure. Leave with full pay as per the rules of the Company • Club Fee subject to a maximum of two clubs. This will not include admission and membership fees • Reimbursement of medical expenses incurred in India or abroad including hospitalisation, nursing home and surgical charges for self and family • Reimbursement of actual traveling expenses for proceeding on leave to any place in India and return there from once in a year in respect of himself and family • Personal accident insurance policy in accordance with the scheme applicable to senior employees • Free use of company's car for company's work as well as personal purposes along with the driver • Two telephones at residence at company's cost • Subject to any statutory ceiling's, the directors may be given any other allowances, perquisites, benefits and facilities as the Board of Directors may from time to time.

Name	Mr. Mukesh Aggarwal
Designation	Whole time Director
Period	5 Yr.
Salary	45,000/- P.M.
Perquisites	<ul style="list-style-type: none"> • Gratuity at the rate of half month salary for each year of completed service • Encashment of unavailed leave will be allowed at the end of tenure. Leave with full pay as per the rules of the Company • Club Fee subject to a maximum of two clubs. This will not include admission and membership fees • Reimbursement of medical expenses incurred in India or abroad including hospitalisation, nursing home and surgical charges for self and family • Reimbursement of actual traveling expenses for proceeding on leave to any place in India and return there from once in a year in respect of himself and family • Personal accident insurance policy in accordance with the scheme applicable to senior employees • Free use of company's car for company's work as well as personal purposes along with the driver • Two telephones at residence at company's cost • Subject to any statutory ceiling's, the directors may be given any other allowances, perquisites, benefits and facilities as the Board of Directors may from time to time.

COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The provisions of the listing agreement to be entered into with the Stock Exchanges with regard to corporate governance will be applicable to the Company immediately upon the listing of the Company's Equity Shares on the Stock Exchanges. The Company undertakes to adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to the listing. The Company believes in adopting the best corporate governance practices, based on the following principles in order to maintain transparency, accountability and ethics:

- Recognition of the respective roles and responsibilities of Board and the management;
- Independent verification and assured integrity of financial reporting;
- Protection of shareholders' right and priority for investor relations; and
- Timely and accurate disclosure on all material matters concerning operations and performance of the Company.

Details of the existing Committees are as under :

(i) Audit Committee

Constitution of Committee

The Audit Committee has been reconstituted by the Board of Directors of the Company in their meeting held on January 12, 2005. The reconstituted Audit Committee comprises following members.

Name of the Director	Status
Mr. Kailash B Goyal	Chairman Non Executive Director
Mr. Naresh Aggarwal	Non Executive Director
Mr. Mukesh Aggarwal	Whole time Director

Membership

The Audit Committee of the company consists of three Directors and are appointed by the Board of Directors. The Board of Directors also ensures that atleast one member of the committee has experience in Finance & Accounts field. However, a majority of the Directors, including the chairman, are independent Directors. The quorum is

considered complete when either 2 members or 1/3rd of the total number of members, whichever is higher, are present. However, at least 2 members, among those present, have to be independent directors.

Secretary

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

Attendance at meetings

The Statutory Auditors, Internal Auditors and the Managing Director are invitees to the Audit Committee Meetings.

Frequency of meetings

The Committee shall meet at least 3 times a year and conduct at least 1 meeting every 6 months and/or at least 1 meeting should be held before finalisation of accounts.

Powers of the Audit Committee

The Audit Committee is bestowed with following powers to:

- Investigate any activity within its terms of reference
- Seek information from any employee of GDL
- Obtain outside legal or professional advice
- Secure attendance of outsiders with relevant experience, if considered necessary

Role of Audit Committee

a) Financial reporting

Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible. To review and challenge where necessary, the actions and judgments of management, in relation to the Company's financial statements, operating and financial review, interim reports, preliminary announcements and related formal statements before submission to, and approval by, the Board and Auditors.

The Committee would pay particular attention to:

- Critical accounting policies & practices and any changes therein
- Decisions involving a significant element of judgement
- Accounting & disclosure of exceptional items
- Clarity of disclosures
- Significant audit adjustments
- Going Concern adjustment
- Compliance with accounting standards
- Compliance with legal requirements & stock exchange requirements
- Other areas as defined by the Board.

b) Internal Control & Risk Management

- To review procedures for detection of fraud, including procedures for reporting frauds by staff in confidence.
- To review management & internal audit reports on the effectiveness of the systems for internal financial control, financial reporting & risk management.
- To monitor the integrity of internal financial controls
- To review disclosures on internal controls & risk management framework.
- To assess the scope & effectiveness of risk monitoring & control systems.
- To approve related party transactions. One member shall be authorised to pre-approve such transactions.

c) Internal Audit

- To appoint / dismiss the Internal Auditor & fix their remuneration for services.
- To assess the qualifications, expertise, resources, effectiveness and independence of the internal auditors.
- To review the internal audit function & internal audit programme.
- To ensure access of Internal Auditor to the Chairman of board / Audit Committee.
- To receive periodic internal audit reports.
- To review management response(s) to the internal audit report.
- To review effectiveness of internal audit in the company's risk management system.

- To review other services by the internal auditor to ensure internal auditor's independence / objectivity.

d) External Audit

- To recommend appointment / removal of External auditors of the Company to the Board and fix remuneration.
- To assess the qualifications, expertise, resources, effectiveness and independence of the external auditors annually.
- To discuss the nature and scope of audit before commencement of audit.
- To ensure completeness of coverage and optimum use of audit resources.
- To review the audit issues which are resolved / unresolved, errors encountered during audit, accounting / audit adjustments & management explanations.
- To review audit representation letters before approval by Board.
- To review audit process at the end of audit by discussion with external auditors on audit plan, audit risks, internal controls & feedback from key personnel involved.
- To review the management letter received from external auditors.
- To review non-audit services by the auditor to ensure external auditor's independence / objectivity.
- To annually review the accounts, audit of subsidiary companies with their Auditors & Audit Committee, so far it concerns the Company.

e) Systems Audit

- To appoint / dismiss Systems Auditors & fix their remuneration for services.
- To assess the qualifications, expertise, resources, effectiveness and independence of the systems auditors.
- To review the scope of systems audit programme.
- To ensure access of Systems Auditor to the Chairman of board / Audit Committee.
- To review management response to systems audit report.
- To review effectiveness of systems within the company.

Reporting

The Company Secretary circulates the minutes of the meetings of the Committee to all Directors. The Chairman of Audit Committee attends the Board meetings at which the accounts are approved. The Chairman of the Committee also attends the Annual General Meeting and answers questions related to accounts, audit & the other activities of the Audit Committee.

The Audit Committee has the right to review its terms of reference & recommend any necessary changes to the Board annually.

The Audit Committee approves the report on its role, names & qualifications of members, number of meetings & attendance and comments on the way in which its responsibility was discharged and unresolved disagreements with the Board for inclusion in the Annual Report.

(ii) Share Transfer Committee

a. Brief description of Terms of reference

The Share Transfer Committee has been constituted to do all such acts, deeds and things relating to Share transfers, transmission, splitting of share certificates, issue of duplicate share certificates and other related matters as may be deemed necessary.

b. Constitution of Committee

The Share Transfer Committee has been constituted by the Board of Directors of the Company in their meeting held on January 12, 2005. The Share Transfer Committee comprises of 3 members :-

Name of the Director	Status
Mr. H.R. Gupta	Chairman of the Committee

Mr. Vijay Jindal	Executive Director
Mr. Praveen Garg	Whole time Director

(iii) Remuneration Committee

The present Remuneration Committee of the Company was constituted by the Board of Directors in their meeting held on January 12, 2005. The Remuneration Committee of the Board has been constituted to determine the Company's policy on remuneration for directors / managerial remuneration.

Membership

The Committee consists of three Directors, to be appointed by the Board of Directors. The members of the Committee are non- executive directors and must necessarily include two independent Directors including the chairman of the committee.

The quorum is deemed to be complete when either 2 members or 1/3rd of the total number of members, whichever is higher, are present. However, at least 2 members among those present, must be independent directors.

The Board appoints the Chairman of the Remuneration & ESOP Committee from amongst the independent directors. Currently, the members of the Remuneration Committee are:

Name of the Director	Status
Mr. Naresh Agrawal	Chairman of the Committee
Mr. Ram Babu Bansal	Non Executive Director
Mr. Y. Harishankar	Non Executive Director

Secretary

The Company Secretary is the Secretary of the Committee.

Attendance at meetings

Only members are entitled to attend meetings of the Remuneration committee. The Chairman and joint Managing Director of the Company, other non-executive Directors, CEO, Finance Director, CFO, tax consultant or other persons may attend meetings at the invitation of the Committee.

Frequency of meetings

The Committee shall meet such number of times as required and can take decisions by circular resolutions or through subcommittees.

Powers / Role of Remuneration & ESOP Committee

Subject to the supervision and control of the Board, the functions of the Remuneration Committee include approval / recommendation to Board for approval of:

- Remuneration / commission payable to directors
- Managerial remuneration
- Frame policies to attract, motivate & retain personnel
- Other functions of a Remuneration Committee as required / recommended in the Listing Agreement

Reporting

The Secretary would circulate the minutes of the meetings of the Committee to all Directors. The remuneration Committee will annually review its terms of reference & recommend any necessary changes to the Board.

Shareholding of Directors, including details of Qualification Shares

Sr. No.	Name of the Director	No. of shares held	Qualified shares
1.	Shri H.R. Gupta	127200	As per MOA no qualification share required
2.	Shri Vijay Jindal	600900	
3.	Shri Praveen Garg	1096000	
4.	Shri Mukesh Aggarwal	2	
5.	Shri Pankaj Garg	10000	

Interest of Directors

Except as stated elsewhere in the Prospectus, all the Directors may be deemed to be interested to the extent of remuneration and/or sitting fees payable to them for attending the meeting of the Board or Committee thereof apart from reimbursement of traveling/incidental expenses, if any, as per the Articles of Association of the Company.

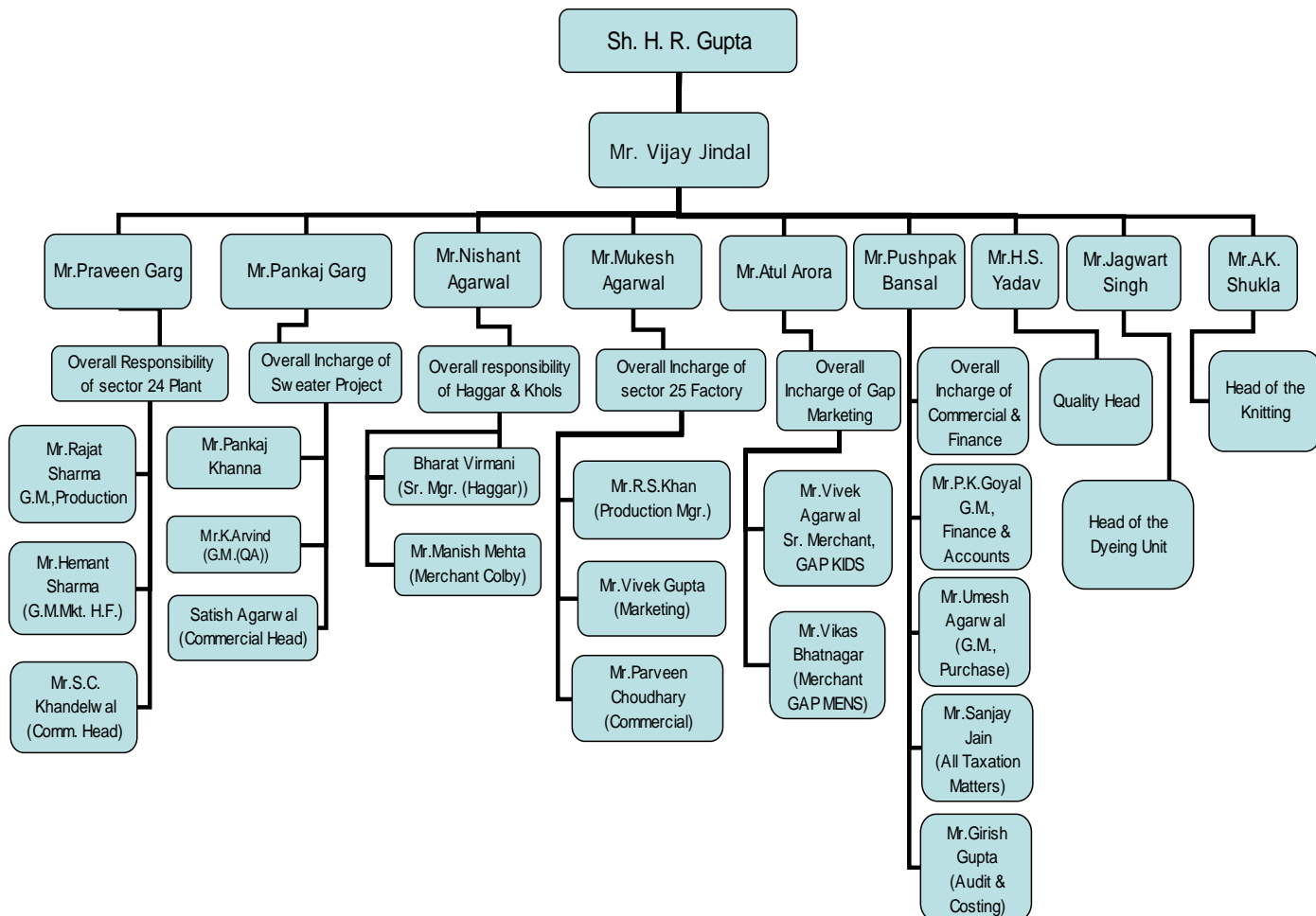
The Managing Director/Directors/Promoters of the Company shall be deemed to be interested to the extent of shares held by them and/or their friends and relatives and which may be allotted to them out of the present Issue, and are also deemed to be interested to the extent of remuneration and perquisites being drawn by them from the Company.

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

(i) Changes, if any, in the Directors in last three years and reasons thereof , wherever applicable

Sr. No.	Name of Director	Date of Appointment	Date of ceasing	Reason
1.	Shri Sushil Garg	Since Inception	30-11-2001	Due to health problem
2.	Shri Nishant Aggarwal	04-11-2004	01.01.2005	Personal problems.
3.	Shri Suresh Aggarwal	01.01.2005	N.A.	Strengthen the Board
4.	Shri Naresh Aggarwal	01.01.2005	N.A.	Strengthen the Board
5.	Shri Y. Harishankar	01.01.2005	N.A.	Strengthen the Board
6.	Shri Kailash B Goyal	01.01.2005	N.A.	Strengthen the Board
7.	Shri Ram Babu Bansal	01.01.2005	N.A.	Strengthen the Board
8.	Shri Lakhmi Chand Garg	-	01.01.2005	Health Problem

(ii) Management Organization structure :



(iii) Details regarding the key managerial personnel

As on December 2004 the company had 2297 employees. All the employees are permanent employees of the Company. The Company enjoys cordial relationships with its employees and currently has no major labour issues.

Sr. No.	Name of the Employee	Designation / Responsibilities	Age	Qualification	Experience	Date joining	Previous Employment
1.	Mr. Atul Arora	V.P. GAP Marketing Head	39	B. Sc	20	14.10.1995	Partner with an exporter of knitted garments, Worked in Banaras House
2.	Mr. Pushpak Bansal	V.P –Head of Finance & Commercial	38	B. Com, FCA	13	03.12.1999	BHEL, Hindustan Development Corporation
3.	Mr. Jagwart	G.M. Head of	37	B. Tech MBA	16	01.05.2001	Chambal

	Singh	Dyeing Dept					Knitwear Bhilwara Processor Jaiprakash Technology
4.	Mr. A. K. Shukla	G.M. Head of Knitting Dept	49	Diploma in Elect Engg	28	04.04.2001	Vardhaman Group Malwa Cotton JCT LNJ Bhilwara Group
5.	Mr. H. S. Yadav	G.M. Head of Dept of Quality Assurance (fabric)	44	B. Sc, PG in Textile chemistry, PG in Environmental Science	24	16.07.2003	Prathiba Syntex Ltd. Maral Overseas
6.	Mr. P. K. Goyal	G.M. Head of Finance & Accounts	42	B. Com, FCA	16	12.09.2003	Grasim Industries Ltd. SK Foils Ltd.
7.	Mr. R. N. Yadav	G.M. Head of Personnel Dept	48	B.A., LLB PGDPM & IR	25	01.09.1998	Lalit Fabrics Ltd.
8.	Mr. Bharat Virmani	Senior Manager - Head of marketing manager	34	B. Tech	11	01.12.1998	Maral Overseas
9.	Mr. Amit Sirohi	Senior Manager - Head of Design Dept	34	Dip in Fashion Design & Clothing Technology, Diploma in Systems Management	14	11.06.2004	NIIT Ltd. Indian Export House SGL
10.	Mr. V. K. Agarwal	G.M. Head of Human Resource Dept	57	MBA	27	11.01.2001	Shivalik Global Ltd.
11.	Mr. Vikrant	GM Production Garments	37	B.com, PDGBM	10	28.04.2004	Duke India
12.	Mr.B.B.Sharma	Company Secretary-cum-Compliance Officer	42	M Com, FCS	12	8.03.2005	Bindal Agro Chemical Ltd, ITL Group

Brief Profile of the Key managerial Personnel

1. **Mr. Atul Arora**, V.P. GAP Marketing Head: Aged 39 years, is a science graduate. He has earlier worked as a partner in firm which exported knitted garments and later he worked with Banaras House which was also into knitted garment exports. He has vast experience in knitted & woven garments. He has vast knowledge about fabrics/ processing (procuring, sourcing, dying and printing).
2. **Mr. Pushpak Bansal**, V.P –Head of Finance & Commercial: Aged 38 years, is a commerce graduate and a Chartered Accountant, He has 13 years of experience with companies like BHEL, Hindustan Development Corporation. He is associated with the company for more than 5 years. He has wide range of experience in finance, accounts, taxation, financial re structuring, dealing with the banks and financial institutions and capital issues across industries.
3. **Mr. Jagwart Singh**, General Manager Head of Dyeing Department: Aged 37 years, is a B.Tech (Textile Engineering) and MBA From IIMS, Calcutta. He has a experience of 16 years in the textile industry with

companies like Campbell Knitwear Ltd., Parakram Technofab Ltd. Bhilwara Processor Ltd. and JCT Limited. Presently he is handling the processing for Knitwear Division of the company where he monitors the full processing department of the company.

4. **Mr. A. K. Shukla:** Aged 49 years, is a Diploma holder in Electronic Engineering. Mr. Shukla has experience of 28 years in the field of textiles which includes Knitting, Dyeing, and Garments. Experience with spinning industries such as Vardhman Spinning and General Mills Ltd., Malwa Cotton Spinning Mills, JCT Electronics Limited, LNJ Bhilwara Group, Ginni Filaments and Bhomika International. Presently he is handling about 400 tonnes of knitted fabric per month in SPLIL. He has a good knowledge of planning of garmenting industries from project stage to implementation and production and also has a thorough and complete knowledge of implementation of orders, production and quality control techniques of Knitted fabrics, designing and sampling of various knits.
5. **Mr. H. S. Yadav,** Head of Research and Development: Aged 44 years, is a Science graduate and has completed his Post Graduate Diploma in Textile Chemistry and Post graduate diploma in environmental Sciences. Mr. Singh has 24 years of experience. He has worked with companies like Pratibha Syntax Ltd., Maral Overseas Ltd. And Nova Knit. He was associated with Northern India Textile Research Association (NITRA) a well known textile research body linked with Ministry of Textile as a scientific officer for more than 10 years. He is handling the quality assurance for the company which includes spinning, knitting, processing and garments.
6. **Mr. P. K. Goyal,** G.M Head of Finance & Accounts.: Aged 42 years, is B.Com, FCA. He has earlier worked with Grasim Industries Ltd. and S.K. Foils Ltd. During his experience with Grasim he had a chance to attend various conferences and seminars on PARTA, Insurance and cost effectiveness. Mr. Goyal manages the finance function, including term loan and working capital proposals for bank and financial institutions for the company. He has good knowledge of sales Tax, Income Tax and Central Excise.
7. **Mr. R. N. Yadav,** General Manager, Head of Personnel Department: Aged 48 years, is B.A., LLB, PGDBM in Industrial Relations. He is associated with company for a period of 7 years. He has worked with Shree Lalit Fabrics Pvt. Ltd. where he was independently handling the personnel department.
8. **Mr. Bharat Virmani,** Senior Manager (Marketing): Aged 34 years, is B. Tech in textile technology from Technological Institute of Textile and Sciences (Bhiwani), and PGDBA. He has an experience of 11 years and is associated with the company for more than 7 years. He is handling the marketing team for Hagger and Kohls. He is responsible for execution of the order starting from procurement of Yarn to final dispatch.
9. **Mr. Amit Sirohi,** Senior Manager (Design Dept): Aged 34 years, is a B.Sc and has done his Diploma in Fashion Technology and Clothing Techniques. His profile includes product development and presentation to US and European customers. He leads a team of technically qualified fashion and textile designers. He helps clients to do their research and development in all possible areas. Knit Design, styling and cost effectiveness as well fashion forward items are developed under his supervision. He has experience in sourcing various woven and knits from China and all over India. Has done research for various markets and clients and product profiling.
10. **Mr. V. K. Agarwal,** General Manager, Head of Human Resources Department: Aged 57 years, is an MBA. Mr. Agarwal has more than 27 years of experience. He organises various programs for the Staff which includes time management, Quality assurance, productivity improvement, social welfare activities.
11. **Mr. Vikrant,** General Manager, Production Garments: Aged 37 years, is a B.Com, and done his Diploma in Business Management. Mr. Vikrant has over 10 years of experience in the industry. In the past he has worked with companies like Maral Overseas Ltd., Sam Spintex Ltd. He is responsible for manufacturing and quality control of Fabrics and garments.
12. **Mr. B. B. Sharma, Company Secretary:** Aged 42 years, is a M.Com and fellow member of Institute of Company Secretaries of India. He has experience in handling Legal and Secretarial matters. He has also

been involved in handling IPOs and was dealing with Stock Exchanges, SEBI, and ROC matters, etc.

All the key management personnel are permanent employees of the Company.

Bonus or Profit Sharing Plan for the Key Managerial Personnel

There is no Bonus or Profit Sharing Plan for the Key Managerial Personnel

Changes in Key Managerial personnel

Following have been the changes in the key managerial personnel during the last one year

Sr. No.	Name of Key managerial person	Date of Appointment	Date of ceasing	Reason
A	Mr. Rajiv Anand	01/09/2003	30/06/04	Due to personal Reasons
B	Mr. Abdul Samad	06/11/1995	25/10/04	Due to personal Reasons
C	Mr. Amit Sirohi	04/12/2002	30/11/03	Due to personal Reasons
D	Mr. Amit Sirohi	11/06/2004	Not applicable	Not applicable
E	Mr. P. K. Goyal	12/09/2003	Not applicable	Not applicable
F	Mr. Vikrant	28/04/2004	Not applicable	Not applicable
G	Mr. B.B. Sharma	08/03/2005	Not applicable	For better prospectus

(iv) Disclosures regarding the Employee stock option scheme

There is no employee Stock Option Scheme as on date in the Company.

(v) Payment or benefit to officers of the company

There is no payment or benefit to given to the officers of the Company other than salary.

5. Promoters

Mr. H R Gupta



Mr. H R Gupta, Chairman and Managing Director: Aged 58 years, is a Commerce graduate with over 35 years of business experience. He is the Chairman of Sadhu group of Industries comprising of Sadhu Forging Ltd. (Steel, Forging & Gear division), Elkay Telelinks Ltd. (Cable Division), and has over 14 Years of experience in the Textile & garments industry having promoted SPL Industries Ltd.

He looks after the financial and commercial activities of the company. He is also responsible for new projects and initiatives of the company. He is President of Faridabad Industries Association.

Voter ID number	HR/06/52/615989
PAN	22-007-PX-2476
Driving license number	532/DL/SFO
Passport number	R 940948
Bank account number	01190005855, State Bank of Patiala, Faridabad

Mr. Vijay Jindal



Mr. Vijay Jindal, Joint Managing Director: Aged 46 years, is a Bachelor in Engineering (Mechanical) from Thappar College of Engineering, Punjab University. He has over 20 years of experience which includes 6 years in Elkay Strips Ltd. and almost 14 years of experience in textile and garment industry.

Mr. Jindal looks after the marketing and production function at SPLIL. He is actively involved in the strategic planning for the company and also handles new projects for the company.

Voter ID number	HR/ 06/ 52/615213
PAN	AAFPJ 4633H
Driving license number	2182/B/92
Passport number	E- 3940147
Bank account number	039010100151573, UTI Bank, Ballabgarh

The Permanent Account No., Bank Account No. and Passport No. of the Promoters have been submitted to NSE / BSE at the time of filing the prospectus with them.

Common Pursuits

SPL Overseas and SPL Exports are into manufacturing and exports of woven garments and into trading and export of knitted fabrics. The business is similar to that of the SPLIL.

Interest of the Promoters

The Promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits and their shareholding in the Company, if any.

Payment or benefit to promoters of the Company

There is no payment or benefit to be given to the promoters of the Company other than being a shareholder or remuneration as a Director.

Related Party Transactions For details please refer to page No. [REDACTED] in the section Auditors Report of the Draft Red Herring Prospectus

6. DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board of Directors and shareholders, in their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition.

SECTION V FINANCIAL STATEMENTS

Part A Financial Information of the Company

AUDITORS' REPORT

The Board of Directors
SPL Industries Limited
5/66, K.C. House, Padam Singh Road,
Karol Bagh, Delhi.

- a) We have examined the annexed financial information of SPL Industries Ltd for the five financial years from financial year ended March 31, 2000 to financial year ended March 31, 2004 and Nine months period ended December 31, 2004 being the last date to which the accounts of the company have been made up and audited. The Financial information is based on the accounts audited by us for the above-mentioned period. These Financial Statements are 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 in the Company (referred to as 'the issue').
- b) 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 February 8, 2005 requesting us to carry out work in connection with the Offer Document as aforesaid. We have examined the following financial information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report:
- i. The restated profits/losses of the Company for the above-mentioned period are 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 3 to this report.
- ii. The restated assets and liabilities of the Company as at March 31, 2000, 2001, 2002, 2003, 2004 and December 31, 2004 are as set out in Annexure II to this report after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Accounting Policies and Notes thereon appearing in Annexure III to this report.
- iii. The Company has distributed dividend on Equity shares for the financial years ending on March 31, 2000 and 2001 at the rate of 25 %. For the remaining years/period the Company has not declared or distributed any dividend on Equity shares.
- iv. Statement of secured loans outstanding as at above-mentioned year/period enclosed as per Annexure IV & security of loan outstanding as at 31.12.2004 is given in Annexure IV itself.
- v. The statement of Assets & Liabilities and Profit & Loss after making the adjustment of prior period items in the relevant years is enclosed as per Annexure V & VI.

There is no change in accounting policies in the concerned years. However there is change in accounting policy in the accounts for the period ended 31.12.2004. The same is as under;

In accordance with the revised Accounting Standard (AS) 11 relating to “the effect of change in foreign exchange rates”, the foreign currency amount of the forward contracts is translated at the exchange rate on the reporting date, resulted in profit of Rs. 43.60 Lacs, which has been credited to Profit & Loss account. As a result the profit for the period has increased by Rs. 43.60 Lacs.

Though the aforesaid change is due to change in Accounting Standard in our opinion the figures of earlier years do not need to be recomputed to reflect the impact on profit on those years if the uniform policy was followed in those years.

- vi. Accounting Ratios as appearing in Annexure VII to this Report;
- vii. Capitalization statements as at December 31, 2004 as appearing in Annexure VIII to this report;
- viii. Statement of Unsecured Loans outstanding as at December 31, 2004 (including that from related parties) is enclosed as Annexure IX to this report;
- ix. Statement of tax shelters as appearing in Annexure X to this report;
- x. The restated profit/ losses of Mode Prints Ltd. (the only subsidiary company of the company as at December 31, 2004) for the above-mentioned period are as set out in Annexure XI. The same is prepared on the basis of financial statements of subsidiary company, which is audited by another firm of chartered accountants.
- xi. The restated Assets & Liabilities of Mode Prints Ltd. (the only subsidiary company of the company as at December 31, 2004) for the above-mentioned period are as set out in Annexure XII. The same is prepared on the basis of financial statements of subsidiary company, which is audited by another firm of chartered accountants.
- xii. For details contingent liability as at December 31, 2004 to be referring note no. 1 of notes of accounts enclosed here with as per Annexure No. 3.
- xiii. Age wise detail of sundry debtors for above-mentioned period is given as per Annexure XIII.
- xiv. Break-up of loans & advances for above mentioned period is given as per Annexure XIV.
- xv. Statement of investments at the end of above mention period is enclosed as per Annexure XV.
- xvi. Details of transactions with the related parties (Related parties with in the meaning of AS 18 issued by ICAI) enclosed as per Annexure XVI.
- xvii. Statement of Other Income enclosed as Annexure XVII to this report.
- xviii. Statement of Cash Flow enclosed as Annexure XVIII to this report.

In our opinion the financial information of the Company as stated above read with significant accounting policies attached in Annexure III 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 .

- b) This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **MEHRA GOEL & CO.**
CHARTERED ACCOUNTANTS

PLACE: NEW DELHI

DATED: March 9, 2005

R.K.MEHRA

PARTNER
M. No. **6102**

Annexure I

Statement of Profits & Losses For The Year Ended 2000, 2001, 2002, 2003, 2004 and for the Period Ended 31.12.2004

Rs. in Lakhs

	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
A. Income						
-- Sale of Products						
Manufactured Goods	8,581.48	8,525.40	12,429.84	13,837.16	13,411.60	10,105.94
Traded Goods						
--Processing Charges	432.18	1,016.58	845.02	1,121.80	610.62	849.92
--Export Incentives	1,174.67	1,066.44	1,239.63	1,641.27	1,125.91	985.46
Total	10,188.33	10,608.42	14,514.49	16,600.23	15,148.13	11,941.32
Other Incomes	37.63	219.52	275.42	150.95	240.32	132.77
Increase/(Decrease) in Inventories	19.05	231.02	421.49	1,093.35	178.32	2,629.81
Total	10,245.01	11,058.96	15,211.40	17,844.53	15,566.77	14,703.90
B. Expenditure						
Raw Material Consumed	3,880.17	4,226.86	6,836.23	8,498.26	7,588.30	7,150.71
Stores Consumed	91.37	100.37	163.64	177.38	157.92	62.34
Employee Cost	350.20	636.23	1,177.11	1,475.00	1,354.30	1,372.99
Power & Fuel	434.22	587.36	716.79	853.07	766.79	732.81
Other Manufacturing Expenses	1,328.47	1,423.97	1,970.07	2,860.48	2,165.95	1,553.61
Administrative Expenses	217.12	265.10	437.06	571.41	490.95	595.31
Selling & Distribution Expenses	1,737.17	1,204.95	1,576.52	1,954.06	1,262.27	1,243.33
Provision for Excise Duty on Finished Goods	-	-	-	-	12.64	(1.09)
Interest	282.37	310.80	446.14	463.94	550.71	478.73
Miscellaneous Expenditure Amortised	0.44	0.44	0.44	0.36	0.36	-
Goodwill Amortized	-	-	-	-	0.57	-
	8,321.53	8,756.08	13,324.00	16,853.96	14,350.76	13,188.74
Net Profit Before Depreciation, Tax & Prior Period Items (A-B)	1,923.48	2,302.88	1,887.40	990.57	1,216.01	1,515.16
C. Depreciation/Amortisation	284.13	365.57	740.60	611.54	690.63	501.79
Net Profit Before Tax & Prior Period Items	1,639.35	1,937.31	1,146.80	379.03	525.38	1,013.37
Provision for Wealth Tax	0.74	0.60	0.61	0.61	0.68	0.85
Provision for Current Tax	26.60	48.60	12.10	26.00	22.00	222.00
Provision for Deferred Tax	-	-	-	64.20	71.43	157.41
Tax Paid/Provision Written Back for earlier Year	-	(26.41)	(3.83)		2.03	
Net Profit Before Prior Period Items	1,612.01	1,914.52	1,137.92	288.22	429.24	633.11
D. Prior Period Items			1.24	173.06	4.64	-
Net Profit as per Audited Financial Statements	1,612.01	1,914.52	1,136.68	461.28	433.88	633.11

Annexure II

Statement of Assets and Liabilities, as restated

Rs. in Lakhs

	For the Period/Year Ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
A Fixed/Intangible Assets						
Gross Block	3,034.11	5,060.50	6,031.76	7,735.42	8,773.20	9,053.89
Less: Depreciation	1,119.87	1,478.52	2,190.43	2,618.83	3,270.47	3,719.21
Net Block	1,914.24	3,581.98	3,841.33	5,116.59	5,502.73	5,334.68
B Capital work in progress	33.51	10.62	94.80	222.80	369.44	232.11
C Investments	876.00	1,598.28	1,089.43	1,089.43	816.17	802.68
D Current Assets, Loans and Advances:						
Inventories	981.01	1,480.24	2,112.33	3,715.60	3,569.54	6,682.02
Sundry Debtors	1,066.00	1,078.97	1,135.85	1,733.00	1,905.50	2,552.48
Cash and Bank Balances	123.12	693.67	233.41	469.76	179.02	239.33
Loans and Advances	793.62	1,373.40	2,035.56	2,211.08	2,657.48	3,224.47
Other Current Assets						
	2,963.75	4,626.28	5,517.15	8,129.44	8,311.54	12,698.30
TOTAL A TO D	5,787.50	9,817.16	10,542.71	14,558.26	14,999.88	19,067.77
E Liabilities and Provisions:						
Secured Loans	1,361.53	3,023.05	3,002.17	4,703.58	4,994.00	6,740.33
Unsecured Loans					332.11	89.11
Current Liabilities and Provisions	615.80	1,344.46	953.78	2,742.08	2,058.62	3,832.66
	1,977.33	4,367.51	3,955.95	7,445.66	7,384.73	10,662.10
F Deferred Tax Liability	-	-	-	345.63	417.06	574.47
G Networth	3,810.17	5,449.65	6,586.76	6,766.97	7,198.09	7,831.20
H Represented by						
1. Share Capital	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
2. Reserves	2,811.78	4,450.81	5,587.48	5,767.33	6,198.09	6,831.20
	3,811.78	5,450.81	6,587.48	6,767.33	7,198.09	7,831.20
Miscellaneous Expenditure to the extent I not written off or adjusted	1.61	1.16	0.72	0.36	-	-
J Networth (H-I)	3,810.17	5,449.65	6,586.76	6,766.97	7,198.09	7,831.20
TOTAL (E+F+G)	5,787.50	9,817.16	10,542.71	14,558.26	14,999.88	19,067.77

Annexure III

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with applicable accounting standards in India.

2. FIXED ASSETS

- a. Fixed assets are stated at cost net of Modvat / cenvat wherever availed, less accumulated depreciation. Cost of fixed assets comprises purchase price, duties, levies and any directly attributable cost of bringing the assets to its working condition for the intended use. Borrowing cost relating to the qualified assets for the period up to the date of acquisition or completion and adjustments arising from exchange rate variation relating to borrowing attributable to the fixed assets are capitalized.
- b. Advance paid towards the acquisition of fixed assets, and the cost of assets not ready to put to use before the year end, are disclosed under capital work in progress.

3. DEPRECIATION

- a) Depreciation on all plant and machinery and building at Sarai & at plot No.48, sector 6, Faridabad has been provided on the Written Down value method at the rate and in the manner prescribed in schedule XIV to the Companies Act 1956.
- b) Depreciation on other fixed assets is provided on straight Line Method at the rate and in the manner prescribed in schedule XIV to the Companies Act 1956.

Depreciation is charged on pro-rata basis for assets purchased / sold during the year. Individual assets costing Rs. 5000/- or less are depreciated in full, in the year of purchase. Depreciation on incremental cost arising on account of translation of foreign currency liabilities for acquisition of fixed assets is provided as aforesaid over the residual life of the respective assets.

4. Intangible Assets

Software is capitalized on the date of installation and is amortized over a period of three years.

5. INVESTMENTS

Investments are classified into current and long term investments. Current investments are stated at lower of cost or market value. Long term investments are stated at cost and provision for diminution in value is made only if such decline is other than temporary in the opinion of management.

6. INVENTORY VALUATION

Inventories are valued at lower of cost or net realisable value except scrap, which is valued at net realisable value. The cost is determined by using First In First Out (FIFO) method. Finished goods & work in progress includes costs of conversion & other costs incurred in bringing the inventories to their present location & condition.

Excise duty on closing stock of manufactured goods, wherever applicable, is accounted for on the basis of payment made in respect of goods cleared as also provision made for goods lying in the factory and included in the value of such stocks.

7. SALES

Sales are recognized on dispatch of goods from factory at the rates intimated by the Custom Department. The difference on realization of bills is booked in exchange difference.

8. PROCESSING CHARGES

Processing charges are net of returns, trade discount and rebates.

9. PURCHASE OF RAW MATERIALS

Cost of Purchase less modvat / cenvat credits, wherever availed, constitutes purchase price and includes duties, freight inward and other cost directly attributable to such purchase in the year in which they are accounted, whether the expenditure is immediate or deferred.

10. BORROWING COST

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

11. DIVIDEND INCOME

Dividend on investments is accounted for as and when the right to receive the same is established.

12. CLAIMS

Claim receivables are accounted for depending on the certainty of receipt & Claims payable are accounted for at the time of acceptance.

13. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction. The difference in monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the year end are translated at year end rates and are recognized in the Profit & Loss Account, except difference on transactions relating to acquisition of fixed assets which are adjusted to the carrying cost of such fixed assets. In respect of transaction covered by forward exchange contracts, any income or expense on account of exchange difference either on settlement or on translation at Balance Sheet Date is recognised in profit and loss account for the period in which it arises. The premium or discount at the inception of forward contract is amortised as income or expense over the life of contract.

14. TAXATION

1. The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company.
2. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
3. Deferred tax assets are not recognized on unabsorbed depreciation & carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized and are reviewed at each balance sheet date to reassure the realization.
4. Deferred tax assets & liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

15. RETIREMENT BENIFITS

Contribution to defined contribution schemes such as provident fund and family pension funds are charged to revenue. For gratuity, the company has opted the scheme managed by Life Insurance Corporation of India (LIC). Amount paid / payable to the LIC towards gratuity liability is charged to revenue. For the employees not covered by the said scheme, the gratuity liability is provided for in the accounts on the basis of last salary drawn. Provision for earned leave is made for the value of unutilized leave due to employee as at the end of the year on the basis of last salary drawn, in the absence of actuarial valuation.

NOTES TO ACCOUNTS

1.

(Rs in Lakhs)

	CONTINGENT LIABILITIES	AS AT 31.12.2004	AS AT 31.03.2004
(a)	Bank Guarantee for A.E.P.C and Custom Duty	145.87	81.43
(b)	Bills Discounted	308.70	980.33
(c)	Outstanding Letter of Credit (Net of Margin of Rs. 170.21(P.Y. 74.97))	1369.38	674.76
(d)	Export Obligation	2851.00	4067.00
(e)	Disputed Liability towards Provident Fund and E.S.I	431.14	431.14
(f)	Disputed Liability towards Sales Tax	91.82	--
(g)	Estimated amount of Contract remaining to be executed (Net of Advance)	32.62	31.61

2. In case of default in repayment of principal amount of the term loans taken from IDBI or interest thereon IDBI has a right to convert at par at its option 100% of the defaulted amount into fully paid up equity shares of the company. The balance of aforesaid loans as at 31.12.2004 is Rs. 1230.00 Lakhs. (As at 31.03.2004 Rs. 910.00 Lakhs)

3. Directors Remuneration

Rs. In lakhs

Particulars	Current Period	Previous Year
Salary	5.06	6.09
House Rent allowance	0 .34	0 .38
Perquisites	0 .29	0 .38
Total	5.69	6.85

4. Computation of Net Profit in accordance with section 198/349 of the Companies Act, 1956 has not been given as no commission is payable to Managing/Whole Time Directors.

5. Security for Loans

- Term loan from banks Secured by first charge created/ to be created on all immovable properties (both present & future) of the company (except loan of Rs. 76 Lakhs from GE Capital Services India Ltd. having first exclusive charge on plant & machinery acquired under the loan) held in pari passu with the term loan from financial institution and further secured by personal guarantee of two directors of the company.
- Other term loan from banks secured by hypothecation of specific vehicles.

- c) Working Capital loan from banks secured by hypothecation of raw material, semi finished goods, finished goods, consumable stores, spares, book debts and all other current assets(present & future), and second charge on all fixed assets of the company and further secured by personal guarantee of two directors of the company. The Loan of Rs. 439.08 Lakhs from The Hongkong and Shanghai Banking Corporation Ltd. will be secured by the documents of purchase, specific ECGC policy, demand promissory note of Rs. 1310.00 Lakhs and personal guarantee of two directors of an equal amount.
- d) Term loan from financial institution secured by first charge created/ to be created on all immovable properties (both present & future) of the company (except loan of Rs. 76 lakhs from GE Capital Services India Ltd. having first exclusive charge on plant & machinery acquired under the loan) (held in pari passu with the term loan from bank and hypothecation of movable properties of the company (save & except book debts) subject to prior charge of the company's bankers for securing working capital requirement and further secured by personal guarantee of two directors of the company. Term loan of Rs. 76 lakhs from GE Capital Services India Ltd. is secured by first exclusive charge on plant & machinery acquired under this loan and further secured by personal guarantee of two directors of the company.

6. The Company has invested Rs. 95.75 Lakhs in the equity share capital of Elkay Strips Ltd., which has incurred losses as a result of which the net worth of aforesaid company has been depleted. As that investment is held as long term investment and considering the assets base of investor company, the management is of the opinion that the diminution in value of equity shares is of temporary in nature and accordingly no provision is necessary for the same.

7. Interest income includes Rs. 34,34,754/- (Previous Year Rs.80,58,870/-) on loans to body corporates and the balance derived from banks & other.

8. In accordance with the revised Accounting Standard (AS) 11 relating to "the effect of change in foreign exchange rates", the foreign currency amount of the forward contracts is translated at the exchange rate on the reporting date, resulted in profit of Rs. 43.60 Lakhs, which has been credited to Profit & Loss account. As a result the profit for the period has increased by Rs. 43.60 Lakhs.

9. Exchange fluctuation (net) includes Rs. 130.26 Lakhs (Previous Year Rs. 116.90) which is arised on cancellation of forward exchange contracts.

10. Sundry creditor includes Rs. 105762/-(Previous year-Rs.-178963/-) due to small scale and ancillary undertakings to the extent such parties have been identified from available information, which have been relied upon by the auditors. The Company has normally made payments to SSI units in due time and also being no claim from the parties, interest, if any, on overdue payment is unascertainable and thus not provided for. The names of SSI units to whom company owes any sum, which is outstanding for more than 30 days as at the balance sheet date, are ASB Industries Pvt. Ltd., Jain labels Pvt. Ltd. and K.C. Enterprises.

11. Prior Period Adjustment's (Net) includes:-

	Current Period in Lakhs)	(Rs. Previous Year (Rs. in Lakhs)
Written Back of Depreciation	--	(0.08)
Short/(Excess) provision of Earned Leave (Net)	--	(4.56)
Total	--	(4.64)

12. Segment Information:

- a) **Primary Segment Reporting by Business Segment:**

Primary business segment of the company is sale of cotton garments and made ups i.e. T-Shirts, Cotton Sweater, Bed Sheets etc, which in the context of Accounting Standard 17 on “Segment Reporting” issued by ICAI is considered the only business segment.

b) Secondary Segment Reporting (By Geographical Segments):

The Following is the distribution of the company’s consolidated sales by geographical segment, regardless of where the goods were produced:

		Current Period (Rs. In Lakhs)	Previous Year (Rs. in Lakhs)
(i)	Sales to Overseas Market	10163.08	12960.90
(ii)	Sales to Domestic Market	422.71	750.58

The Company has common fixed assets for producing goods for overseas markets and domestic markets. Hence, separate figures for fixed assets/additions to fixed assets etc. cannot be furnished.

13.Related Party Information:

(i) Relationships:

(a)Subsidiary Companies:

(i) Mode Prints Ltd.

(b)Associates:

(i) Elkay Strips Ltd.

(c)Key Management Personnel (KMP):

- (i) Vijay Jindal
- (ii) Praveen Garg
- (iii)Pankaj Garg

(d)Relatives of Key management personnel):

- (i) Punita Jindal
- (ii) Nikita Garg
- (iii)Avni Jindal
- (iv)Richa Jindal

e)Enterprises over which key management personnel (KMP) or relative having significant influence:

- (i) Sadhu Forging Ltd.
- (ii) Elkay Telelinks Ltd.
- (iii)SPL Overseas
- (iv) Elkay International Ltd.

Note: Related party relationship is as identified by the company and relied upon by the auditors.

(ii) Transactions Carried out with related parties referred in (i) above, in ordinary course of business:

Rs. In Lakhs

PARTICULARS	Subsidiary Companies		Associates		Key Management Personnel		Relatives of key Management personnel		Enterprises over which KMP & their relatives have significant influence		Grand total	
	Current Period	Previous Yr.	Current Period	Previous Yr.	Current Period	Previous Yr.	Current Period	Previous Yr.	Current Period	Previous Yr.	Current Period	Previous Yr.
Rent Paid	4.50	6.00	3.60	4.80	-	-	-	-	-	-	8.10	10.80
Payment made by Company on behalf of them	1.22	2.63	12.13	8.64	-	-	-	-	31.70	0.40	45.05	11.67
Payment received by Company on behalf of them	-	-	-	142.31	-	-	-	-	-	-	-	142.31
Remuneration	-	-	-	-	5.69	6.85	4.23	4.17	-	-	9.92	11.02
Interest Received	-	-	22.81	36.05	-	-	-	-	10.84	37.38	33.65	73.43
Interest Paid	-	-	-	-	-	-	-	-	9.64	-	9.64	-
Loan & advance Given	-	-	13.85	32.83	-	-	-	-	239.51	2.50	253.36	35.33
Loan Taken	-	-	-	-	-	-	-	-	129.00	378.00	129.00	378.00
Security received back	-	-	-	-	-	-	-	-	-	-	-	-
Sale / Jobwork	-	-	-	71.12	-	-	-	-	194.94	35.31	194.94	106.43
Sale of Investment	-	-	-	-	-	-	-	-	-	100.00	-	100.00
Purchase/Job work	-	-	-	-	-	-	-	-	39.06	67.63	39.06	67.63
Outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Receivable	-	-	-	2.16	-	-	-	-	272.99	125.54	272.99	127.70
Payable	-	-	-	-	0.53	0.29	0.46	0.45	-	-	0.99	0.74
Loan & Advances Given	10.59	12.94	396.62	426.31	-	-	-	-	74.22	354.89	481.43	794.14
Loan Taken (Including Interest Payable)	-	-	-	-	-	-	-	-	98.75	297.11	98.75	297.11

14. **Deferred Tax**

Rs. In Lakhs

Deferred tax liability at the year end comprise of the followings:

	AS at 31.12.2004	AS at 31.03.2004
(1) Deferred liability on account of:		
Timing difference between book & tax depreciation	604.17	451.98
	604.17	451.98
(2) Deferred Assets on account of:		
Disallowance under section 43B	20.50	16.44
MAT carried forward	00.00	09.52
Others	9.20	08.95
	29.70	34.91
Net Deferred Tax Liability	574.47	417.07

15. Personal accounts are subject to confirmation of respective parties.

16. The accounts for the current period are for nine months i.e. from April 1, 2004 to December 31, 2004 while those of the previous year were from April 1, 2003 to March 31, 2004 and accordingly, the figures are not comparable. Previous year figures have been regrouped/ rearranged, wherever considered necessary.

Annexure IV

STATEMENT OF SECURED LOANS

Rs. In Lakhs

	For The Period/Year Ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
From Financial Institution						
--In Foreign Currency	407.62	326.47	227.30	165.39	-	-
--In Indian Rupees	62.02	3.08	-	-	-	-
--Technical Upgradation Finance	-	1,450.00	1,450.00	1,210.00	910.00	1,294.42
Interest Accrued and Due	-	-	53.78	49.66	-	-
From Banks						
--Term Loan	-	-	-	-	549.33	466.80
--Other Term Loan	-	-	-	5.21	10.12	19.54
--Working Capital Loan	891.89	1,243.50	1,271.09	3,273.31	3,524.55	4,959.57
	1,361.53	3,023.05	3,002.17	4,703.57	4,994.00	6,740.33

Security:

- Term loan from banks Secured by first charge created/ to be created on all immovable properties (both present & future) of the company (except loan of Rs. 76 Lakhs from GE Capital Services India Ltd. having first exclusive charge on plant & machinery acquired under the loan) held in pari passu with the term loan from financial institution and further secured by personal guarantee of two directors of the company.
- Other term loan from banks secured by hypothecation of specific vehicles.
- Working Capital loan from banks secured by hypothecation of raw material, semi finished goods, finished goods, consumable stores, spares, book debts and all other current assets(present & future), and second charge on all fixed assets of the company and further secured by personal guarantee of two directors of the company. The Loan of Rs. 439.08 Lakhs from The Hongkong and Shanghai Banking Corporation Ltd. will be secured by the documents of purchase, specific ECGC policy, demand promissory note of Rs. 1310.00 Lakhs and personal guarantee of two directors of an equal amount.
- Term loan from financial institution secured by first charge created/ to be created on all immovable properties (both present & future) of the company (except loan of Rs. 76 lakhs from GE Capital Services India Ltd. having first exclusive charge on plant & machinery acquired under the loan) (held in pari passu with the term loan from bank and hypothecation of movable properties of the company (save & except book debts) subject to prior charge of the company's bankers for securing working capital requirement and further secured by personal guarantee of two directors of the company. Term loan of Rs. 76 lakhs from GE Capital Services India Ltd. is secured by first exclusive charge on plant & machinery acquired under this loan and further secured by personal guarantee of two directors of the company.

Annexure V

**Statement of Profits & Losses For The Year Ended 2000, 2001, 2002, 2003, 2004 and for the Period Ended 31.12.2004
(After Adjusting Prior Period Items in the Relevant Year)**

	Rs. in Lakhs					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
A. Income						
-- Sale of Products						
Manufactured Goods	8,581.48	8,525.40	12,429.84	13,837.16	13,411.60	10,105.94
Traded Goods						
--Processing Charges	432.18	1,016.58	845.02	1,121.80	610.62	849.92
--Export Incentives	1,174.67	1,066.44	1,239.63	1,641.27	1,125.91	985.46
Total	10,188.33	10,608.42	14,514.49	16,600.23	15,148.13	11,941.32
Other Incomes	37.63	219.52	275.42	150.95	240.32	132.77
Increase/(Decrease) in Inventories	19.05	231.02	421.49	1,093.35	178.32	2,629.81
Total	10,245.01	11,058.96	15,211.40	17,844.53	15,566.77	14,703.90
B. Expenditure						
Raw Material Consumed	3,880.17	4,226.86	6,836.23	8,498.26	7,588.30	7,150.71
Stores Consumed	91.37	100.37	163.64	177.38	157.92	62.34
Employee Cost	350.20	636.23	1,172.45	1,470.44	1,354.30	1,372.99
Power & Fuel	434.22	587.36	716.79	853.07	766.79	732.81
Other Manufacturing Expenses	1,328.47	1,423.97	1,970.07	2,860.48	2,165.95	1,553.61
Administrative Expenses	217.12	265.10	437.06	571.41	490.95	595.31
Selling & Distribution Expenses	1,737.17	1,204.95	1,576.52	1,954.06	1,262.27	1,243.33
Provision for Excise Duty on Finished Goods	-	-	-	-	12.64	(1.09)
Interest	282.37	310.80	455.16	463.94	550.71	478.73
Miscellaneous Expenditure Amortised	0.44	0.44	0.44	0.36	0.36	-
Goodwill Amortized	-	-	-	-	0.57	-
	8,321.53	8,756.08	13,328.36	16,849.40	14,350.76	13,188.74
Net Profit Before Depreciation, Tax (A-B)	1,923.48	2,302.88	1,883.04	995.13	1,216.01	1,515.16
C. Depreciation /Amortisation	284.13	366.81	563.18	611.46	690.63	501.79
Net Profit Before Tax	1,639.35	1,936.07	1,319.86	383.67	525.38	1,013.37
Provision for Wealth Tax	0.74	0.60	0.61	0.61	0.68	0.85
Provision for Current Tax	26.60	48.60	12.10	26.00	22.00	222.00
Provision for Deferred Tax	-	-	-	64.20	71.43	157.41
Tax Paid/Provision Written Back for earlier Year	-	(26.41)	(3.83)		2.03	
Net Profit	1,612.01	1,913.28	1,310.98	292.86	429.24	633.11

Note: Provision for tax is not recalculated due to prior period adjustments in the relevant year as above.

Annexure V (continued)

**Statement of Assets and Liabilities, as restated
(After Adjusting Prior Period Items in the Relevant
Year)**

Rs. in Lakhs

	For the Period/Year Ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
A Fixed/Intangible Assets						
Gross Block	3,034.11	5,060.50	6,031.76	7,735.42	8,773.20	9,053.89
Less: Depreciation	1,119.87	1,479.76	2,013.01	2,618.75	3,270.47	3,719.21
Net Block	1,914.24	3,580.74	4,018.75	5,116.67	5,502.73	5,334.68
B Capital work in progress	33.51	10.62	94.80	222.80	369.44	232.11
C Investments	876.00	1,598.28	1,089.43	1,089.43	816.17	802.68
D Current Assets, Loans and Advances:						
Inventories	981.01	1,480.24	2,112.33	3,715.60	3,569.54	6,682.02
Sundry Debtors	1,066.00	1,078.97	1,135.85	1,733.00	1,905.50	2,552.48
Cash and Bank Balances	123.12	693.67	233.41	469.76	179.02	239.33
Loans and Advances	793.62	1,373.40	2,035.56	2,211.08	2,657.48	3,224.47
Other Current Assets						
	2,963.75	4,626.28	5,517.15	8,129.44	8,311.54	12,698.30
TOTAL A TO D	5,787.50	9,815.92	10,720.13	14,558.34	14,999.88	19,067.77
E Liabilities and Provisions:						
Secured Loans	1,361.53	3,023.05	3,002.17	4,703.58	4,994.00	6,740.33
Unsecured Loans					332.11	89.11
Current Liabilities and Provisions	615.80	1,344.46	958.14	2,737.52	2,058.62	3,832.66
	1,977.33	4,367.51	3,960.31	7,441.10	7,384.73	10,662.10
F Deferred Tax Liability	-	-	-	345.63	417.06	574.47
G Networth	3,810.17	5,448.41	6,759.82	6,771.61	7,198.09	7,831.20
H Represented by						
1. Share Capital	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
2. Reserves	2,811.78	4,449.57	5,760.54	5,771.97	6,198.09	6,831.20
	3,811.78	5,449.57	6,760.54	6,771.97	7,198.09	7,831.20
Miscellaneous Expenditure to the extent I not written off or adjusted	1.61	1.16	0.72	0.36	-	-
J Networth (H-I)	3,810.17	5,448.41	6,759.82	6,771.61	7,198.09	7,831.20
TOTAL (E+F+G)	5,787.50	9,815.92	10,720.13	14,558.34	14,999.88	19,067.77

Annexure VI

SPL INDUSTRIES LIMITED

STATEMENT OF ACCOUNTING RATIOS

Rs. In Lakhs

	For The Period/Year Ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
Earnings Per Share (EPS) (Rs.)	16.12	19.15	11.37	4.61	4.34	6.33
Return on Networth (%)	42.31	35.13	17.26	6.82	6.03	8.08
Net Asset Value (NAV) Per Share (Rs.)	38.10	54.50	65.87	67.67	71.98	78.31
Equity Shares Outstanding during the period/year	10,000,000	10,000,000	10,000,000	10,000,000	10,000,002	10,000,002

Notes:

The Ratios have been computed as below

Earning Per Share (Rs.)	$\frac{\text{Net Profit attributable to Equity Shareholders}}{\text{No. of Equity Share outstanding during the period/year}}$
Return On Net Worth (%)	$\frac{\text{Net profit After Tax}}{\text{Net Worth at the end of the period/year}}$
Net Asset Value per Share (Rs.)	$\frac{\text{Net Worth at the end of the period/year}}{\text{Equity Share outstanding during the period/year}}$

Annexure VII

SPL INDUSTRIES LIMITED

Capitalisation Statement

Rs. In Lakhs

	Pre issue as at December 31,2004	Pre issue Adjusted for Bonus Issue given on 07.02.05	Adjusted for Present Issue
Debt			
Short Term Debt *	5,433.26	5,433.26	5,433.26
Long Term Debt (A)	1,396.18	1,396.18	1,396.18
Total Debt	6,829.44	6,829.44	6,829.44
Shareholders' Funds			
Share Capital	1,000.00	2,000.00	**
Reserves	6,831.20	5,831.20	**
Total Shareholders' Funds B	7,831.20	7,831.20	**
Long Term Debt/ Total Shareholders' Fund (A/B)	0.18 : 1	0.18 : 1	**

* As informed by management, short term debts are debts repayable within one year

** Share Capital and Reserves (Post Issue) can be calculated only on conclusion of the Book Building Process.

Annexure VIII

STATEMENT OF UNSECURED LOANS OUTSTANDING AS AT 31.12.2004

	Rs. In Lakhs
Sadhu Forging Ltd.	89.11
(Related Party as per Accounting Standard 18 issued by ICAI.)	

The rate of Interest on the same is 8 % & no repayment schedule specified for the same.
the same can be recalled by lender at any time.

Note :- The same is being paid till date of the certificate.

Annexure IX

STATEMENT OF TAX SHELTERS

Rs. In Lakhs

	For The Period/Year Ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
Profit Before Tax as Per Books (A)	1,639.35	1,937.31	1,145.56	552.09	530.01	1,013.37
Tax Rate	38.50%	39.55%	35.70%	36.75%	35.88%	36.59%
Tax at actual rate on book profits	631.15	766.21	408.96	202.89	190.17	370.79
Adjustments :						
Permanent Differences						
U/s 80HHC	1,403.02	1,091.49	670.80	183.64	72.12	-
U/s 80 IA/IB	479.08	563.02	468.13	113.83	197.14	-
Other Adjustments	(33.10)	(12.15)	(39.11)	(2.65)	8.59	(28.50)
Total Permanent Differences (B)	1,849.00	1,642.36	1,099.82	294.82	277.85	(28.50)
Timing Differences						
Difference between Tax Depreciation and Book Depreciation	59.60	268.11	1.15	197.13	169.10	420.24
Provision for Gratuity	0.29	1.26	(2.00)	(0.27)	(10.82)	1.69
U/s 43B	2.13	(3.32)	(30.40)	(3.71)	(3.80)	(15.12)
Other Adjustments	-	-	-	(8.53)	(6.04)	(3.21)
Total Timing Differences (C)	62.02	266.05	(31.25)	184.62	148.44	403.60
Net Adjustments (B+C)	1,911.02	1,908.41	1,068.57	479.44	426.29	375.10
Tax saving Thereon	735.74	754.78	381.48	176.20	152.95	137.25
Profit as per Income Tax returns (D) = (A-B-C)	(271.67)	28.90	76.99	72.65	103.72	638.27
Taxable Income as per MAT	236.33	572.95	188.51	324.44	289.60	-
Tax as per Income Tax Returns	27.30	48.56	27.93	26.70	37.21	233.56

Notes :

1. The figures in the above statement for the period ended December 31,2004 are provisional and would be finalised at the year end.
2. The figures for all other periods/years are as per the Returns of Income Filed.
3. The Benefit U/s 80 IB & 80 HHC is no more available after 31.03.2004.

Annexure X

MODE PRINTS LIMITED

Statement of Profits & Losses For The Year Ended 2000,2001,2002,2003,2004 and for the Period Ended 31.12.2004

Rs. in Lakhs

	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
A. Income						
-- Sale of Products	-	-	-	-	-	-
Manufactured Goods	-	-	-	-	-	-
Traded Goods	-	-	-	-	-	-
--Processing Charges	5.26	-	-	-	-	-
--Export Incentives	-	-	-	-	-	-
Total	5.26	-	-	-	-	-
Profit on sale of Investment		75.60				
Other Incomes	1.39	4.66	6.58	6.59	6.66	5.03
Increase/(Decrease) in Inventories	(4.70)	-	-	-	-	-
Total	1.95	80.26	6.58	6.59	6.66	5.03
B. Expenditure						
Colour, Chemicals & Stores Consumed	4.77	-	-			-
Employee Cost	0.83	0.08	-			-
Power & Fuel	1.25	0.41	-			-
Loss on sale of Fixed Assets	23.97	2.15				
Loss on Sale of Inventory	-	5.24				
Other Manufacturing Expenses	2.16	-	-			-
Administrative Expenses	3.80	0.64	21.74	1.74	1.47	2.04
Bad Debts	-	11.56	-			-
Miscellaneous Expenditure Amortised	0.02	-	-			-
	36.80	20.08	21.74	1.74	1.47	2.04
Net Profit Before Depreciation, Tax & Prior Period Items (A-B)	(34.85)	60.18	(15.16)	4.85	5.19	2.99
C. Depreciation	4.67	1.05	0.96	0.87	0.79	0.54
Provision on for Wealth Tax	-	-	-	-	-	-
Provision for Current Tax	-	-	-	1.25	1.25	0.90
Provision for Deferred Tax	-	-	-	(0.04)	0.05	-
Tax Paid/Provision Written Back for earlier Year	-	-	-	-	2.42	-
Net Profit Before Prior Period Items	(39.52)	59.13	(16.12)	2.77	0.68	1.55
D. Prior Period Items	0.01	-	-	-		
Net Profit as per Audited Financial Statements	(39.51)	59.13	(16.12)	2.77	0.68	1.55

Annexure XI

Mode Prints Ltd.

Statement of Assets and Liabilities, as restated

Rs. in Lakhs

	For the Period/Year Ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
A Fixed Assets						
Gross Block	294.70	278.02	278.02	278.02	278.02	278.02
Less: Depreciation	47.98	46.36	53.29	59.57	65.26	69.11
Net Block	246.72	231.66	224.73	218.45	212.76	208.91
Less: Revaluation Reserve	168.59	161.97	156.01	150.60	145.70	142.37
Net Block	78.13	69.69	68.72	67.85	67.06	66.54
B Investments	10.80	-	-			
C Current Assets, Loans and Advances:						
Inventories	3.00	-				
Sundry Debtors	10.00	1.36				
Cash and Bank Balances	2.66	12.74	5.35	3.62	2.47	1.93
Loans and Advances	9.65	9.20	21.54	23.40	12.36	13.54
	25.31	23.30	26.89	27.02	14.83	15.47
D Total A to C	114.24	92.99	95.61	94.87	81.89	82.01
E Liabilities and Provisions:						
Current Liabilities and Provisions	0.49	1.11	19.85	16.38	15.55	14.10
	0.49	1.11	19.85	16.38	15.55	14.10
F Deferred Tax Liability	-	-	-	0.31	0.36	0.36
G Net Worth	1.45	91.88	75.76	78.18	65.98	67.55
H Share Application Money	112.30					
I Represented by						
Share Capital	98.80	130.10	130.10	130.11	130.11	130.11
Less Balance of Profit & Loss Account	97.35	38.22	54.34	51.93	64.13	62.56
J Networth	1.45	91.88	75.76	78.18	65.98	67.55
K Total (E+F+H+J)	114.24	92.99	95.61	94.87	81.89	82.01

Annexure XIII

STATEMENT OF DEBTORS						Rs. In Lakhs
	For The Period/Year Ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
(Unsecured)						
Debts Outstanding Over Six Months						
--Considered Good	106.66	167.34	164.80	446.44	554.43	794.57
--Considered Doubtful	-	-	-	5.41	13.01	15.12
--Less Provision for Doubtful Debts	-	-	-	(5.41)	(13.01)	(15.12)
Others	959.33	911.63	971.05	1,286.57	1,351.06	1,757.90
	1,065.99	1,078.97	1,135.85	1,733.01	1,905.49	2,552.47
The above include the following receivable from Promoters/ Promoter group or those related to promoters:*						
SPL Overseas	-	-	-	18.93	125.54	272.99
Elkay Strips Ltd.	-	-	-	-	2.16	-
	-	-	-	18.93	127.70	272.99
* Parties as identified by the company & relied upon by us.						

Annexure XIV

STATEMENT OF LOANS AND ADVANCES GIVEN					Rs. In Lakhs	
	For The Period/Year Ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
(Unsecured, Considered Good)						
Advances Recoverable in Cash Or in Kind or for Value To be Received	328.64	351.27	387.88	436.22	1,186.47	1,808.73
Loan & Advances	-	281.99	850.09	965.06	824.83	457.20
Security Deposit	88.39	91.49	91.06	14.06	22.91	22.19
Export Benefit Receivable	368.96	593.22	595.71	662.24	437.06	701.41
Advance To Subsidiary Companies	5.00	49.65	67.96	65.10	12.94	10.59
Balance With Excise Department	2.63	1.34	1.37	0.32	60.93	87.26
Advance Wealth / Income Tax paid	-	4.45	41.50	68.09	112.33	137.09
	793.62	1,373.41	2,035.57	2,211.09	2,657.47	3,224.47
The above include the following receivable from Promoters/ Promoter group or those related to promoters:*						
Elkay Telelink Ltd	-	139.85	155.73	222.19	227.97	57.27
Elkay International Ltd.	-	-	179.06	182.31	126.92	16.95
Elkay Strips Ltd	-	51.42	386.96	387.27	426.31	396.62
Sadhu Forging Ltd.	-	74.53	92.06	100.06	-	-
Mode Prints Ltd. (Subsidiary)	-	-	19.75	15.08	12.94	10.59
SPL Machines Ltd. (Ceased to be subsidiary w.e.f. 01/04/2002)	5.00	49.65	48.21	50.02	-	-
	5.00	315.45	881.77	956.93	794.14	481.43
* Parties as identified by the company & relied upon by us.						

Annexure XV						
STATEMENT OF INVESTMENTS				Rs. In Lakhs		
	For The Period/Year Ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
(Long Term - Other Than Trade)						
Quoted (At Cost)						
IDBI	5.85	5.85	-	-	-	-
16,100 Partly Paid Equity Shares of Rs. 10/-						
Each (Issued At a Premium Of Rs. 120/- Each)						
Rs. 36.34 Paid Up						
HFC	3.00	3.00	-	-	-	-
14,500 Partly Paid Equity Shares of Rs. 10/-						
Each (Issued At a Premium Of Rs. 25/- Each)						
Rs. 20.69 Paid Up						
(Aggregate Market Value Nil)						
Unquoted, Fully Paid up						
IDBI Omni Bonds Series 1	-	500.00	-	-	-	-
-500 Bonds Of Rs. 1,00,000/- Each						
Sumanglam Footwear P. Ltd.	13.50	13.50	13.50	13.50	13.50	-
-1,35,000 Equity Shares of Rs. 10/- Each						
Elkay International P. Ltd.	66.65	66.65	66.65	66.65	66.65	66.65
-6,66,500 Equity Shares Of Rs. 10/- Each						
Elkay Strips Ltd.	95.75	95.75	95.75	95.75	95.75	95.75
-95,750 Equity Shares Of Rs. 100/- Each						
Elkay Telelinks Ltd.	143.00	143.00	143.00	143.00	143.00	143.00
-80,000 Equity Shares Of Rs. 100/- Each						
Sadhu Forging Ltd.	375.00	375.00	375.00	375.00	275.00	275.00
-27,500(Previous Year 37,500) Equity Shares Of Rs.100/- Each						
Investment In Subsidiary Companies						
Unquoted, Fully Paid up						
SPL Machines Ltd.	173.25	173.25	173.25	173.25	-	-
-Nil (Previous Year 15,750) Equity Shares Of Rs. 100/- Each						
Mode Prints Ltd.	-	222.28	222.28	222.28	222.28	222.28
- 13,01,000 Equity Shares Of Rs.10/- Each						
	876.00	1,598.28	1,089.43	1,089.43	816.18	802.68

Annexure XVI

Year Ended 2001-2002

Related Party Information:

(i) Relationships:

(a) Subsidiary Companies:

(i) SPL Machines Ltd.

(ii) Mode Prints Ltd.

(b) Associates:

(i) Elkay Strips Ltd.

(c) Key Management Personnel (KMP):

(i) Mr. Vijay Jindal

(ii) Mr. Praveen Garg

(iii) Mr. Pankaj Garg

(d) Relatives of Key management personnel:

(i) Mrs. Punita Jindal

(ii) Mrs. Nikita Garg

(e) Enterprises over which key management personnel or relative having significant influence:

(i) Sadhu Forging

(ii) Elkay Telelink Ltd.

Note: Related party relationship is as identified by the company and relied upon by the auditors.

(ii). Transactions Carried out with related parties referred in (i) above, in ordinary course of business:

PARTICULARS	Subsidiary Companies	Associates	Key Management Personnel	For year Ended 31st March 2002		
				Relatives of key Management Personnel	Enterprises over which KMP & their relatives have significant influence	Grand Total
Rent Paid	714000				480000	1194000
Reimbursement of Expenses (Factory Electricity)					3561588	3561588
Remuneration			275312	234000		509312
Interest Received		927280			2814323	3741603
Loan & advance Given	3248786	42018622			10350000	55617408
Outstanding						
Payables to Directors			20312			20312
Loan & Advances Given	6795697	38695738			24778664	70270099

Year Ended 2002-2003

Related Party Information:

(i) Relationships:

(a) Subsidiary Companies:

- (i) SPL Machines Ltd.
- (ii) Mode Prints Ltd.

(b) Associates:

- (i) Elkay Strips Ltd.

(c) Key Management Personnel (KMP):

- (i) Mr. Vijay Jindal
- (ii) Mr. Praveen Garg
- (iii) Mr. Pankaj Garg

(d) Relatives of Key management personnel:

- (i) Mrs. Punita Jindal
- (ii) Mrs. Nikita Garg

(e) Enterprises over which key management personnel or relative having significant influence:

(i) Sadhu Forging

(ii) Elkay Telelink Ltd.

(iii) SPL Overseas, (From 15-02-2003)

(iv) Elkay International Ltd.

Note: Related party relationship is as identified by the company and relied upon by the auditors.

(ii). Transactions Carried out with related parties referred in (i) above, in ordinary course of business:

PARTICULARS	Subsidiary Companies		Associates		Key Management personnel		Relatives of key Management personnel		Enterprises over which KMP & their relatives have significant influence		Grand total	
	Current Yr.	Previous Yr.	Current Yr.	Previous Yr.	Current Yr.	Previous Yr.	Current Yr.	Previous Yr.	Current Yr.	Previous Yr.	Current Yr.	Previous Yr.
Rent Paid	714000	714000	440000	-	-				1200000	480000	2354000	1194000
Reimbursement of Expenses(Factory Electricity)	-	-	-	-	-	-	-	-	-	3561588	-	3561588
Remuneration	-	-	-	-	589500	275312	240000	234000	-	-	829500	509312
Interest Received	-	-	5075350	927280	-	-	-	-	4454877	3323789	9530227	4251069
Loan & advance Given	301572	3248786	16981864	42018622	-	-	-	-	10506710	27850000	27790146	73117408
Security received back	-	-	-	-	-	-	-	-	8000000	-	8000000	-
Sale/Jobwork	-	-	34152901	-	-	-	-	-	90572	-	34243473	-
Purchase/Jobwork	-	-	-	-	-	-	-	-	546240	-	546240	-
Outstanding											0	
Payables	-	-	-	347600	-	20312	-	-	948000	-	1295600	20312
Loan & Advances Given	6504043	6795697	38727076	38695738	-	-	-	-	53297041	42684199	98528160	88175634

Year Ended 2003-2004

Related Party Information:

(i) Relationships:

(a) Subsidiary Companies:

- (i) Mode Prints Ltd.

(b) Associates:

- (i) Elkay Strips Ltd.

(c) Key Management Personnel (KMP):

- (i) Vijay Jindal
- (ii) Praveen Garg
- (iii) Pankaj Garg

(d) Relatives of Key management personnel):

- (i) Punita Jindal
- (ii) Nikita Garg
- (iii) Avni Jindal
- (iv) Richa Jindal (Transaction from 01.03.2004)

(e)Enterprises over which key management personnel (KMP) or relative having significant influence:

- (i) Sadhu Forging
- (ii) Elkay Telelink Ltd.
- (iii)SPL Overseas
- (iv) Elkay International Ltd.

Note: Related party relationship is as identified by the company and relied upon by the auditors.

(ii). Transactions Carried out with related parties referred in (i) above, in ordinary course of business:

PARTICULARS	Subsidiary Companies		Associates		Key Management Personnel		Relatives of key Management personnel		Enterprises over which KMP & their relatives have significant influence		Grand total	
											Rs. In Lac. 's	
	Current Yr.	Previous Yr.	Current Yr.	Previous Yr.	Current Yr.	Previous Yr.	Current Yr.	Previous Yr.	Current Yr.	Previous Yr.	Current Yr.	Previous Yr.
Rent Paid	6.00	7.14	4.80	4.40	-	-	-	-	-	12.00	10.80	23.54
Payment made by Company on behalf of them	2.63	-	8.64	-	-	-	-	-	0.40	-	11.67	-
Payment received by Company on behalf of them	-	-	142.31	-	-	-	-	-	-	-	142.31	-
Remuneration	-	-	-	-	6.85	6.28	4.17	2.40	-	-	11.02	8.68
Interest Received	-	-	36.05	50.75	-	-	-	-	37.38	44.55	73.43	95.30
Loan & advance Given	-	3.02	32.83	169.82	-	-	-	-	2.50	105.07	35.33	277.91
Loan Taken	-	-	-	-	-	-	-	-	378.00	-	378.00	-
Security received back	-	-	-	-	-	-	-	-	-	80.00	-	80.00
Sale/Jobwork	-	-	71.12	341.53	-	-	-	-	35.31	0.91	106.43	342.44
Sale Investment	-	-	-	-	-	-	-	-	100.00	-	100.00	-
Purchase/Jobwork	-	-	-	-	-	-	-	-	67.63	5.46	67.63	5.46
Outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Receivable	-	-	2.16	-	-	-	-	-	125.54	18.93	127.70	18.93
Payable	-	-	-	-	0.29	-	0.45	-	-	9.48	0.74	9.48
Loan & Advances Given	12.94	65.04	426.31	387.27	-	-	-	-	354.89	514.04	794.14	966.35
Loan Taken	-	-	-	-	-	-	-	-	297.11	-	297.11	-

Period Ended 31.12.04

Related Party Information:

(i) Relationships:

(a) Subsidiary Companies:

(i) Mode Prints Ltd.

(b) Associates:

(i) Elkay Strips Ltd.

(c) Key Management Personnel (KMP):

(i) Vijay Jindal

(ii) Praveen Garg

(iii) Pankaj Garg

(d) Relatives of Key management personnel):

(i) Punita Jindal

(ii) Nikita Garg

(iii) Avni Jindal

(iv) Richa Jindal

e) Enterprises over which key management personnel (KMP) or relative having significant influence:

(i) Sadhu Forging Ltd.

(ii) Elkay Telelinks Ltd.

(iii) SPL Overseas

(iv) Elkay International Ltd.

Note: Related party relationship is as identified by the company and relied upon by the auditors.

(ii) Transactions Carried out with related parties referred in (i) above, in ordinary course of business:

PARTICULARS	Rs. In Lac.'s											
	Subsidiary Companies		Associates		Key Management Personnel		Relatives of key Management personnel		Enterprises over which KMP & their relatives have significant influence		Grand total	
	Current Period	Previous Yr.	Current Period	Previous Yr.	Current Period	Previous Yr.	Current Period	Previous Yr.	Current Period	Previous Yr.	Current Period	Previous Yr.
Rent Paid	4.50	6.00	3.60	4.80	-	-	-	-	-	-	8.10	10.80
Payment made by Company on behalf of them	1.22	2.63	12.13	8.64	-	-	-	-	31.70	0.40	45.05	11.67
Payment received by Company on behalf of them	-	-	-	142.31	-	-	-	-	-	-	-	142.31
Remuneration	-	-	-	-	5.69	6.85	4.23	4.17	-	-	9.92	11.02
Interest Received	-	-	22.81	36.05	-	-	-	-	10.84	37.38	33.65	73.43
Interest Paid	-	-	-	-	-	-	-	-	9.64	-	9.64	-
Loan & advance Given	-	-	13.85	32.83	-	-	-	-	239.51	2.50	253.36	35.33
Loan Taken	-	-	-	-	-	-	-	-	129.00	378.00	129.00	378.00
Security received back	-	-	-	-	-	-	-	-	-	-	-	-
Sale/Jobwork	-	-	-	71.12	-	-	-	-	194.94	35.31	194.94	106.43
Sale of Investment	-	-	-	-	-	-	-	-	-	100.00	-	100.00
Purchase/Job work	-	-	-	-	-	-	-	-	39.06	67.63	39.06	67.63
Outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Receivable	-	-	-	2.16	-	-	-	-	272.99	125.54	272.99	127.70
Payable	-	-	-	-	0.53	0.29	0.46	0.45	-	-	0.99	0.74
Loan & Advances Given	10.59	12.94	396.62	426.31	-	-	-	-	74.22	354.89	481.43	794.14
Loan Taken (Including Interest Payable)	-	-	-	-	-	-	-	-	98.75	297.11	98.75	297.11

Annexure XVII						
SPL INDUSTRIES LIMITED						
STATEMENT OF OTHER INCOME						Rs. In Lakhs
	For The Period/Year Ended					
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
Interest	5.12	67.95	134.23	107.74	86.70	40.55
Exchange Fluctuation	2.24	111.93	115.57	7.22	114.12	71.85
Miscellaneous Income	30.27	38.38	25.62	35.99	29.72	15.98
Gratuity Written Back	-	1.26	-	-	-	
Profit on Sale of Fixed Assets	-	-	-	-	9.78	4.39
	37.63	219.52	275.42	150.95	240.32	132.77

Annexure XVIII

Rs. In Lakhs

STATEMENT OF CASH FLOWS FROM THE RESTATED FINANCIAL STATEMENTS						
	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.12.2004
A. CASH FLOW FROM OPERATING ACTIVITIES						
Net Profit after Tax and before/prior period/extra ordinary items	1,612.01	1,914.52	1,137.92	288.22	429.23	633.11
Adjustment for :						
Depreciation	284.13	365.57	740.60	611.54	690.63	501.79
Expenses amortised	0.45	0.45	0.45	0.36	0.36	-
Goodwill Written Off	-	-	-	-	0.57	-
Provision (Retirement Benefits)	(0.29)	6.51	9.75	12.62	0.49	4.44
Interest and financial charges	282.37	310.80	446.14	463.94	550.71	478.73
Loss on Sale of Fixed Assets (Net)	25.94	2.98	8.96	4.19	(7.83)	31.10
Loss on Investment Forfeited	-	-	8.85	-	-	-
Provision for tax/Tax for Earlier years	27.34	22.79	8.88	90.81	96.14	380.26
Bad Debts/provision for doubtful debts	7.95	13.39	10.43	37.91	23.05	2.11
Interest Income on Investment			(23.43)	-	-	-
Interest Income on Loan to Body Corporates		(24.32)	(46.34)	(100.29)	(80.59)	(34.35)
Exchange Fluctuation			(30.28)	5.56	21.43	(2.64)
Operating Profit Before Working Capital Change	2,239.90	2,612.69	2,271.93	1,414.86	1,724.19	1,994.55
Adjustment for :						
(Increase)/Decrease in Trade and Other Receivable	(517.90)	(328.60)	(94.04)	(674.59)	(809.62)	(1,556.35)
(Increase)/Decrease in Inventories	5.11	(499.22)	(632.10)	(1,603.27)	146.05	(3,112.48)
Increase/(Decrease) in Trade Payable	(348.79)	446.66	(124.33)	1,775.68	(749.03)	1,540.12
Cash Generated from operations	1,378.32	2,231.53	1,421.46	912.68	311.59	(1,134.16)
Direct Taxes Paid	(45.76)	(18.34)	(46.53)	(53.20)	(6.95)	(24.76)
Cash Flow before prior period items	1,332.56	2,213.19	1,374.93	859.48	304.64	(1,158.92)
Prior Period Items(Net of Depreciation)			-	(4.36)	4.56	-
Net Cash (Used in) From Operating Activities	1,332.56	2,213.19	1,374.93	855.12	309.20	(1,158.92)
B. CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of Fixed Assets (Including capital work in progress)	(342.28)	(2,021.89)	(1,106.51)	(1,851.80)	(1,034.24)	(256.53)
Sale/Damage of Fixed Assets	64.35	8.48	12.18	10.25	35.80	29.01
(Increase) / Decrease of Investment	(703.25)	(722.28)	500.00	-	100.00	13.50
Interest Income on Investment			23.43	-	-	-
Interest Income on Loan to Body Corporates		24.32	46.34	100.29	80.59	34.35
(Increase)/Decrease in Loan to Body Corporates		(281.99)	(568.10)	(114.97)	140.23	367.63
Net Cash (Used in) /from investing activities	(981.18)	(2,993.36)	(1,092.66)	(1,856.23)	(677.62)	187.96

C. CASH FLOW FROM FINANCING ACTIVITIES						
Repayment of Long Term Borrowings	(168.36)	(140.09)	(102.25)	(301.91)	(468.47)	(277.42)
Proceed from Long Term Borrowings		1,450.00	-	5.21	557.31	588.73
Short-term borrowing (Net)	479.85	351.61	27.58	2,009.22	646.06	1,306.64
Dividend/Dividend Tax Paid	(499.50)	(310.80)	(275.50)	-	-	-
Interest Paid	(282.37)		(392.36)	(468.07)	(597.06)	(472.07)
Exchange Fluctuation			-	(6.99)	(62.71)	(114.62)
Net Cash (Used in)/from Financing Activities	(470.38)	1,350.72	(742.53)	1,237.46	75.13	1,031.26
Net increase(decrease) in Cash and Cash equivalents (A+B+C)	(119.00)	570.55	(460.26)	236.35	(293.29)	60.30
Cash and Cash equivalents at beginning of the Year	242.12	123.12	693.67	233.41	469.76	179.03
Add: Cash and cash equivalents received on amalgamation					2.56	
					472.32	
Cash and Cash equivalents at the end of the Year	123.12	693.67	233.41	469.76	179.03	239.33

Part B

CERTIFICATE

Subsequent to the signing of our statement of accounts of SPL Industries Ltd., Red. Office at 5/66, K.C. House, 3rd Floor, Padam Singh Road, Karol Bagh, New Delhi as at 31-12-2004, the following significant developments have taken place.

The authorized capital of the Company of Rs. 15,00,00,000/- (Rupees Fifteen Crore) divided into 1,50,00,000 equity shares of Rs. 10/- each has been increased to Rs. 30,00,00,000/- (Rupees Thirty Crore) divided into 3,00,00,000 equity shares of Rs. 10/- each. The resolution authorizing the company for increase of the capital and consequent changes in the Memorandum and Articles of Association of the Company have been approved by the shareholders of the Company in the Extra Ordinary General Meeting held on 07th February, 2005.

Furthermore, in the meeting held on the same day namely 7th February, 2005 the shareholders of the Company had resolved to issue fully paid up bonus shares to and amongst such member in proportion of one bonus share for everyone equity share of Rs. 10/- each by capitalizing a sum of Rs. 10,00,00,020/- out of the general reserve. The Board of directors had on the same day resolved to issue bonus shares as per consent given by the members in the Extra Ordinary General Meeting held on 7th February'05.

For Mehra Goel & Co.
Chartered Accountants

(R.K. Mehra)
Partner

New Delhi : 22 March 2005

2. Financial Information of Group Companies

The details of companies / partnerships firms / proprietary concerns of the Promoters is as mentioned below:

1. Sadhu Forgings Limited

Constitution: Limited Company

Date of incorporation: August 5, 1978

Board of Directors

Mr. H.R. Gupta
Mr. Lakhmi Chand Garg
Mr. Sadhuran Gupta
Mr. Satish Garg
Mr. Mukesh Aggrawal
Mr. Dhruv Kumar Gupta

Nature of activities: The Company is engaged in manufacturing forgings and automobile parts

Shareholding- 4.87% of the equity share capital is held by SPL Industries Ltd. and the remaining shares are held by the promoters, promoter group of SPLIL and relatives

Brief Financials

Particulars	Rs. in Lakhs		
	31-Mar-02	31-Mar-03	31-Mar-04
Sales & Other Income	5290.210	5536.47	7353.421
PAT	223.16	186.40	245.3426
Equity Capital	294.28	294.28	294.28
Share Application Money	121.75	126.85	206.785
Reserves & Surplus Excl Revaluation	2499.24	2704.28	2982.39
EPS (Rs.)	75.833	63.341	83.37
Book Value/ Share (Rs.)	949.27	1018.95	1113.45

2 Elkay International Limited

Constitution: Limited Company

Date of incorporation: July 3, 1995

Board of Directors

Mr. H.R. Gupta
Mr. Yogesh Jindal
Mr. Mukesh Aggrawal
Mr. Naresh Goyal
Mr. Anil Garg

Nature of activities: The Company is engaged in the manufacturing of polythene compounds used for cables.

Shareholding – 10.38% of the equity share capital is held by SPL Industries Ltd. and the balance shares are held by the promoters, promoter group of SPLIL and relatives

Brief Financials

Rs. in Lakhs			
Particulars	31-Mar-02	31-Mar-03	31-Mar-04
Sales & Other Income	3447.89	1732.94	1036.64
PAT	-110.53	7.88	-107.94
Equity Capital	636.40	636.40	641.90
Share Application Money	18.79	11.67	19.17
Reserves & Surplus Excl Revaluation	67.25	75.13	-32.81
EPS (Rs.)	-1.74	0.12	-1.68
Book Value/ Share (Rs.)	11.06	11.18	9.49

3. Elkay Telelinks Ltd.

Constitution: Limited Company

Date of incorporation: September 22, 1986

Board of Directors

Mr. H.R Gupta
Mr. Mahendra Aggrawal
Mr. Mukesh Aggrawal

Nature of activities: The Company is engaged in the manufacturing of tele communication cables.

Shareholding- 18.29 % of the equity share capital is held by SPL Industries Ltd. And the remaining shares are held by the promoters, promoter group of SPLIL and relatives

Brief Financials

Rs. In lakhs			
Particulars	31-Mar-02	31-Mar-03	31-Mar-04
Sales & Other Income	5796.45	2811.36	2706.46
PAT	93.41	-14.80	14.10
Equity Capital	437.36	437.36	437.36
Share application Money	347.38	238.50	241.62
Reserves & Surplus Excl Revaluation	490.34	525.09	540.47
EPS (Rs.)	21.36	-3.38	3.22
Book Value/ Share (Rs.)	212.11	220.06	223.58

4. Elkay Strips Limited

Constitution: Limited Company

Date of incorporation: February 9, 1981

Board of Directors

Mr. N.K. Aggrawal
Mr. Mahendra Kumar
Mr. Satish Garg

Nature of activities: The Company is engaged in the Business of manufacturing, buying and selling and altering of metals and metal products.

Shareholding: 35.88% of the equity share capital is held by SPL Industries Ltd. and the remaining shares are held by the promoters, promoter group of SPLIL friends and relatives.

Brief Financials

Rs. in Lakhs

Particulars	31-Mar-02	31-Mar-03	31-Mar-04
Sales & Other Income	193.65	523.09	166.29
PAT	-23.35	-22.80	-73.28
Equity Capital	266.90	266.90	266.90
Share application Money	2293.00	2293.00	0.00
Reserves & Surplus Excl Revaluation	-85.00	-76.31	-137.52
EPS (Rs.)	-8.75	-8.54	-27.46
Book Value/ Share (Rs.)	68.15	71.41	48.47

Financial information of the Group firms

1. SPL Overseas

Constitution: Partnership firm

Date of formation: July 13, 2002

Nature of activities: The firm is engaged in the manufacturing and exports of the woven garments.

Partners	% Sahreholding
Mr. Ajay Gupta	6.25%
Mr. Jagdish Kumar	6.25%
Mr. Mahendra Garg	22.00%
Mr. Mukesh Aggrawal	16.00%
Ms. Pushpa Gupta	16.00%
Ms. Sarla Garg	16.00%
Mr. Sunil Jindal	17.50%

Brief Financials

Rs. in Lakhs

Particulars	31-Mar-03	31-Mar-04
Sales & Other Income	19.79	636.10
PBT	-36.42	-60.25
PAT	-36.42	-60.25
Partners Capital	104.30	146.69

2. SPL Exports

Constitution: Partnership firm

Date of formation: May 4, 1999

Nature of activities: The firm is engaged in the trading and export of knitted fabrics.

Partners	%
Mr. Satish Garg (HUF)	12%
Mr. Shashi Aggarwal	16%
Mr. Nikita Garg	20%
Mr. Pankaj Garg	12%
Mr. Sunita Garg	20%
Mr. Punita Jindal	10%
Mr. Sunita Jindal	10%

Brief Financials

Rs. in Lakhs

Particulars	31-Mar-02	31-Mar-03	31-Mar-04
Sales & Other Income	1217.743	1062.27	150.37
PBT	140.108	52.98	-29.40
PAT	121.75	39.98	-31.30
Partners Capital	182.58	176.35	94.74

Details of transactions within the Group are given under the head 'Related Party Transactions' in page no. _____.

3. Changes in Accounting Policies

Details of Changes in accounting policies have been mentioned under the head 'Financial Information' in page no. _____.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

Overview of the business of the Company:

SPLIL was set-up 14 years ago by Shri Vijay Jindal, Shri Sushil Garg and Mr. H.R. Gupta in Faridabad and has grown over the years to leading Apparel manufacturer exporter. SPLIL has continuously received awards for best performance from buyers and various Industrial Associations from 1995 onwards.

SPLIL designs, manufactures and sells a wide range of garments for men, women, and children, catering to the needs of several leading international fashion brands and retailers. Over the years, SPLIL has developed expertise in manufacturing Outwear – T Shirts, Sweat Shirts, Polo, etc. for top end customers in the International market.

Several international buyers outsource their designing & manufacturing requirements to SPLIL. These buyers including apparel brands like GAP, Kohls, JC Penney, PVH, Arrow, etc. and retailers like Haggars, Sears, Walmart. SPLIL's goods dock into countries like USA, Europe, Canada and Japan.

As on December 31, 2004, SPLIL has five factories covering over 500,000 sq. ft. located in the Industrial city of Faridabad, Haryana, India. SPLIL employs over 2000 employees including those on contract basis. SPLIL's facilities are fully integrated with in-house manufacturing of Knitting, Processing, Dyeing, Mercerizing, Printing, Embroidery, Washing, and various other value adding facilities.

Significant developments subsequent to the last Financial Statement

Increase in authorized capital

The Authorized capital of the company has increased from 15 Crores (1.50 crores shares of face value Rs.10 each) to Rs.30 Crore (3 crore equity shares of the face value Rs.10 each) duly approved by Members of the company in Extra ordinary General meeting held on February 7, 2005.

Issue of Bonus Shares

The company has issued fully paid up Bonus shares to existing share holders in the proportion of 1 (one) equity share for every 1 (one) equity share held of Rs.10 each duly approved by members of the company in Extra ordinary General Meeting held on February 7, 2005.

Factors that may affect results of the Operations

Rs. In Lakhs

Particulars	31.03.2002		31.03.2003		31.03.2004		31.12.2004	
	Amount	%	Amount	%	Amount	%	Amount	%
Income								
--SaleofProducts								
ManufacturedGoods	12,429.84	81.71%	13,837.16	77.54%	13,411.60	86.16%	10,105.94	68.73%
--ProcessingCharges	845.02	5.56%	1,121.80	6.29%	610.62	3.92%	849.92	5.78%
--ExportIncentives	1,239.63	8.15%	1,641.27	9.20%	1,125.91	7.23%	985.46	6.70%
Total	14,514.49	95.42%	16,600.23	93.03%	15,148.13	97.31%	11,941.32	81.21%
OtherIncomes	275.42	1.81%	150.95	0.85%	240.32	1.54%	132.77	0.90%
Increase/(Decrease)inInventories	421.49	2.77%	1,093.35	6.13%	178.32	1.15%	2,629.81	17.89%
Total	15,211.40	100%	17,844.53	100%	15,566.77	100%	14,703.90	100%
Expenditure								
RawMaterialConsumed	6,836.23	44.94%	8,498.26	47.62%	7,588.30	48.75%	7,150.71	48.63%
StoresConsumed	163.64	1.08%	177.38	0.99%	157.92	1.01%	62.34	0.42%
EmployeeCost	1,177.11	7.74%	1,475.00	8.27%	1,354.30	8.70%	1,372.99	9.34%
Power&Fuel	716.79	4.71%	853.07	4.78%	766.79	4.93%	732.81	4.98%
OtherManufacturingExpenses	1,970.07	12.95%	2,860.48	16.03%	2,165.95	13.91%	1,553.61	10.57%
AdministrativeExpenses	437.06	2.87%	571.41	3.20%	490.95	3.15%	595.31	4.05%
Selling&DistributionExpenses	1,576.52	10.36%	1,954.06	10.95%	1,262.27	8.11%	1,243.33	8.46%
ProvisionforExciseDutyonFinishedGoods	0	0.00%	0	0.00%	12.64	0.08%	-1.09	-0.01%
Interest	446.14	2.93%	463.94	2.60%	550.71	3.54%	478.73	3.26%
MiscellaneousExpenditureAmortised	0.44	0.00%	0.36	0.00%	0.36	0.00%	0	0.00%
GoodwillAmortized	0	0.00%	0	0.00%	0.57	0.00%	0	0.00%
	13,324.00	87.59%	16,853.96	94.45%	14,350.76	92.19%	13,188.74	89.70%
NetProfitBeforeDepreciation,Tax&PriorPeriodItems(A-B)	1,887.40	12.41%	990.57	5.55%	1,216.01	57.00%	1,515.16	10.30%
Depreciation/Amortisation	740.6	4.87%	611.54	3.43%	690.63	4.44%	501.79	3.41%
NetProfitBeforeTax&PriorPeriodItem	1,146.80	7.54%	379.03	2.12%	525.38	3.38%	1,013.37	6.89%
ProvisionforWealthTax	0.61	0.00%	0.61	0.00%	0.68	0.00%	0.85	0.01%
ProvisionforCurrentTax	12.1	0.08%	26.00	0.15%	22	0.14%	222	1.51%
ProvisionforDeferredTax	0	0.00%	64.200	0.36%	71.43	0.46%	157.41	1.07%
TaxPaid/ProvisionWrittenBackforearlierYear	-3.83	-0.03%		0.00%	2.03	0.01%		0.00%
NetProfitBeforePriorPeriodItems	1,137.92	7.48%	288.22	1.62%	429.24	2.76%	633.11	4.31%

COMPARISON OF FISCAL 2003 WITH FISCAL 2002

Total Income

The total income grew by 17.31% from Rs 15,211.40 lakhs in Fiscal 2002 to Rs. 17,844.53 lakhs in Fiscal 2003. During this period, revenues from manufacturing operations increased by 11.32% from Rs 12,429.84 lakhs to Rs. 13,867.16 lakhs. Other income decreased by 45.19% from Rs 275.42 lakhs to Rs. 150.95 lakhs. One new factory was commissioned in the year 2003, which started operations towards the middle of the financial year.

Raw Materials Consumed

Raw Materials Consumption increased by 24.31% in comparison to previous year on account of change in the fabric mix used as well as due to product variance.

Staff Costs

Staff costs increased by 25.31% in absolute terms and due to setting up of a new factory. It also increased due to the revised wage rates, inflation and changes in headcount. As a percentage of total income it also increased from 7.74% to 8.27%.

Power and fuel

Power and fuel costs have increased by 19.01% in comparison to previous year i.e. from Rs.716.79 lakhs in 2001-02 to Rs. 853.07 lakhs in 2002-03 due to increase in the production and hike in the prices of power and fuel cost.

Other Manufacturing Expenses

Other manufacturing expenses increased by 45.20% in comparison to previous year on account of increase in own manufacturing and job work charges, freight inwards and machinery maintenance.

Administrative Expenses

Administrative Expenses marginally increased by 30.74% in comparison to previous year on account of increase in travel and conveyance, insurance, legal & professional fees and communication expenses.

Selling & Distribution Expenses

Selling & Distribution expenses increased by 23.95% in comparison to previous year on account of Increase in clearing forwarding & freight charges, cost of quota purchase, and advertisements.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

EBITDA decreased by 37.67% from Rs 2,333.54 lakhs in 2001-2002 to Rs. 1,454.51 lakhs in 2002-2003. The reasons for decrease in profits were as follows:

1. **Hike in raw-material price:** There was a huge hike in the prices of Yarn i.e. about 8 – 10% (main raw material for garment production). This hike was due to export of Cotton to China. Since the export orders were booked well before starting of the season, the sudden increase in cotton prices hampered the profit margin considerably.
2. **Hike in Quota price:** In 2002-2003 the quota prices were too high due to non-availability of quota. This is also a main factor in dropping of profit margin.
3. **Embargo at US Customs in 2002:** US Customs declared embargo in 2002. Being alerted with the possible move by US Customs, buyers insisted for early delivery or cancellation of orders. Under such circumstances SPLIL had to airlift goods at a huge extra cost.
4. **Appreciation in INR value:** The value of US Dollar is sliding against Indian Rupee. This has also affected the profit level of the company.

Interest Expense

Interest Expense has increased by 3.99% due to enhancement of working capital.

Depreciation

Depreciation Decreased by 17.43% from Rs 740.60 lakhs in 2001-2002 to Rs. 611.46 lakhs in 2002-2003.

Income Tax

Provision for tax is 12.10 lakhs in FY 2002 and Rs.26.00 lakhs in 2003. Company has provided only for MAT because Company availed the tax benefit under section 80HHC and 80I of the Income Tax Act. 1961

Profit after Tax (PAT)

PAT decreased by 74.67% from Rs. 1137.92 lakhs in Fiscal 2002 to Rs. 288.22 lakhs in Fiscal 2003 mainly on account of higher depreciation, deferred tax and current tax.

COMPARISON OF FISCAL 2004 WITH FISCAL 2003

Some of the key developments that occurred during Fiscal 2004 include the following:

Total Income

Total Income in the Fiscal 2004 was Rs. 15,566.77 lakhs compared to Rs. 17,844.53 lakhs for Fiscal 2003, representing a decrease by 12.76%. This was due to non- availability of quota as the company preferred not to buy quota as the premiums were very high.

Other income

Other income in the Fiscal 2004 was Rs. 240.32 lakhs compared to Rs. 150.95 lakhs for the Fiscal 2003 representing increase by 59.21%.

Raw Materials Consumed

Raw Materials Consumed decreased by 10.71% in comparison to previous year on account of change in the product mix as well as decrease in sales.

Staff Costs

Staff costs decreased by 10.97% in Fiscal 2004 in comparison with Fiscal 2003, due to decrease in the sales, which reduced the casual workforce of the company.

Power and Fuel

Power and fuel decreased by 10.11% over the Fiscal 2003 due to decrease in production.

Other Manufacturing Expenses

Other manufacturing expenses decreased by 24.28% in comparison to previous year due to reduction of the sales however, better productivity reduced cost in absolute terms.

Administrative Expenses

Administrative expenses decreased by 14.08% in comparison to previous year on account of sales reduction as well as company reduced the other administrative expenses like telephone, conveyance.

Selling & Distribution Expenses

Selling & Distribution expenses decreased by 35.40% in comparison to previous year on account of not procuring quota, as the premium being very high.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

EBITDA increased by 21.46% to Rs 1,766.72 lakhs in 2003-2004 from Rs. 1454.51 lakhs in 2002-2003. This was primarily due to increase in revenues as EBITDA as a % of total income remained in the same range. In spite of the drop in sales the profitability of the company has substantially increased as compared to last year.

Interest Expense

Interest expense has increased by 18.70% due to increase in working capital as well interest paid to the yarn supplier.

Depreciation

Depreciation increased by 12.95% to Rs 690.63 lakhs in 2003-2004 from Rs. 611.46 lakhs in 2002-2003. During the year, SPLIL increased capacities in terms of machinery & building, thus increasing depreciation.

Income Tax

Provision for tax is 22.00 lakhs in FY 2003 and Rs.26.00 lakhs in 2003. Company has provided only for MAT because company availed the tax benefit under section 80HHC and 80I of the Income Tax Act. 1961

Profit after Tax (PAT)

PAT increased by 48.93% from Rs. 288.22 lakhs in Fiscal 2003 to Rs. 429.24 lakhs in Fiscal 2004 mainly on account of product mix and cost control.

COMPARISON OF FIRST NINE MONTHS ENDED 31 DECEMBER, 2004 WITH FISCAL 2004

The company has almost achieved the income figure as compared to the last year in nine months period ended December 31, 2004 i.e. as on December 31, 2004 the net income was Rs. 14,703.90 lakhs as compared to March 31, 2004 (12 months) was Rs. 15,566.77 lakhs. The above figures were achieved due to the addition of the new client in the same portfolio such as Hagger Clothing.

Company has taken further steps to increase the in house productivity to reduce other manufacturing expenses as a result company has saved almost 3% of the total income.

EBITDA margins of company have increased substantially in the period of nine months as compared to the last full year i.e. to Rs. 1993.89 lakhs from Rs. 1,766.72 lakhs.

1. Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions.

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

Nil

3. Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

There are no known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

4. 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

Nil

5. The extent to which material increases in net sales or revenue are due to increased sale volumes, introduction of new products or services or increased sales prices

Increases in revenues are by and large linked to increases in volume of business activity carried out by the company.

6. Total turnover of each major industry segment in which the Company operated

The company operates in only one industry segment – Textile industry

7. Status of any publicly announced new products or business segment

There are no publicly announced new products or business segment.

8. The extent to which business is seasonal:

The products changes with the seasons. But the business is not seasonal to that extent

9. Any significant dependence on a single or few suppliers or customers

The revenues of the Company are dependent on its top five customers. Sales to the single largest customer constituted 49% of the total sales for the nine months ending December 31, 2004.

10. Competitive conditions

SPLIL faces competition from apparel manufacturers across the world. SPLIL mainly exports to United States, Europe, Japan and Canada. Countries such as Mexico and Turkey have the advantage of being located in proximity to US and European Union. These countries can shorten the lead time required by being able to deliver products to the customers in shorter time.

As per the WTO agreement the quota regime has been done away with. There is no limit on the quantity that SPLIL can export. However due to this all the other countries as well as other companies in India are now able to export to the International markets, thus increasing the competition.

SPLIL has built good customers over a period of 4-8 years due to adhering quality standards and timely delivery of products. SPLIL has customers like GAP, Kohls, PVH, J.C.Penny etc who have been satisfied with its services. SPLIL believes that the large scale capacities, timely delivery of the products and quality standards provide it a competitive advantage in market.

SECTION VI LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, potential disputes, labour disputes, bargains and demands, investigations, Central / State Government claims or inquiries, proceedings or tax liabilities, overdoes to banks/financial institutions, defaults against banks/financial institutions, proceedings initiated for economic/civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part I of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company or its Subsidiary or its Group Companies or its promoters or its directors and no defaults of non-payment of statutory dues against the Company including under the excise, customs, sales tax, income tax and service tax, and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its subsidiary company or its group companies or its promoters, or its directors.

Outstanding litigation involving the Company:

1. By the Company

There are no litigations initiated by the Company.

2. Against the Company

Sr. No.	Case No.	Party	Brief Description of the Matter	Forum	Amount/Claim (Rs)
1.	Demand-cum-Show cause notice C.No. V (AE) 12/2/2003/1834	Additional Commissioner of Central Excise	Demand cum show cause notice dated 12/2/2003 was issued by Additional Commissioner of Central Excise as to why Central Excise Duty @ 16% Ad Valorem amounting to Rs. 31,43,928.00 and the Additional duty of Excise amounting to Rs. 15,53,305.00 along with penalty and interest on delayed payment should not be imposed on the Company. The matter is currently pending.	Additional Commissioner Of Central Excise, Delhi-IV, "D" Block, New CGO Complex, NH-IV, Faridabad.	Rs.46,97,233.00 along with interest on delayed payment and penalty.
2.	Demand Notice Dated 23/07/2004	State of Haryana	A demand notice was issued by Revisional Authority-cum-Dy. Excise and Taxation Commissioner issued a demand notice for Rs. 62,89,961.00 for the Assessment Year 2000-01 under the Central Sales Tax Act and Rs. 11,08,255.00 under the Haryana General Sales Tax Act. The matter is currently pending.	Sales Tax Tribunal, Haryana	Rs. 73,98,216.00
3.	Demand Notice Dated 23/07/2004	State of Haryana	A demand notice was issued by Revisional Authority-cum-Dy. Excise and Taxation Commissioner for Rs. 17,84,265.00 for the	Sales Tax Tribunal, Haryana.	Rs. 17,84,600.00

			Assessment Year 1999- 2000 under the Central Sales Tax Act and Rs. 335 under the Haryana General Sales Tax Act. The matter is currently pending.		
4.	Demand Notice Dated 10/09/2002	Regional Provident Fund Commissioner	Consequent to the visit made by the officials of the provident fund organisation's officers, the Regional Provident Fund Commissioner issued a demand notice for payment of Rs. 2,56,25,290.00 relating to PF Contribution for alleged difference in the number of workers employed. The matter is currently pending.	Regional Provident Fund Commissioner, Regional Office, Haryana.	Rs. 2,56,25,290.00
5..	Demand Notice Dated 26/11/2002	Regional Provident Fund Commissioner	Consequent to the visit made by the officials of the provident fund organisation's officers, the Regional Provident Fund Commissioner issued a demand notice for payment of Rs. 1,40,56,570.00 relating to PF Contribution for alleged difference in the number of workers employed. The matter is currently pending.	Regional Provident Fund Commissioner, Regional Office, Haryana.	Rs. 1,40,56,570.00
6.	Demand Notice Dated 13/03/2003	Employees State Insurance Corporation	Demand of Rs. 12,26,585.00 was made by the ESIC on account of alleged non-payment of dues. The matter is currently pending.	Employees Provident Fund Appellate Tribunal, 60 Skylark Building, Nehru Place, New Delhi.	Rs. 12,26,585.00

7.	Show Cause Notice Dated 07/07/2004	Apparel Export Promotion Council	Subsequent to the issue of the show cause notice, AEPC forfeited the amount of Rs. 7,72,952.00 for short realization of more than 2% for export of goods. The matter is currently pending.	Appellate Committee, Ministry of Textiles, Government Of India, Udyog Bhawan New Delhi- 110011.	Rs. 7,72,952.00
8.	Show Cause Notice Dated 14/12/2004	Apparel Export Promotion Council	Subsequent to the issue of the show cause notice, APEC forfeited the amount of Rs. 4,82,631.00 for short realization of more than 2% for export of goods. The matter is currently pending.	Appellate Committee, Textile Commissioner, Mumbai.	Rs. 4,82,631.00
9..	Complaint Dated 25/10/2001	Pankaj Kumar	In terms of the complaint filed by the claimant, his services were wrongfully terminated by the Company and the respondent has demanded reinstatement with full wages. The matter is currently pending.	Labour-Cum-Conciliation Officer, Ballabhgarh Circle, Faridabad.	Reinstatement with full back wages
10..	Demand Notice Dated 15/04/2001	Rajbir Singh	The claim of the claimant is that his services were wrongfully terminated by the Company and therefore he should be reinstated with full wages. The matter is currently pending.	Presiding Officer, Labour Court, Faridabad.	Reinstatement with full back wages

Outstanding Litigation involving Promoters and Group Companies:

1. Litigation by the Promoters

There are no litigations initiated by the Promoters of the Company.

2. Litigation against the Promoters

There are no litigations against the Promoters of the Company.

3. Litigation By and Against Subsidiary Company

There are no litigations by or against the Subsidiary Company.

4. Litigation By and Against Group Companies:

Sr. No.	Case No.	Parties	Brief Description of the Matter	Forum	Amount / Claim (Rs)
1	Demand notice Dated 02/06/2004	Raj Pal v. Sadhu Forgings Limited	The claim of the claimant is that his services were wrongfully terminated by the Company and therefore he should be reinstated with full wages. The matter is currently pending.	Labour officer Cum Conciliation Officer, Circle No. 3, 468, Sector 11-D, Faridabad.	Reinstatement with full back wages
2.	Demand notice	Ved Prakash v Sadhu Forgings Limited.	The claim of the claimant is that his services were terminated by the Company and therefore he should be reinstated with full wages. The matter is currently pending.	Labour officer Cum Conciliation Officer, Circle 2, Faridabad.	Reinstatement with full back wages.
3.	Demand Notice 14/05/2004	Prabhu Nath Sharma v. Sadhu Forgings Limited	The claim of the claimant is that his services were terminated by the Company and therefore he should be reinstated with full wages. The matter is currently pending.	Presiding Officer, Labour Court No. 2, Sector 9- Faridabad.	Reinstatement with full back wages
4.	Demand Notice	Gaj Raj v. Sadhu Forgings Limited	The claim of the claimant is that his services were terminated by the Company and therefore he should be reinstated with full wages. The matter is currently pending.	Presiding Officer, Labour Court No. 2, Faridabad.	Reinstatement with full back wages
5.	Complaint Letter Dated 03/10/2003	Harkishan v. Sadhu Forgings Limited	The services of the applicant were terminated by the Company on the ground of misconduct and that he failed to give to a satisfactory reply	Presiding Officer Labour Court No. 2, Faridabad.	Reinstatement with full back wages.

			to the show cause notice. The matter is currently pending.		
6.	Complaint Letter Dated 27/06/2000 and 11/12/2000	Vishwanath Singh v. Sadhu Forgings Limited	The services of the applicant were terminated by the Company on the ground of misconduct and he failed to give to a satisfactory reply to the show cause notice. The matter is currently pending.	Presiding Officer, Labour Court No. 2, Faridabad.	Reinstatement with full back wages.
7.	Review No. 40 of 1992 in the Civil Writ Petition Number 2306 of 1983	Sadhu Forgings Limited v. Satbir Singh	The services of the Respondent were terminated by the Company on account of absence and the labour Court decided in favour of the Respondent, reinstating him back with full wages. Against this judgment the Company preferred an appeal by way of a Writ petition in the High Court. The High decided the petition in terms that Respondent should be paid last drawn wages. The matter is currently pending.	High Court of Punjab and Haryana, Chandigarh.	Reinstatement with full back wages.
8.	Civil Writ Petition Number 6266 of 1999	Sultan Singh v. Sadhu Forgings Limited	The Writ petition was filed by the Petitioner, against the order of the Labour Court, averring that the services of the petitioner were terminated by the Company vide dismissal order dated 04/02/1999. The matter is currently pending.	High Court of Punjab and Haryana, Chandigarh.	Reinstatement with full back wages

9.	Notice Dated 04/08/2004	Deputy Commissioner Appeals v. Sadhu Forgings Limited	Demand notice was issued by the Income Tax Department for additional tax on the basis of assessment made by the IT Department for the Assessment Year 2001-02. The matter is currently pending.	Deputy Commissioner Appeals, New Delhi.	Rs. 94,000.00
10.	Appeal No. E/2365/03-NB	Sadhu Forgings Limited v. Customs, Excise & Gold (Control) Appellate Tribunal.	The Appeal has been filed by the Company against an order in the Appeal No. 139- CE/Apl/Div- II/2003 Dated 30/05/2003. The matter is currently pending.	Customs, Excise & Gold (Control) Appellate Tribunal, West Block No. 10, R.K. Puram, New Delhi.	Rs. 3,52,508.00
11	Legal Notice Dated 03/08/2004	Sadhu Forgings Limited v. Shiv Kirpa Ispat Pvt. Ltd	The Company issued legal notice for recovery of sum of Rs. 1,61,536.96 in respect of the goods supplied. The matter is currently pending.	---	Rs. 1,61,536.96 along with interest @ 24%.
12.	Demand Notice Dated 12.07.2004	C.I.T v. Elkay Telelinks Limited	Dy. Commissioner of Income Tax issued an order pursuant to the demand notice u/s 143 of the Income Tax Act for payment of sum of Rs. 1,72,593.00 for the Assessment Year 2001-02. The matter is currently pending.	Commissioner of Income Tax, New Delhi.	Rs. 1,72,593.00
13.	Demand Notice Dated 06.12.2004	C.I.T v. Elkay Telelinks Limited	Dy. Commissioner of Income Tax issued an order pursuant to the demand notice u/s 143 of the Income Tax Act for payment of sum of Rs. 88,528.00 for the Assessment Year 2002-03. The	Commissioner of Income Tax, New Delhi.	Rs. 88,528.00

			matter is currently pending.		
14.	Complaint u/s 420 r/w Sections 34 and 120 B I.P.C.	Elkay International Limited v. Haryana Telecom Limited	The complainant has filed the complaint for recovery of Rs 1,17,81,927.45 due for supply of certain goods. The matter is currently pending.	Chief Metropolitan Magistrate, Tis Hazari, New Delhi.	Rs 1,17,81,927.45 along with interest and cost.
15.	Recovery Suit No. 210 of 2003.	Elkay International Limited v. Haryana Telecom Limited	The plaintiff has filed the complaint for recovery of Rs 1,17,81,927.45 due for supply of certain goods. The matter is currently pending.	High Court of New Delhi.	Rs 1,17,81,927.45 along with interest and cost.

16.	Recovery Suit No. 1364/2002	Elkay International Limited v. Optel Telecommunication	The plaintiff has filed the suit for recovery of Rs 32,15,029.83 due for supply of certain goods to the defendant. The matter is currently pending.	High Court of New Delhi	Rs 32,15,029.83 along with interest @ 21% along with pendente lite and further interest thereon @24% till realisation.
17	Recovery Suit No. 750/2003	Elkay International Limited v. CMI Limited	The plaintiff has filed the suit for recovery of Rs 34,75,470.83 due for supply of certain goods to the defendant. The matter is currently pending.	High Court of New Delhi	Rs 34,75,470 along with interest @ 21% along with pendente lite and further interest thereon @24% till realisation.
18.	Recovery Suit	Elkay International Limited v. Golkonda Engineering Enterprises Limited	The plaintiff has filed the complaint for recovery of Rs. 5,61,078.00 in respect of goods supplied to the defendant. The matter is currently pending.	District Judge, New Delhi	Rs. 5,61,078.00 along with pendente lite and future interest and cost.
19.	Recovery Suit	Elkay Strips Limited v. Pooja Cables Pvt. Limited	The plaintiff has filed the complaint for recovery of Rs. 5,56,639.00 in respect of goods supplied to the defendant. The matter is currently pending.	Civil Judge, Faridabad.	Rs. 5,56,639.00 along with pendente lite and future interest.

20.	Complaint u/s 138 of N.I. Act.	Elkay Strips Limited v. Fixwell Pushincards P Limited	The Complainant filed the complaint for dishonor of certain cheques issued by the defendant for payment of amount due towards supply of goods. The matter is currently pending.	Chief Judicial Magistrate, Faridabad.	Rs. 4,45,944.00
21.	Company Petition No. 20 of 2000	Elkay Strips Limited v. Overseas Cables Limited.	The plaintiff has filed the suit for recovery of Rs 7,25,630.00 due for supply of certain goods to the defendant. The matter is currently pending.	High Court of Punjab and Haryana, Chandigarh	Rs. 7,25,630.00 along with pendentelite and future interest.
22.	Assessment Order dated 30/03/1992 for the Assessment years 1987-88.	Elkay Strips v. Department of Sales Tax	The Company has filed an Appeal against the assessment Order Dated 30/03/1992 of the Sales Tax Officer. The matter is currently pending.	Deputy Commissioner-Appeal,-IV, New Delhi.	Rs. 3,13,086.00
23	Assessment Order dated 02/03/1993 for the Assessment years 1988-89.	Elkay Strips v. Department of Sales Tax	The Company has filed an Appeal against the assessment Order Dated 02/03/1993 of the Sales Tax Officer. The matter is currently pending.	Deputy Commissioner-Appeal-II, New Delhi	Rs. 1,40,379.00

24	Assessment Order for the Assessment Years 1989-90.	Elkay Strips v. Department of Sales Tax	The Company has filed an Appeal against the assessment Order of the Sales Tax Officer. The matter is currently pending.	Assistant Commissioner-IX, New Delhi	Rs. 55,432.00
25.	Assessment Order for the Assessment years 1990-91	Elkay Strips v. Department of Sales Tax	The Company has filed an Appeal against the assessment Order of the Sales Tax Officer. The matter is currently pending.	Assistant Commissioner Sales Tax, Appeals-III, New Delhi	Rs. 1,27,962.00
26.	Order Dated 21/02/2003	SPL Exports v. Apparel Export Promotion Council	AEPC forfeited the amount of Rs. 10,28,257.00 for short shipment of goods. The matter is currently pending.	Appellate Committee, Ministry of Textiles, Udyog Bhawan new Delhi.	Rs. 10,28,257.00
27.	Recovery Suit	MVS Engineering v. SPL Exports.	The plaintiff had filed the original suit for recovery for Rs.18,53,735.00 against the defendant and defendant in his reply to the suit has filed a counter claim. The matter is currently pending.	Additional District and Sessions Judge, New Delhi	The amount claimed by the plaintiff is Rs.18,53,735.00. the amount of counter claim made by the defendant is Rs. 1,26,081.00 along with interest @ 18% and pendete lite and future interest.

Material developments since the last balance sheet

Material Developments since the last balance sheet have been mentioned in the Part B of Auditors Certificate under Financial Information. Apart from this there have been no material developments since the last balance sheet.

GOVERNMENT APPROVALS/ LICENSING ARRANGEMENTS

Investment Approvals

There is no investment approval required for the Company from FIPB/RBI or any other authority.

Government approvals

The Company can undertake all the present and proposed activities in view of the present approvals and no further approvals from any government authorities are required by the Company to undertake the present and proposed activities except those approvals that may be required to be taken in the normal course of business from time to time.

Technical Approvals

There are no technical approvals required for the Company from any authority.

Statutory approvals

The Company can undertake all the present and proposed activities in view of the present approvals and no further approvals from any statutory body are required by the Company to undertake the present and proposed activities.

SPLIL has received the following major Government approvals pertaining to business. SPLIL requires various approvals and registrations to carry on business in India and overseas. The approvals and registrations that are required include the following:

The Company has received the following licenses / approvals:

1. Memorandum and Articles of Association of the Company along with the Certificate of Incorporation no.55-48817 1992 -93 dated 19th May 1992 issued by the Registrar of Companies, NCT of Delhi & Haryana.
2. Industrial License under the IDR Act, 1951 for the manufacture of knitted Fabrics, knitwear, Readymade Garments and Made-up falling under Scheduled Industry No. 23 from Secretariat for Industrial Assistance vide letter no. CIL:62(2000) dated September 25, 2000
2. Acknowledgement no. 2618/SIA/IMO/94 dated August 12, 1994 from Secretariat for Industrial Approvals, Entrepreneurial Assistance Unit
3. Industrial License under the IDR Act, 1951 for the manufacture of knitted cotton Fabrics and cotton knitwear from Secretariat for Industrial Assistance vide letter no. CIL:18(96) dated March 1, 1996 and amended letter no. CIL:18(96)/Amend(96)/LA II dated August 6, 1996
4. Approval for the Foreign Collaborator from Secretariat for Industrial Assistance vide letter no. 61(2004)/51(2004)PAB-IL dated August 17, 2004
5. Certificate of Importer – Exporter Code IEC number 0593027761 dated 23-03-93
6. Registration-cum-Membership Certificate from Apparel Export Promotion Council dated July 31, 2002 and valid upto March 31, 2005
7. Registration cum membership Certificate no. WVEPC/ND/1263/2001-2002 from Wool and Wollen Export Promotion Council revalidated upto March 31, 2005 vide letter no. M-3827/RC/C-6/2004/3276 dated September 3, 2004
8. Letter no. 3/26/DEK/Registration/02 dated October 18, 2004 from Textile Committee for purpose of Exporters Registration Number.
9. Extension of validity period of Consent under Water / Air/ from April 1, 2004 upto March 31, 2005 from Haryana State Pollution Control Board vide letter no. HSPCB/Consent/2004/2432 dated December 24, 2004.
10. The original consents granted by Haryana State Pollution Control Board vide letter no. HSPCB/296-297 dated July 30, 2003 under Water Act and HSPCB/296-297 dated July 30, 2003 under Air Act.
11. Central Excise Registration Certificate for SPL Industries Limited For manufacturing of Excisable goods at SPL Industries Limited, Plot No-21-22, Sector-6, Faridabad, Sector 7, Faridabad, Haryana, 121006. Registration Number is AAACS0343RXM001
12. TIN number 0687 208824 for SPL Industries Limited

13. Pan number of SPL Industries Limited Is AAACS0343R.
14. License to import and store petroleum in installation at SPL Industries Limited, Plot No-21, Sector-6, Faridabad, from Government of India
15. SPLIL accorded status of “2 Star” Export house in accordance with [FTP 2004-09](#) dated 18/02/05
16. License to employ contractors and contractual labour from Government of Haryana Labour Commission dated 25/08/04

It must be specifically understood that in giving the above approvals, the Central / State Government or RBI does not take any responsibility for financial soundness or correctness of the statements made by the Company.

SECTION VII OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide a resolution passed by the Board of Directors at its meeting held on January 2, 2005 and a Special Resolution passed at the Extra Ordinary General Meeting of the Company held on February 7, 2005.

PROHIBITION BY SEBI

The Company, its directors or any of the Company's associates or group companies and companies, wherein the directors of SPL Industries Limited are associated as directors or promoters have not been prohibited from accessing the capital markets under any direction or order passed by SEBI.

ELIGIBILITY FOR THE ISSUE

The Company is eligible to access the capital market through public issue of equity shares as per Clause 2.2.1 of SEBI (Disclosure & Investor Protection) Guidelines, 2000, as it fulfills the net worth, distributable profits and net tangible criteria in the following manner:

1. The Company has a net worth of more than Rs. 1 crore in each of the preceding 3 full years

	Rs. Lakhs				
	31/03/2001	31/03/2002	31/03/2003	31/3/2004	31/12/2004 (9 months)
Networth	5451	6587	6767	7198	7831

2. The Company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956 for immediately preceding three years. The profits for the last few years is given below:

Rs. Lakhs

	31/03/2001	31/03/2002	31/03/2003	31/3/2004	31/12/2004 (9 months)
PAT	1915	1137	461	434	633

3. The Company's net tangible assets during the last 3 years are given below:

	Rs. Lakhs				
Particulars	Year ended 31.03.2000	Year ended 31.03.2001	Year ended 31.03.2002	Year ended 31.3.2003	Year ended 31.3.2004
Net Tangible Assets	5,786	9,817	10,543	14,674	14,994
Monetary Assets	2,962	4,626	5,517	8,245	8,312
% of Monetary Assets to Net Tangible Assets	51.19	47.12	52.33	56.19	55.44

The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through Draft Red Herring Prospectus + firm allotment + promoters' contribution through the Draft Red Herring Prospectus) does not exceed five times its pre-issue networth as per the audited balance sheet of the last financial year, either at the time of filing the Draft Red Herring Prospectus with SEBI or at the time of opening of the issue.

Note: Please refer to the auditors report under financial information for details.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, KARVY INVESTOR SERVICES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION 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 ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, KARVY INVESTOR SERVICES LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED [REDACTED] IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- I. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

WE CONFIRM THAT:

- a THE DRAFT RED HERRING PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- b ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- c THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.**
- d WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.**

THE FILING OF DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 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 BOOK RUNNING LEAD MANAGER (S) (MERCHANT BANKERS) ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

GENERAL DISCLAIMER

Investors may note that the Company accepts no responsibility for statements made otherwise in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at the instance of the Company or the Book Running Lead Manager and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

All information shall be made available by the Book Running Lead Manager and the Issuer to the members at large and no selective or additional information would be available for a section of members in any manner whatsoever.

JURISDICTION

This offer is made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks and regional rural banks, co-operative banks (subject to RBI permission), Trusts (registered under Societies Registration Act, 1860, or any other Trust law and are authorized under their constitution to hold and invest in shares) and to NRIs and FIIs as defined under the Indian Laws. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of courts in Delhi.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft 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 Draft 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 since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Investors may please note that Central Government/RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in this Draft Red Herring Prospectus.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE (NSE)

As required, a copy of this Draft Red Herring Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter dated [REDACTED], granted permission to the Company, to use the Exchange's name in this Draft Red Herring Prospectus as one of the Stock Exchanges on which the Company's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital (i.e. the paid up capital shall not be less than 10 crores and market capitalisation shall not be less than Rs. 25 crores at the time of listing). The Exchange has scrutinised this 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 NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does not in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Company, its promoter, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to an 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 or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI (BSE)

As required, a copy of this Draft Red Herring Prospectus has been submitted to the BSE. The Stock Exchange, Mumbai ("the Exchange") has given vide its letter dated [REDACTED], permission to this Company to use the Exchange's name in this Draft Red Herring Prospectus as one of the Stock Exchange on which the Company's securities are proposed to be listed. The Exchange has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner-

- a Warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring prospectus; or
- b Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- c Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Draft Red Herring prospectus has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

The issuer accepts full responsibility for the accuracy for the information given in the Draft Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which makes any statement in the Draft Red Herring Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The issuer further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the equity shares are offered or for the correctness of the statement made or opinions expressed in this Draft Red Herring prospectus. The promoters/directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Draft Red Herring Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/ mis-representation, the promoters/directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

FILING

A copy of this Draft Red Herring Prospectus, has been filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021.

A copy of this Draft Red Herring Prospectus, along with documents required to be filed under Section 60 of the Act would be delivered for registration to the Registrar of Companies, NCT of Delhi & Haryana at New Delhi C.G.O. Complex, Paryavaran Bhawan, 2nd floor, NCT, New Delhi, Pin-110 003.

LISTING

Initial listing applications have been made to the National Stock Exchange of India Limited (Designated Stock Exchange) and The Stock Exchange, Mumbai for permission to list the Equity Shares and for an official quotation of the equity shares of the Company.

In case, the permission for listing of the equity shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

The Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of basis of allotment for the Issue.

CONSENTS

The written consents of Directors, Company Secretary, Auditors, Legal Advisors, Book Running Lead Manager to the Issue, Registrars to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Draft Red Herring Prospectus with the Registrar of Companies, NCT of

Delhi & Haryana at New Delhi as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of the Draft Red Herring Prospectus for registration.

EXPERT OPINION

The Company has not obtained any expert opinion apart from whatever is already mentioned in this Draft Red Herring Prospectus

EXPENSES OF THE ISSUE

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the Book Running Lead Manager to the Issue, Registrar to the Issue, Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will not exceed Rs.. [●] and will be met out of the proceeds of the present issue.

DETAILS OF FEES PAYABLE

(Rs. Lakhs)

Particulars	Amount	% of total issue expenses	% of total issue size
Issue Management	[●]	[●]	[●]
Registrars fees	5.00	[●]	[●]
Printing of Stationery	42.00	[●]	[●]
Advertising and marketing expenses	45.00	[●]	[●]
Underwriting, Brokerage and Selling commission	[●]	[●]	[●]
Other expenses	[●]	[●]	[●]
Total	[●]	[●]	[●]

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst the Company, the BRLM and Syndicate Members. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and amount underwritten in the manner mentioned elsewhere in the Red Herring Prospectus.

PREVIOUS PUBLIC OR RIGHTS ISSUES

This is the first public issue of the Company. The company has not made any public issue previously.

PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH

1,00,00,002 Equity Shares of the Company was allotted as bonus in the ratio of 1 share for every 1 share held in the Company by capitalisation of Rs. 1000.00 lakhs from the Free Reserves.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

SPL Industries Limited has not made any public or rights Issue since its inception and has not paid any commission or brokerage.

PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956 which made any capital issue during the last three years.

PROMISES VS PERFORMANCE

The Company has not made any public issue of shares since its incorporation. There are no group companies, which have made any public issues.

STOCK MARKET DATA

This being the first public issue by the Company, no stock market data is available.

DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Company and the Registrar will provide for retention of records with the Registrar for a period of one year from the last date of dispatch of Letters of Allotment/Share Certificates/Refund Orders to enable the investors to approach the Registrar for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Karvy Computershare Private Limited, giving full details such as name, address of the applicant, number of Shares applied for, amount paid on application and the bank branch/collection center where the application was submitted.

Disposal of Investor Grievances

The average time required by the Company/Registrar for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company/Registrar would strive to redress these complaints as expeditiously as possible.

Investors can also contact the Compliance Officer for any investor grievances.

Mr. B. B. Sharma

Company Secretary

5/66 K.C. House,
3rd Floor,
Padam Singh Road,
Karolbagh,
New Delhi – 110 005
e-mail: bbsharma@spllimited.com

Corporate office

Plot no. 21, Sector 6,
Faridabad, 121 006
Haryana.
Tel no. : 0129-220411,5069971-72-73; fax no.:0129-5069978

There are no listed Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.

CHANGES IN THE AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF

There have been no changes in the auditors of the Company during the past three years

CAPITALISATION OF RESERVES OR PROFITS DURING THE LAST FIVE YEARS

1,00,00,002 Equity Shares of the Company was allotted as bonus in the ratio of 1 share for every 1 share held in the Company by capitalisation of Rs. 1000.00 lakhs from the Free Reserves

REVALUATION OF ASSETS DURING THE LAST FIVE YEARS

The Company has not revalued its assets during the last five years

SECTION VIII ISSUE INFORMATION

TERMS OF THE ISSUE

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

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles and shall rank *pari passu* in all respects with the other existing equity shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment.

Mode of payment of dividend

The declaration and payment of dividends will be recommended by the Board of Directors and shareholders, in their discretion, and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition.

Face Value and Issue Price

The Equity Shares with a face value of Rs.10/- each are being offered in terms of this Draft Red Herring Prospectus at a price band of Rs. [●] to Rs. [●] per Equity share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission and / or consolidation / splitting, see "Main Provisions of Articles of Association of the Company" on Page [●] in this Draft Red Herring Prospectus .

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors.

Since trading of the Equity Shares will be dematerialised mode, the tradable lot is one equity share.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the equity shares; or
- to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other 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 dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue amount, including devolvement of the members of the Syndicate, if any, 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 8 days, the Company and every director of the Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act.

If the number of allottees in the proposed Issue is less than 1,000 allottees, The Company shall forthwith refund the entire subscription amount received..

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/ Issue Opening Date without assigning any reason thereof.

Arrangements for disposal of odd lots

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is 1 share. Therefore, there is no possibility of odd lots.

ISSUE PROCEDURE

Issue Structure

Public Issue of [●] Equity Shares of Rs. 10/- each at the Issue Price of Rs. [●] for cash aggregating Rs. [●] million is being made through a 100% book building process. Details of the issue structure are tabulated below:

	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of equity shares	Upto 45,00,000 Equity Shares or offer less allocation to Non-Institutional Bidders and Retail Individual Bidders	Not less than 22,50,000 Equity shares or less allocation to QIBs and retail individual Bidders	Not less than 22,50,000 Equity shares or less allocation to QIBs and Non-Institutional Bidders
Percentage of issue size available for allocation	Up to 50% or issue size less allocation to non – institutional Bidders and Retail individual Bidders	Not less than 25% or issue size less allocation to QIBs and Retail individual Bidders	Not less than 25% or issue size less allocation to QIBs and Non-Institutional Bidders.
Basis of Allocation or Allotment if respective category oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares and in multiples of [●] Equity Shares thereafter, that the Bid Amount exceeds Rs. 50,000 and in multiples of [●]	Such number of Equity Shares and in multiples of [●] Equity Shares thereafter, that the Bid Amount exceeds Rs. 50,000 and in multiples of [●]	[●] Equity Shares and thereafter in multiples of [●]
Maximum Bid	Not exceeding the size of the issue subject to applicable limits	Not exceeding the size of the issue	Such number of Equity Shares whereby the Bid Amount does not exceed Rs.50,000
Allotment Mode	Compulsory in Dematerialized form	Compulsory in Dematerialized form	Compulsory in Dematerialized form
Trading Lot/ Market Lot	One Equity Share	One Equity Share	One Equity Share
Bidding Lot	[●]	[●]	[●]
Who can apply	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI multilateral and bilateral development Financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts.	Individuals (including NRIs and HUFs) applying for an amount up to Rs.50,000 amount.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to non-institutional Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate
Margin Amount	Nil	Full Bid Amount on Bidding	Full Bid Amount on Bidding

Equity shares being offered through this Draft Red Herring Prospectus can be applied for in dematerialized form only. Subject to valid bids received at or above the issue Price, under-subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories, at the discretion of the Company, and the BRLMs.

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be available for allocation on a discretionary basis to QIBs. Further, not less than 25% shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% shall be available for allocation on a proportionate basis to the Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price within price band.

Bidders are required to submit their Bids through the members of the Syndicate. We, in consultation with the BRLMs reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason thereof from QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful allottees only in the dematerialised form.

Illustration of Book Building and Price Discovery Process (Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs 31 to Rs 38 per share, issue size of 7000 equity shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs.38 per share while another has bid for 1,500 shares at Rs.37 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	38	500	30.33
1000	37	1500	40.44
2500	35	4000	180.56
3000	33	7000	300.34
4000	31	11000	450.65

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 33 in the above example. The issuer, in consultation with the BRLMs, will finalise the issue price at or below such cut off price i.e. at or below Rs. 33. All bids at or above this issue price and cutoff bids are valid bids and are considered for allocation in respective category.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid Cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Eligible Non residents, NRIs or FIIs applying on a repatriation basis	Blue

Who can Bid?

1. Indian nationals resident in India who are major, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: ABC Hindu Undivided Family applying through ABC, where ABC is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorised under their constitution to hold and invest in Equity Shares;
10. Eligible non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable laws;
11. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares.
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in Equity Shares;
14. Pension funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in Equity Shares;
15. Multilateral and bilateral development financial institutions and
16. Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLMs, Syndicate Members and any associate of the members of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary unless otherwise permitted by SEBI. Further, the BRLMs shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

As per the current regulations, OCBs cannot Bid in this offer.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights.

As per current regulations, the following restrictions are applicable for investment by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of The Company (i.e. 10% of 2,90,00,004 Equity Shares of Rs. 10/- each). In respect of an FII investing in the Equity Shares of The Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company, in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, till date, no such resolution has been recommended to the shareholders for adoption.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of the corpus of the venture capital fund/ foreign venture capital investor. Equity Shares allotted to venture capital fund/ foreign venture capital investor through this IPO shall be locked-in for a period of one year.

The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft 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

For Retail Individual Bidders

The Bid must be for a minimum of (●) Equity Shares and in multiples of (●) Equity Shares thereafter, subject to maximum Bid amount of Rs.50,000. In case of revision of Bids, the Retail bidders have to ensure that the Bid amount does not exceed Rs. 50,000. In case the maximum Bid amount is more than Rs.50,000, then the same would be considered for allocation under the Non-Institutional Bidders category. The cut-off option is an option available only to the Retail Individual Bidders indicating their agreement to bid and purchase the equity shares at the final offer price as determined at the end of the Book Building process.

For Non-Institutional Bidders and QIBs Bidders

The Bid must be for a minimum of such number of Equity shares, so as to ensure that the minimum Bid amount exceeds Rs.50,000/-. Above this minimum Bid Amount, the Bid should be in multiples of (●) equity shares. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under SEBI existing guidelines a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 50,000/-. In case the Bid Amount reduces to Rs 50,000/- or less due to a revision in Bids, the same would be considered for allocation under Retail portion.

Information for the Bidders

- i. The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.
- ii. The members of the Syndicate will circulate copies of the draft Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- iii. Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the draft Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from the company's registered office or from any of the BRLMs or Syndicate Members.
- iv. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- v. Investors who are interested in subscribing for the Company's Equity Shares should approach the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.


Method & Process of Bidding

1. The Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English and Hindi) and one regional newspaper. This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies (Central Government) General Rules & Forms, 1956, the method and process of bidding and the names and addresses of the BRLMs, and their bidding centres. The BRLMs and Syndicate Members shall accept Bids from the Bidders during the Issue Period.
2. Investors who are interested in subscribing for The Company's Equity Shares should approach any of the BRLMs, or Syndicate Member or their authorised agent(s) to register their Bid.
3. The Bidding Period shall be open for atleast 5 days and not more than 10 days. In case the price band is revised, the revised price band will be published in two widely circulated national newspapers (one each in English and Hindi) and one regional newspaper and the Bidding period will be extended for a further period of three days, subject to the total Bidding period not exceeding 13 days. During the bidding period, The Bidders may approach the Syndicate to submit

their Bid. Every Member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the bids.

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 entitled “Bids at Different Price Levels” on page [] below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
5. The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page [] of this Draft Red Herring Prospectus.
6. The BRLMs, and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.
7. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment and Payment into Escrow Account” on Page [] of the Draft Red Herring Prospectus.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. (●) to Rs. (●) per Equity Share of Rs.10 each, Rs. (●) being the Floor Price and Rs. (●) being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1.
2. In accordance with SEBI Guidelines, the Company in consultation with the BRLMs, can revise the Price Band during the Bidding period, in which case the Issue will be kept open for a period of three days after the revision of the Price Band, subject to the total Bidding Period not exceeding thirteen days. The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially and as disclosed in this Draft Red Herring Prospectus.
3. Any revision in the Price Band shall be widely disseminated including by informing the stock exchanges by issuing a public notice in two national languages (One each in English & Hindi) and one regional newspaper  also indicating the change on the relevant websites and the terminals of the members of Syndicate.
4. The Company in consultation with the BRLMs can finalise the Issue Price within the Price Band in accordance with this clause, 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 may bid at “Cut off”. However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.
6. Retail Individual Bidders who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of equity shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.
7. In case of an upward revision in the Price Band announced as above, the Retail Bidders who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the Cap of the Revised Price Band, with the members of the Syndicate to whom the Original Bid was submitted. In case the total amount (i.e. the original Bid amount plus additional payment) exceeds Rs 50,000, the Bid will be considered for allocation of under the Non-Institutional portion in terms of the Draft Red Herring Prospectus. If however the Bidder does not either revise the Bid or make additional payment and the offer price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder.
8. In case of downward revision in the Price Band announced as above, Retail Bidders who have bid at Cut-Off could either revise their Bid or the excess amount at the time of bidding would be refunded from the Escrow Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application shall remain (●) Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application size is not in the range of Rs.5,000/- to Rs.7,000/-.

Option to Subscribe

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only.

Escrow Mechanism

Escrow Account for the Issue

The Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account for the Issue shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow collection Banks as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), The Company, the Registrar to the Issue and BRLMs, and Syndicate Members to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

In case of Non-institutional Bidders and Retails Individual Bidders, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph “Payment Instructions on page of this Draft Red Herring Prospectus”) and submit the same to the members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stockinvest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder. The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account or Refund Account with the Bankers to the Issue, as applicable.

In case of QIBs, the members of the Syndicate may, at their discretion, waive such payment at the time of the submission of the Bid cum Application Form. Where such payment at the time of submission of the Bid cum Application Form is waived at the discretion of the members of the Syndicate, the Issue Price shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date.

Electronic Registration of Bids

- (a.) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.
- (b.) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Company shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c.) The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.

- (d.) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
- Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
 - Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e.) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to 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 us.
- (f.) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g.) **The members of the Syndicate have the right to review the Bid. Consequently, the members of the Syndicate also have the right to accept the Bid or reject it without assigning any reason. In case of Non-Institutional Bidders, Employee Reservation Portion and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed elsewhere in the Red Herring Prospectus.**
- (h.) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by us, and BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, promoters, management or any scheme or project of the Company.
- (i.) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the equity shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

- (a.) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a regular basis.
- (b.) The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding thirteen days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Draft Red Herring Prospectus.
- (c.) Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
- (d.) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
- (e.) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (f.) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete his or her Bid cum Application Form, the details of all the options in his or her Bid cum Application Form or earlier Revision Form and revisions for all the options as per his Bid cum Application Form or earlier Revision Form.
- For example, if a Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (g.) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed

the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.**

- (h.) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Draft Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- (i.) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (j.) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs based on the physical book shall be final and binding to all concerned.

Price Discovery and Allocation

- (a.) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.
- (b.) The Company in consultation with the BRLMs, shall finalise the “Issue Price”, the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder determined broadly by the size, price and time of the Bid.
- (c.) The allocation for QIBs would be upto 50% of the Issue Size on a discretionary basis. The allocation for Non-Institutional Bidders would be upto 25% and Retail Individual Bidders of not less than 25% and not less 25% of the Issue Size respectively would be on proportionate basis, subject to valid Bids being received at or above the Issue Price.
- (d.) Under-subscription, if any, in the Non-Institutional Portion and / or Retail Portion, would be allowed to be met with spill over of demand from any of the other categories, at the sole discretion of the Company and BRLMs.
- (e.) The BRLMs, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders.
- (f.) **The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date, without assigning any reason therefor.**

Signing of Underwriting Agreement and RoC Filing

- (a.) We, the BRLMs and the Syndicate Members shall enter into an underwriting agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b.) After signing the Underwriting Agreement, we will file the Red Herring Prospectus with RoC, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects

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 along with a table showing the number of Equity Shares. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

- a. The BRLMs, or 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.
- b. The BRLMs, or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account of the Company at the time of bidding shall pay in full the amount payable into the Escrow Account of the Company 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 of the Company 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 of the Company. The despatch of a CAN shall be deemed

to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity shares

- a. All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be offered only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
- b. Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.
- c. After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, we would allot the equity shares to the allottees. We would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case we fail to make allotment within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

General Instructions

Do's:

- (a.) Check if you are eligible to apply;
- (b.) Ensure that the Bid is only within the Price Band.
- (c.) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour), as the case may be;
- (d.) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
- (e.) Investors must ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- (f.) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- (g.) Ensure that you have been given a TRS for all your Bid options; and
- (h.) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS.

Dont's:

- (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 of the Price Band or higher than the Cap of the Price Band;
- (c.) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- (d.) Do not pay the Bid amount in cash or through Stockinvest;
- (e.) Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- (f.) Do not bid at Cut-off price for Non-institutional and QIB Bidders;
- (g.) A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws or regulations.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs, or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions to Bids must be:

- (a.) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis).
- (b.) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, the Bid cum Application Form and Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c.) For Retail Individual Bidders, the Bids must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 50,000.
- (d.) For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the

Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e.) In single name or in joint names (not more than three).

(f.) Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his or her official seal.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk.

Bidders Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT-IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (herein after referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid -cum application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with

the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by provident funds with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason.

The Company in its absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms that we may deem fit.

Procedure for Application by Mutual Funds

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the name of scheme concerned for which the Bid has been made.

Bids by NRIs

NRI Bidders to comply with the following:

- a. Individual NRI Bidders can obtain the Bid cum Application Forms from the Registered Office at 5/66, K.C. House, 3rd floor, Padam Singh Road, Karol Bagh, New Delhi-110005 or from members of the Syndicate or the Registrar to the Issue.
- b. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid Cum Application form meant for Resident Indians (white in colour).

Bids by Non Residents, NRIs FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made:

- a. On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- b. In a single name or joint names (not more than three).
- c. **By NRIs** – Bids for a Bid Amount of up to Rs.50,000 for the Bid to be considered as part of the Retail Bidders for the purposes of allocation and Bids for a Bid Amount of more than Rs. 50,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation. **By FIIs** – for a minimum number of such Equity Shares and in Multiple of (●) Equity Shares for further details see “Issue Procedure - Maximum and Minimum Bid Size” on [page \[\]](#).
- d. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- e. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be

converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account to the Issue

- i. 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 of the Company and submit the same to the members of the Syndicate.
- ii. In case no Margin Amount has been paid by the Bidders during the Bidding Period, on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder or the balance amount, in case the Margin Amount is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be 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 BRLMs.
- iii. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
 - In case of Resident Bidders: **“Escrow Account – SPL Industries Limited Public Issue”**
 - In case of Non Resident Bidders: **“Escrow Account – SPL Industries Limited Public Issue -NR”**
- iv. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
- v. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- vi. 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 Escrow Account of the Company.
- vii. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.
- viii. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.
- ix. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker’s clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/Money Orders/Postal Orders will not be accepted.

Payment by Stockinvest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would 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 BRLMs or Syndicate Member at the time of submitting the Bid. **The BRLMs/ members of the Syndicate may at its discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.**

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the BRLMs or Syndicate Member will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PAN or GIR Number

Where Bid(s) is/are for Rs.50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T.Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person 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 – MAPIN

In terms of SEBI, (Central Database of Market Participants) Regulations 2003, as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December

31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its Promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those Promoter or Directors who are persons resident outside India, who are required to obtain UIN before December 31, 2004; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be.

Further, SEBI by its Circular No. MAPIN-1/2005 dated January 4, 2005 has stated that:

- “The SEBI (Central Database of Market Participants) Regulations, 2003 were notified on November 20, 2003. Pursuant to the notification dated July 30, 2004 issued under the captioned Regulations, SEBI has, inter alia, specified in terms of sub-regulation (2) of regulation 6 that “All investors being bodies corporate as ‘specified investors’, along with their promoters and directors are required to obtain a UIP before December 31, 2004.”
- “However, it is clarified that “wherever the President of India / Central Government / State Government is a promoter, it is exempted from the requirement of obtaining a UIN under regulation 6(2) of SEBI (Central Database of Market Participants) Regulations, 2003”.

Interms of the above it shall be compulsory for specified intermediaries and specified investors being bodies corporate making an application in this Offer to provide their Unique Identification number.

The Company’s Right to Reject Bids

We, the BRLMs, and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefor in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we, BRLMs have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder’s address at the Bidder’s risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

1. Amount paid doesn’t tally with the highest number of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bid by minor;
5. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than 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 and QIB Bidders;
10. Bids for number of Equity Shares which are not in multiples of (●);
11. Category not ticked;
12. Multiple bids;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bid-cum-Application Form does not have the stamp of the BRLMs, or Syndicate Members;
15. Bid-cum-Application Form does not have Bidder’s depository account details;
16. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum-Application Form
17. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. see the details regarding the same at **page []** of this Draft Red Herring Prospectus;
18. Bids accompanied by Stockinvest;
19. Signature of sole and / or joint bidders missing;
20. Bids by OCBs;
21. Bids by U.S. residents or U.S. persons other than “Qualified Institutional Buyers” as defined in Rule 144A of the U.S. Securities Act of 1933;
22. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant’s identity (DP ID).

23. Unique Identification Number – MAPIN, not given by specified intermediaries and specified investors being bodies corporate.

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 be fungible and be represented by the statement issued through the electronic mode). In this context, two tripartite agreements have been signed between the Company and the Depositories:

- a) an agreement dated [] with NSDL, the Company and Karvy Computershare Private Limited
- b) an agreement dated [] with CDSL, the Company and Karvy Computershare Private Limited

Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c. Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e. Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f. If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i. The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

As this Issue comprises of Fresh Issue, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Issue.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, draft number and issuing bank thereof.

Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money

The Company reserves at its absolute and uncontrolled discretion and without assigning any reason therefor, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. We will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. We shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Application Money

The Company shall ensure despatch of allotment advice or refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall ensure the dispatch of refund orders, if

any, of value up to Rs.1,500/-, “Under Certificate of Posting”, and dispatch of refund orders above Rs.1,500/-, if any, by Registered Post or Speed Post at the sole or First Bidder’s sole risk.

The Company shall make best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we, further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- We would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 days time period as mentioned above), if allotment/ transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 days time prescribed above.

We will provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by the company as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:

“Any person who:

- a Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- b Otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years.”

Interest on Refund of excess Bid Amount

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 as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of allotment or allocation

A For Retail Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 22,50,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 22,50,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of (●) Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.

- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 22,50,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 22,50,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of (●) Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size less allotment to Non Institutional Portion and Retail Portion shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allotment would be decided by the Company in consultation with the BRLMs and Co-BRLMs and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allotment to QIB Bidders shall not be more than 45,00,000 Equity Shares.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalized by the Company 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 BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner. The allocation shall be made in multiples of (●), on a proportionate basis as explained below subject to minimum allocation being equal to the (●):

- Bidders will be categorised according to the number of Equity Shares applied for.
- The total number of Equity Shares to be allocated to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- Number of Equity Shares to be allocated to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the oversubscription ratio subject to allocation being equal to the minimum application size.
- In all Bids where the proportionate allocation is less than [●] Equity Shares per Bidder:
 - Each successful bidder shall be allotted a minimum [●] equity shares;
 - However, the successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- If the proportionate allotment to a Bidder is a number that is more than [minimum allotment lot] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Letters of Allotment or Refund Orders

The Company shall dispatch allotment advice and refund orders and give credit to the Beneficiary Account with Depository Participants and submit the allotment and listing documents to the Stock Exchanges within two working days of finalisation of the basis of allotment of Equity Shares. The Company shall dispatch refund orders, if any, of value up to Rs.1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- (a.) Allocation and allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- (b.) Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date; and
- (c.) The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Company, as an escrow collection bank(s) and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the bidders.

Interest in case of delay in Despatch of Allotment Letters/Refund Orders in case of Public Issues

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of the public issue. The Company further agrees that it shall pay interest @ 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the date of closure of the Issue

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 as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Undertaking by the Company

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously;
- 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 despatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this draft Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

Utilization of Issue proceeds

The Board of Directors of the Company Certify that:

- all monies received out of the Fresh Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of Fresh Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have recourse to the Offer proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made.

Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of Government of India (FIPB) and the RBI. Under present regulations, the maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This can be raised to 100% by adoption of a special resolution by the Company's shareholders, however, as of the date hereof no such resolution has been recommended to Board or company's shareholders for adoption

RBI, vide its circular A.P.(DIR Series) Circular No. 53 dated December 17, 2003 , permitted FIIs to subscribe to shares of an Indian company in the public issue without prior approval of RBI, so long as the price of equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian Companies is available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of the company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the post-issue paid up capital of the company. However, this limit may be increased to 24% if the shareholders of the company pass a special resolution to that effect. No single NRI may own more than 5% of the post- issue paid up capital of the Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non-repatriable.

Investment by Foreign Institutional Investors

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

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised upto the permitted sectoral cap for that company after approval of the board of directors and shareholders of the company. The issue of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

SECTION IX DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

1. MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

“The Authorised Share Capital of the Company is Rs.30, 00,00,000 (Rupees Thirty crores) divided into 3,00,00,000 (Three crore only) equity shares of Rs.10 (ten) each. With power to increase or reduce the share capital and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, cumulative convertible preference, guaranteed, qualified, or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate such rights, gate such rights , privileges, or conditions in such manner as may for the time being be provided by the Articles of Association.

Subject to the rights of the holders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the Company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on such equity shares respectively at the commencement of the winding up.

A. SHARE CAPITAL AND VARIATION OF RIGHTS

5. (a) The Authorized Share Capital of the Company Is Rs. 30,00,00,000 (Rupees Thirty Crore) divided into 3,00,00,000 (Three Crore only) equity shares of Rs. 10 (ten) each. With power to Increase or reduce the share capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential cumulative convertible preference, guaranteed, qualified, or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate such rights, gate such rights, privileges or conditions in such manner as may for the time being be Provided by the Articles of Association.
- (b) Subject to the rights of the holders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the Company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on such equity shares respectively at the commencement of the winding up.

INCREASE REDUCTION AND ALTERATION OF CAPITAL

6. The capital may from time to time in general meeting Increase its share capital by the Issue of new shares of such amounts as it thinks expedient.

On what conditions the new shares may be issued

7. (a) Subject to the provisions of sections 80, 81 and 85 to 90 of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto by the general meeting creating the same as shall be directed and if no direction be given as the Directors shall determine and In particular such shares may be Issued subject to the provisions of the said sections with a preferential or qualified right to dividends and in distribution of assets of the Company and subject to the provisions of said sections with special or without any right of voting and subject to provisions of section 80 of the Act any preference shares may be Issued on the terms that they are or at the option of the Company are to be liable to be redeemed.

Further Issue of capital

- (b) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after Its formation, whichever Is, earlier, It is proposed to Increase the subscribed capital of the Company by allotment of further shares, whether out of un issued share capital or out of the increased share capital.
- (l) Such further shares shall be offered to the persons who at the date of offer, are holders of the equity shares of the Company, In proportion, as pearly as circumstances admit, to the capital paid up on those shares at that date,

- (II) the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.
- (III) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice shall contain a statement of this right.
- (IV) after the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company,
- (c) Notwithstanding anything contained in the preceding sub clause, the Company may:
 - (i) by a special resolution; or
 - (ii) Where no such special resolution is passed if the votes cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled 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, offer further shares to any person or persons, and such person or persons may or may not include the person/s who at the date of the offer are the holders of the equity shares of the Company.
- (d) Notwithstanding anything contained in sub clause (a) above, but subject, however, to Section 81 (3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debenture issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.

Directors may allot shares as fully paid up

- (e) Subject to the provisions of the Act and these Articles, the Directors may issue and allot shares in the capital of the Company on payment or part payment for any property or assets of any kind whatsoever sold or transferred, goods or machinery supplied or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if so issued, shall be deemed to be fully paid up or partly paid up shares as the case may be.

Same as original capital

- (f) Except so far as otherwise provided by the conditions of issue or by these presents any capital raised by the creation of new shares shall be considered as part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls, installments, transfers, transmission, forfeiture, lien, surrender, voting and otherwise.

Reduction of Capital

10. The Company may from time to time by special resolution, subject to confirmation by the court and subject to the provisions of Sections 78, 80 and 100 to 104 of the Act, reduce its share capital and any Capital Redemption Reserve Account or premium account in any manner for the time being authorized by law and in particular without prejudice to the generality of the foregoing power may be:
 - (a) extinguishing or reducing the liability on any of its shares in respect of share capital not paid up;
 - (b) either with or without extinguishing or reducing liability on any of its shares, cancel paid up share capital which is lost or is unrepresented by available assets; or
 - (c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company;

and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.

Division, Sub- division, Consolidation, Conversion and cancellation of shares

11. Subject to the provisions of Section 94 of the Act, the Company in general meeting may by an ordinary resolution alter the conditions of its Memorandum as follows, that is to say, it may:
- (a) consolidate and divide all or any of its Share Capital Into shares of larger amount than its existing shares;
 - (b) Sub-divide its shares or any of them Into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act In that behalf and so however that in the subdivision the proportion between the amount paid and the amount, If any, unpaid on each reduced share shall be the same as it was In the case of the share from which the reduced share Is derived; and so that as between the holders of the shares resulting from such subdivision one or more of such shares may, subject to the provisions of the Act, be given any preference or advantage over the others or any other such shares.
 - (c) convert, all or any of its fully paid up shares into stock, and reconvert that stock Into fully paid up shares of any denomination.
 - (d) cancel, shares which at the date of such general meeting have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Notice to Registrar of Consolidation of Share Capital. Conversion of shares into stocks etc.

12. (a) If the Company has:
- (I) consolidated and divided it's Share Capital into shares of larger amount than its existing shares;
 - (ii) converted any shares into stock;
 - (iii) reconverted any stock Into shares;
 - (iv) subdivided its share or any of them;
 - (v) redeemed any redeemable preference shares; or
 - (vi) cancelled any shares otherwise than In connection with a reduction of Share Capital under Sections 100 to 104 of the Act,
- the Company shall within one month after doing so, give notice thereof to the Registrar specifying as the case may be, the shares consolidated, divided, converted, subdivided, redeemed or cancelled or the stocks reconverted.
- (b) The Company shall thereupon request the Registrar to record the notice and make any alterations which may be necessary in the Company's Memorandum or Articles or both.

Modification of Rights

13. If at any time the share capital, by reason of the issue of Preference Shares or otherwise, Is divided Into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company Is being wound up, be varied, modified, commuted, affected or abrogated with the consent In writing of the holders of three fourths In nominal value of the Issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. This Article shall not derogate from any power which the Company would have if this Article were omitted. The provisions of these Articles relating to general meetings shall mutatis mutandis apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined in Article 102 is not present, those persons who are present shall be the quorum.

A. SHARES AND CERTIFICATES

Issue of further shares not to effect rights of existing shareholders

- 14 The rights or privileges conferred upon the holders of the shares of any class issued with preference or other rights, shall not unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied or modified or affected by the creation or issue of further shares ranking *pari passu* therewith.

Provision of Section 85 to 68 of the Act to apply

- 15 The provisions of Sections 85 to 68 of the Act in so far as the same may be applicable shall be observed by the company.

Register of Members and Debenture-holders

16. (a) The Company shall cause to be kept a Register of Members and an Index of Members in accordance with Sections 150 and 151 of the Act and Register and Index of Debentures holders in accordance with Section 152 of the Act. The Company may also keep a foreign Register of Members and Debenture holders in accordance with section 157 of the Act.
- (b) The Company shall also comply with the provisions of Sections 159 and 161 of the Act as to filing of Annual Returns.
- (c) The Company shall duly comply with the provisions of Section 163 of the Act In regard to keeping of the Registers, Indexes, copies of Annual Returns and giving inspections thereof and furnishing copies there of.

Commencement of Business

17. The Company shall comply with the provisions of Section 149 of the Act.

Restriction on allotment

18. The Board shall observe the restriction as to allotment of shares to the public contained in Sections 69 and 70 of the Act and shall cause to be made the return as to allotment provided for in Section 75 of the Act.

Equity Shares transferable etc.

21. (i) The shares or other Interest of any member In the Company shall be a moveable property, transferable in the manner provided by the Articles.
- (ii) Each share in the Company shall be distinguished by its appropriate number.
- (iii) A certificate under the common seal of the Company, specifying any shares held by any member shall be, *prima facie*, evidence of the title of the member of such shares.

Application of premium received on issue of shares

22. (a) Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the called "the share premium account"; and the provisions of the Act relating to the reduction of the Share Capital of the Company shall except as provided in this Article, apply as if the share premium account were paid up share capital of the Company.
- (b) The Share premium account may, notwithstanding, anything in clause (a) above, be applied by the Company.
- (i) in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares;
- (ii) in writing off the preliminary expenses of the Company;
- (iii) In writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company.
- (iv) in providing for the premium payable on the redemption of any redeemable preference shares *or* of any debenture of the Company.

Acceptance of shares

24. An application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein shall be an acceptance of shares within the meaning of these Articles and *every* person who thus or otherwise

accepts any shares and whose name is on the Register of Members shall for the purpose of these Articles be member. The Directors shall comply with the provisions of Sections 69, 70, 72 and 73 of the Act. in so far as they are applicable.

Deposits and calls etc. to be debt payable immediately

25. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise In respect of any shares allotted by them, Immediately, on the Insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt, due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

Company not bound to recognize any interest in shares other than of registered holder

26. (a) Save as herein provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof, and accordingly shall not (except as ordered by a Court of Competent jurisdiction or as by law required) be bound to recognise any benami, trust of equity or equitable, contingent, future, or partial or other claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or Implied notice thereof and the provisions of Section 153 of the Act shall apply.

Declaration of persons not holding beneficial interest in shares

- (b) When any declaration is filed with the Company under the provisions of Section 187C of the Act by any holder of shares who does not hold beneficial interest in such shares specifying the particulars of the person holding beneficial interest in such shares or by a person who holds beneficial Interest In any shares of the Company but Is not the registered holder thereof, the Company shall make a note of such declaration In Its register of members and file, within 30 days from the date of receipt of the declaration by It, a return with the Registrar with regard to such declaration.

Issue of certificates of shares to be governed by section 84 of the Act etc

27.

- (a) The Issue of certificates of shares or of duplicate or renewal of certificates of shares shall be governed by the provisions of Section 84 and other provisions of the Act, as may be applicable and by the Rules or notifications or order If any, which may be prescribed or made by competent authority under the Act or Rules or any other law. The Directors may also comply with the provisions of such rules or regulations of any stock exchange where the shares of the Company may be listed for the time being.

Certificates of Shares

- (b) The certificate of title to shares shall be Issued under the Seal of the Company and shall be signed by such Directors or Officers or other authorised persons as may be prescribed by the Rules made under the Act from time to time and subject thereto shall be signed In such manner and by such persons and the Directors may determine from time to time.
- (c) The Company shall comply with all rules and regulations and other directions which may be made by any competent authority under Section 84 of the Act.
28. (a) Every member shall be entitled, without payment, to one or more certificate In marketable lot for all the shares of each class or denomination registered in his name, or If the Directors may from time to time determine to several Certificates, each for one or more of such shares and the Company shall complete and deliver such Certificates within the time provided by Section 113 of the Act, unless the conditions of issue thereof otherwise provide. Every Certificate of shares shall be under the Seal of the Company and shall specify the number and distinctive numbers of the shares in respect of which it Is Issued and the amount paid up thereon and shall be in such form as the Directors shall prescribe or approve provided that not be bound to Issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holders.
- (b) The Company shall not entertain any application for split of shares/ debentures (all relating to the same series) Into several script of very small denominations or to consider a proposal for transfer of shares/debentures comprised In a share certificate/debenture certificate to several parties Involving such splitting, If on the face of It such split/transfer appears to be unreasonable or have any genuine need or marketable lot.
- (c) Notwithstanding anything contained In Clause, (a) above the Directors shall, however, comply with such requirements of the Stock Exchange where shares of the Company may be listed or such requirements of any rules made under the Act or such requirements of the Securities Contracts (Regulation) Act, 1956 as may

Issue of new certificates in place of one defaced lost or destroyed

29. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued In lieu thereof, and if any Certificate be 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 this Article shall be Issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 1/ for each Certificate) as the Directors shall prescribe. Out of pocket expenses incurred by the Company In Investigating the evidence as to the loss or destruction shall be paid to the Company If demanded by the Directors.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the Rules made under Securities Contracts (Regulation) Act, 1958 or any other Act, or Rules applicable in this behalf.

30. The provisions of the Article under this heading shall mutatis mutandis apply to debentures of the Company.

CALLS

Directors may make calls

32. The Directors may from time to time and subject to Section 94 of the Act Directors may and subject to the terms on which any shares/debentures may have been make calls issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as they think fit upon the members/debenture holders in respect of all moneys unpaid on the shares/debenture held by them respectively and each member/debenture holder shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Directors. A call may be made payable by Installments. A call may be postponed revoked as the Board may determine.

Calls to date from resolution

33. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed and may be made payable by members/debenture holders on a subsequent date to be specified by the Directors.

Notice to call

34. Fifteen days notice in writing shall be given by the Company of every calls made payable otherwise than on allotment specifying the' time and place of payment provided that before the time of payment of such call, the Directors may by notice In writing to the members debenture holders revoke the same.

Directors may extend time

35. The Directors may, from time to time, at their discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the members/debenture holders who from residence at a distance or other cause, the Directors may deem fairly entitled to such extension, but no member/ debenture holder shall be entitled to such extension, save as a matter of grace and favour.

Sums deemed to be calls

36. Any sum, which by the terms of issue of a share/debenture becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share/debenture or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date of which by the terms of issue the same becomes payable, and in case of non payment, all the relevant provisions of these Articles as to payment of Interest and expenses, forfeiture or otherwise, shall apply as if such sum had become payable by virtue of a call duly made and notified.

Installments on shares to be duly paid

37. if by the condition of allotment of any shares the whole or part of the amount of Issue price thereof shall be payable by installments, every such installment shall, when due, to paid to the Company by the person who, for the time being and from time to time, shall be the registered holder of the share or his legal representative.

Calls on shares of the same class to be made on uniform basis

38. Where any calls for further Share Capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. Explanation: For the purpose of this provision, shares of the same nominal value on which different amounts have been paid up by shall not be deemed to fall under the same class.

Liability of joint holders of shares

39. The joint holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such shares.

When interest on calls or installment payable

40. If the sum payable In respect of any call or installment be not paid on or before the day appointed for payment thereof or any such extension thereof, the holder for the time being or allottee of the share In respect of which a call shall have been made or the Installment shall be due, shall pay interest as shall be fixed by the Board from the day appointed for the payment thereof or any such extension thereof to the time of actual payment but the Directors may wave Payment of such interest wholly or in part.

Partial Payment not to prelude forfeiture

41. Neither a judgement nor a decree In favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the Company of portion of any money which shall from time to time be due from any member In respect of any shares either by way of principal or interest nor any Indulgence granted by the Company in respect of payment of any such money shall preclude the forfeiture of such shares as herein provided.

Proof on trial of suit for money due on shares

42. On the trial or hearing of any action or suit brought by the Company against any member or his legal representative for the recovery of any money claimed to be due to the Company in respect of any shares it shall be sufficient to prove that the name of the member in respect of whose shares the money is sought to be recovered appears in the Register of Members as the holder or one of the holders, at or subsequent to the date at which the money sought to be recovered Is alleged to have become due, of the shares in respect of which such money Is sought to be recovered, and that the resolution making the call is duly recorded In the Minutes Book; and that the notice of such call was duly given to the member or his representatives, sued In pursuance of these presents', and it shall not be necessary to prove the appointment of the Directors who made such calls nor that a quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matters what so ever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Payment in anticipation of calls may carry interest

43. (a) The Directors may, If they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the money due upon the shares held by him, beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, to the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividends. The Directors may at any time repay the amount so advanced.
- (b) The member shall not how ever be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.
44. The provisions of these articles shall mutatis mutandis apply to the calls on debentures of the Company.

LIEN

45. The Company shall have a first and paramount lien upon all the shares and/ or debentures (other than fully paid up shares and/or debentures (other than fully paid up shares and/or debenture holder (whether held singly or jointly with others) In respect of all moneys, whether presently payable or not and shall extend to all dividends, interest rights and bonuses from otherwise agree agreed the registration of transfer of shares and/or debentures. Unless other wise agree agreed the registration of transfer of shares and/or debentures shall operate as a waiver of Company's lien, if any, on such shares and/or

debentures. The Directors may at any declare any share and/or debenture wholly or in part exempt from the Provisions of this Article.

As to enforcing lien by sale

46. For the purpose of enforcing such lien, the Board may sell the shares/debentures subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and/or debentures and may authorise one of their members or appoint any officer or Agent to execute a transfer thereof on behalf of and in the name of such member/debenture holder. No sale shall be made until such period, as may be stipulated by the Board from time to time, and until notice in writing of the intention to sell shall have been served on such member and/or debenture holder or his legal representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice,

47. Application of proceeds of sale

- (a) The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares and/or debentures at the date of the sale.

Outsider's lien not to effect companies lien

- (b) The Company shall be entitled to treat the registered holder of any share or debenture as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or by statute required) be bound to recognise equitable or other claim to, or interest in, such shares or debentures on the part of any other person. The Company's lien shall prevail notwithstanding that it has received notice of any such claims.

FORFEITURE

48. (a) if any member or debenture holder fails to pay the whole or any part of any call or installment or any money due in respect of any share or debentures either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or any installment or any part thereof or other moneys remain unpaid or a judgment or decree in respect thereof remains unsatisfied In whole or in part, serve a notice on such member or debenture holder or on the person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any Interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment.

If call or installment not paid notice must be given

- (b) The notice shall name a day not being less than one month from the date of the notice and a place or places, on and at which such call, or installment or such part or other moneys as aforesaid and such Interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of call with interest at or before the time and at the place appointed, the shares or debentures In respect of which the call was made or Installment or such part or other moneys is or are payable will be liable to be forfeited.

In default of payment shares debentures to be forfeited

49. If the requirements of any such notice as aforesaid are not complied with any share/debenture in respect of which such notice has been given, may at any time thereafter before payment of all calls or Installments, interest and expenses or other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect. 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 indulgence 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 shares as herein provided. Such forfeiture shall include all dividends declared or interest paid or any other moneys payable In respect of the forfeited shares or debentures and not actually paid before the forfeiture.

Entry of forfeiture in register of members/ debenture holders

50. When any shares/debentures shall have been so forfeited, notice of the forfeiture shall be given to the member or debenture holder In whose name it stood Immediately prior to the forfeiture and any entry of the forfeiture with the

date thereof, shall forthwith be made in the Register of members or debenture holders but no forfeiture shall be Invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.

Forfeited shares / debentures to be property of company and may be sold

51. Any share or debenture so forfeited shall be deemed to be the property of the Company, and may be sold, reallocated or otherwise disposed of either to the original holder or to any other person upon such terms and in such manner as the Directors shall think fit.

Power to annul forfeiture

52. The Directors may, at any time, before any shares or debenture so forfeited shall have been sold, reallocated or otherwise disposed of, annul forfeiture thereof upon such conditions as they think fit.

Shareholder or debenture holder still liable to pay money owing at time of forfeiture and interest

53. Any member or debenture holder whose shares or debentures have been for forfeited shall, notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company, all calls, installments, Interest, expenses and other money owing upon or in respect of such shares or debentures at the time of them forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine, and the Directors may enforce the payment of the whole or a portion thereof, If they think fit, but shall not be under any obligation to do so.

Effect of forfeiture

54. The forfeiture of a share or debenture shall Involve extinction at the time of forfeiture, of all Interest In and call claims and demands against the Company, In respect of the share or debenture and all other rights incidental to the share or debenture, except only such of those rights as by these Articles are expressly saved.

Certificate of forfeiture

55. A Certificate In writing under the hand of one Director and. countersigned by the Secretary or any other Officer authorised by the Directors for the purpose, that the call In respect of a share or debenture was made and notice thereof given and that default in payment of the call was made that the forfeiture of the share or debenture was made by a resolution of Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.

Validity of sales under “Articles 46 and 51”

56. Upon any sale after forfeiture or for enforcing a lien In purported exercise of the powers here in above given, the Directors may, if necessary, appoint some person to execute an Instrument of transfer of the shares or debentures sold and cause the purchaser's name to be entered In the Register of members or Register of debenture holders In respect of the shares or debentures sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register of members or debenture holders in respect of such shares or debenture the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the vale shall be for damages only and against the Company exclusively.

Cancellation of share/debenture certificate in respect of forfeited shares/ debentures

57. Upon any sale, allotment or other disposal under the provisions of the preceding Articles, the certificate/s originally issued in respect of the relative shares or debentures shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member or debenture holder) stand cancelled and become null and void and be of no affect, and the Director shall be entitled to Issue a duplicate certificates In respect of the said share or debentures to the person/s entitled thereto.

Title of purchaser and allottee of forfeited shares/debenture

58. The Company may receive the consideration, If any, given for the share or debenture on any sale, allotment or other disposition thereof, and the person to whom such share' or debenture is sold, reallocated or disposed of may be registered as the holder of the share or debenture and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings, in reference to the forfeiture, sale, allotment or other disposal of the share or debenture.

Surrender of shares and debenture

59. The Directors may, subject to the provisions of the Act, accept a surrender of any share or debenture from or by any member or debenture-holder desirous of surrendering them on such terms as they think fit.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

Register of Shares or Debenture.

60. The Company shall keep a book to be called the "Register of transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

Form of transfer

61. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act shall be duly complied with in respect of all transfer of shares and registration thereof.

Instrument of transfer to be executed by transferor and transferee

62. Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of members in respect thereof.
63. (a) Subject to the provisions of Section 111 of the Companies Act, and subject to the provisions of the Securities Contract Regulation Act, 1956:
- (I) An application for the registration of a transfer of shares may be made either by the transferor or by the transferee;
 - (ii) It shall be lawful for the Company to refuse to register a transfer of any share, unless a proper Instrument of transfer and by or on behalf of the transferee and specifying the name, address and occupation, If any, of the transferee has been delivered to the Company along with the certificate relating to the shares or if no such allotment of shares. Provided that whereon an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit.
 - (iii) If the Company refuses to register the transfer of any shares or transmission of right therein the Company shall within two months from the date on which the instrument of transfer or the intimation of transmission, as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be. Title of purchaser and allottee of forfeited shares/debentures Surrender of Shares or debenture. Register of Shares or Debenture. Form of transfer Instrument of transfer to be executed by transferor and transferee
 - iv) Nothing in sub clause (2) hereof shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares of the Company has been transmitted by operation of law.

Transfer of Shares

64. (a) An application of registration of the transfer of shares 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 and subject to the provisions of Clause (d) of this Article, 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 of members 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.
- (b) For the purpose of clause (a) above notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered to him in the ordinary course of post.
- (c) It shall not be lawful for the Company to register a transfer of any shares unless a proper Instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the Company along with the Certificate relating to the shares and

if no such Certificate Is In existence, along with the letter of allotment of shares. The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer, provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and the transferee has been lost, the company may, If the Directors think fit on an application in writing made by the transferee and bearing the stamp required by an Instrument of transfer register the transfer on such terms as to indemnity as the directors may think fit.

- (d) Nothing in clause (c) here of shall prejudice any power of the Company to register as shareholder any person to whom the right to any share has been withdrawn by operation of law.
- (e) The Company shall not accept applications for transfer of less than 10 (ten) equity shares or 5 (five) debentures (all relating to the same series) less than in market lots of the Company provided however, that this condition shall not apply to:
 - (I) transfer of equity shares/debentures made in pursuance of any statutory provision or an order of a competent court of law.
 - (ii) the transfer of the equity shares/debentures by an existing shareholder/debenture holder of the Company holding under one folio of less than 10 (ten) equity shares or 5 (five) debentures (all relating to the same series) less than in market lots by a single transfer to the single or Joint transferee.
 - (iii) the transfer of not less than 10 (ten) equity Shares or 5 (five) debentures (all relating to the same series) In favour of the same transferee(s) under two or more deeds, out of Transfer of shares which one or more relate(s) to the transfer of less than 10 (ten) equity shares/ 5 (five) debentures.
 - (iv) the transfer of less than 10 (ten) equity share or 5 (five) debentures (all relating to the same series) to the existing shareholder/ debenture holder subject to verification by the Company.

Provided that the Board may in its absolute discretion waive the aforesaid conditions in a fit and proper case(s) and the decision of the Board shall be final in such case(s).

- (f) Nothing in this. Article shall prejudice any power of the Company to refuse to register the transfer of any share.

Custody of Instrument of transfer

- 65. The Instrument of transfer shall after registration be retained by the Company and shall remain in their custody. All Instruments of transfer, which the Directors may decline to register, shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.
- 66. The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company Is situated, to close the Transfer books. The Register of members or Register of debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding In the aggregate forty five days In each year.

Transfer books and Register of member when closed

- 67. Only fully paid shares or debentures shall be transferred to a minor acting through his/her legal or natural guardian. Under no circumstances, shares or debentures are transferred to any Insolvent or a person of unsound mind.

Title to share of deceased holder.

- 68. The executors or administrators of a deceased member (not being one or two or more joint holders) or the holder of a Succession Certificate or the legal representative of a deceased member (not being one or two or more joint holders) shall be the only person whom the Company will be bound to recognise as having any title to the shares registered In the name of such member, and the Company shall not be bound to recognise such executors or administrators or the legal representatives unless they shall have first obtained probate or Letters of Administration or a Succession Certificate, as the case may be, from a duly constituted competent court in India, provided that In any case where the Directors In their absolute discretion think fit, the Directors may dispense with the production of probate or Letters of Administration or a Succession Certificate upon such terms as to Indemnity or otherwise as the Directors in their absolute discretion may think necessary and under Article 70 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

Compliance of Estate Duty Act, 1953.

69. Where the company has knowledge through any of its principal officers of the death of any member or debenture holder in the Company, the Company shall within three months of receipt of intimation of knowledge of the death, furnish to the Controller of Estate Duty who is exercising the function of the Income-tax Officer under the Income tax Act, 1961 in relation to the Company such particulars as may be prescribed in respect of the interest of the deceased in the Company and it shall not be lawful (or the Company to register the transfer of any shares or debentures standing in the name of the deceased unless the transferee has acquired such shares or debentures for valuable consideration or a certificate from the controller is produced before the Company to the effect that the Estate Duty in respect of such custody of instrument of transfer books and Register of members when closed transfer to minors etc. title to shares of deceased holder. Compliance of Estate Duty Act, 1953. Shares or debentures have been paid or will be paid or that one is due as the case may be.

Registration of person entitled to share otherwise than by transfer

70. (a) Subject to the provisions of Articles 68 and 78 (d), any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these articles, may with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such titles as the Directors shall think sufficient, either be registered himself as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such shares. Provided nevertheless that such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be free from any liability in respect of such shares. .
- b) A transfer of the share or other interest in the Company of a deceased member thereof made by his legal representative shall although the legal representative is not himself a member, be as valid as if he had been a member at the time of the execution of the instrument of transfer.

Claimant to be entitled to same advantage

71. The person becoming entitled to a share by reason of the death, lunacy, bankruptcy or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled as if he were registered holder of the shares except that he shall not before being registered as a member in respect of the share, be entitled in respect of it, to exercise any right conferred by membership in relation to the meeting of the Company provided that the Board may at any time give notice requiring any such persons to elect either to be registered himself or to transfer shares and if the notice is not complied with within sixty days, the Board thereafter withhold payment of all dividends, interests, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

Person entitled may receive dividend without being registered as member

72. (a) A person entitled to a share by transmission shall, subject to the rights of the Directors to retain such dividends, bonuses or moneys as hereinafter provided be entitled to receive, and may give a discharge for any dividends, bonuses or other moneys payable in respect of the share/ debenture

(b) This Article shall not prejudice the provisions of Articles of 45 and 56.

73. The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration.

Directors may require evidence of transmission

74. Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity is given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.
75. No change will be made for registration of transfer of shares and debentures:
- (a) For sub-division and/or consolidation of shares and/or debenture certificates and for subdivision of letters of allotment and split, consolidation, renewal and pukka transfer receipts into denominations corresponding to the market units of trading.
- (b) For subdivision of renounceable letters of Right;
- (c) For issue of new certificates in replacement of those which are old receipt or worn out or where the pages on the reverse for recording transfers have been fully utilised:

- (d) For registration of my Power of Attorney, Probate, Letters of Administration or similar or the document.

Further the Company will not charge any fees exceeding those, which may be agreed upon with the Stock Exchange.

- a. For issue of new certificates in replacement of those that are torn defaced, lost or destroyed
- b. For subdivision of letters of allotment and split, consolidation, renewal or pucca receipts into denominations other than those fixed for the market units of trading.

The Company not liable for disregard of a notice prohibiting registration of transfer

76. The Company shall incur no liability or responsibility whatsoever In consequence of its registering or giving effect to any transfer, of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing In the Register of members) to the prejudice or persons having or claiming any equitable right, title or Interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice referred thereto in any book of the Company and the Company shall not to bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Directors shall so think fit.

Not more than four persons as joint holders.

- 76A. The Company shall be entitled to decline to register more than four persons as the holders of any shares.

77. The provisions of these Articles shall mutatis mutandis apply to the transfer or transmission by operation of law of debenture of the Company.

JOINT HOLDERS

Joint holders

78. Where two or more persons are registered as the holders of any share/debentures, they shall be deemed (so far as the Company is concerned) to hold the same as Joint tenants with benefits of survivorship, subject to the following and other provisions contained in these Articles

Transfer by joint holder

- (a) In the case of a transfer of share/debentures held by Joint holders, the transfer will be effective only if it is made by all the joint holder.

Liability of joint -holder

- (b) The Joint holder of any share/debenture shall be liable severally as well as jointly for and in respect of all calls or installments and other payments which ought to be made in respect of such share/debenture.

Death of one or more Joint-holders

- (c) On the death of any one or more of such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to the share/debenture, but the Directors may require such evidence of death as they may deem fit, and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on share/debentures held by him jointly with any other person.

Receipt of one sufficient

- (d) Any one of such joint holders may give effectual receipts of any dividends, interests or other moneys payable in respect of such share/debenture.
- (e) Only the person whose name stands first in the Register of Members/ Debenture holders as one of the joint holders of any share/debentures shall be entitled to the delivery of the certificate relating to such share/debenture or to receive notice (which expression shall be deemed to Include all documents as defined in Article (2) (a) hereof) and any document served on or sent to such person shall be deemed service on all the Joint holders.

Vote of Joint holders

- (f) (I) Any one of two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the Register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint holders shall, be entitled to be present at the meeting provided always that a joint holder present at any meeting personally shall be entitled to vote in preference to a joint-holder present by Attorney or by proxy although the name of such joint-holder present by an Attorney or proxy stands first or higher (as the case may be) in the Register in respect of such shares.
- (II) Several executors or administrators of a deceased member in whose (deceased member) sole name any share stands shall for the purpose of this clause be deemed joint holders.

BORROWING POWERS

Restrictions powers of the Board

79. The Board of Directors shall not, except with the consent of the Company in general meeting and subject to Article 172 of the Articles of Association of the Company:

- (a) sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantial the whole, of any such undertaking.
- (b) remit, or give time for the repayment of any debt due by a Director.
- (c) invest, otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition after the commencement of this Act, of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which It cannot be carried on or can be carried on only with difficulty or only after a considerable time.
- (d) borrow moneys where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and Its free reserves, that is to say, reserves not set apart for any specific purpose.
- (e) contribute, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent, of its average net profit as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

Explanation:- Every resolution passed by the Company in general meeting in relation to the exercise of the power referred to in clause (d) or in clause (e) shall specify the total amount upon which money may be borrowed by the Board of Directors clause (d) or as the cause may be, the total amount which may be contributed to charitable and other funds in any financial year under clause (e)

Conditions on which money may be borrowed

80. The Directors may raise and secure to payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the Issue of bonds, perpetual or redeemable, debenture or debenture stocks or any mortgage or charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future) Including its uncalled capital for the time being.

Bonds, debentures etc. to be subject to control of Director

81. Any bonds, debentures, debenture-stocks or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

Provided that bonds, debentures, debenture-stock or other securities so is-sued or to be issued by the Company with the right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in general meeting.

Securities may be assignable free from equities

82. Debentures, debenture-stocks, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Registration of charges

86. (a) The provisions of the Act relating to registration of charges shall be complied with
- (b) In case of a charge created out of India and comprising solely property situated outside India, the provisions of Section 125 of the Act shall also be complied with.
- (c) Where a charge is created in India but comprises property outside India, the instrument, to create the charge under Section 125 of the Act or a copy thereof verified in the prescribed manner, may be filed for registration, not with standing that further proceedings may be necessary to make the charge valid or effectual according to the law of the country in which the property is situated, as provided by Section 125 of the Act.
- (d) Where any charge on any property of the Company required to be registered under Section 125 of the Act has been so registered, any person acquiring such property or any part thereof or any share or interest therein shall be deemed to have notice of the charge as from the date of such registration.
- (e) In respect of registration of charges on properties acquired subject to charge, the provisions of Section 127 of the Act shall be complied with.
- (f) The Company shall comply with the provisions of Section 128 of the Act relating to particulars in case of series of debentures entitling holders *pari-passu*.
- (g) The Company shall comply with the provisions of Section 129 of the Act in regard to registration of particulars of commission, allowance or discount paid or made, directly or indirectly, in connection with the debentures.
- (h) The provisions of Section 133 of the Act as to endorsement of Certificate of registration on debenture or Certificate of debenture stock shall be complied with by the Company.
- (i) The Company shall comply with the provisions of Section 134 of the Act as regards registration of particulars of every charge and of every series of debentures.
- (j) As to modification of charges, the Company shall comply with the provisions of Section 135 of the Act
- (k) The Company shall comply with the provisions of Section 136 of the Act regarding keeping a copy of instrument creating charge at the registered office of the Company and comply with the provisions of Section 137 of the Act In regard to entering in the register of charges any appointment of Receiver or Manager as therein provided.
- (l) The Company shall also comply with the provisions of Section 136 of the Act as to reporting satisfaction to any charge and procedure thereafter.
- (m) The Company shall keep at its registered office a Register of charges and enter therein all charges specifically affecting any property of the Company and all floating charges on the undertaking or on any property of the Company giving in each case:
- (i) a short description to the property charged;
 - (ii) the amount of the charge; and
 - (iii) except in the case of securities to bearer, the names of persons entitled to the charge.
- (n) Any creditor or member of the Company and any other person shall have the right to inspect copies of instruments creating charges and the Company's Register of charges in accordance with and subject to the provisions of Section 144 of the Act.

SHARE WARRANTS

Powers to issue share warrants

88. The Company may issue share warrants subject to and in accordance with the provisions of Section 114 and 115 of the Act and accordingly, the Board may, in its discretion, with respect to any share which is fully paid upon application in writing signed the persons registered as holder of the share and authenticated by such evidence (if any) as the Board may, from time to time require as to the identity of the person signing the application, and on receiving the certificate (if any) of the

share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

Deposit of shares warrants.

89. (a) The bearer of a share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending and voting, and exercising the other privileges of a member at any meeting held after expiry of two clear days from the time of deposit, as if his name were inserted in the register of members as the holder of the share included in the deposited warrant.
- (b) Not more than one person shall be recognised as depositor of the Share Warrant.
- (c) The Company shall on two days written notice return the deposited share warrant to the depositor.

Privileges and disabilities of the holders of share warrants.

90. a Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notice from the Company
- b. The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of member as the holder of the shares included in the warrant and he shall be a member of the Company.

Issue of new share warrant or coupon

91. The Board may, from time to time, make rules as the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement loss or destruction.

GENERAL MEETINGS

Statutory meeting

94. The Statutory meeting of the Company shall be held at such place and time (not less than one month or more than six months from the date on which the Company is entitled to commence business as the Directors may determine and the Directors shall comply with the provisions of Section 165 of the Act relating thereto.

Annual general meeting

- 94A. Subject to the provisions contained in Section 166 and 210 of the Act, as far as applicable, the Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting, and shall specify, the meeting as such in the Notice calling It; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.

Provided that if the Registrar for any special reason, extends the time within which any annual general meeting shall be held, then such annual general meeting may be held within such extended period.

Annual Summary

- 94B. The Company, may in any one annual general meeting fix the time for its subsequent annual general meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any general meeting which he attends on any part of the business which concerns him as Auditor. At every annual general meeting of the Company, there shall be laid on the table, the Directors' report, the audited statement of accounts and auditors' report (if any, not already incorporated in the audited statements of accounts). The proxy registered with the Company and Register of Directors' Share holdings of which latter register shall remain open and accessible during the continuance of the meeting. The Board shall cause to prepare Annual list of members, summary of Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the act.

Time and place of Annual general meeting

95. Every annual general meeting shall be called at any time during business hours, on a day that is not a public holiday, and shall be held either at the registered office of the Company or at some other place within the city, town or village

in which the registered office of the Company is situated, and the notice calling the meeting shall specify it as the annual general meeting.

Sections 171 to 186 of the Act shall apply to meetings.

96. Sections 171 to 186 of the Act with such adaptations and modifications, if any, as may be prescribed, shall apply with respect to meetings of any class of members or debenture holders of the Company in like manner as they apply with respect to general meetings of the Company.

Powers of Directors to call Extraordinary General Meeting.

97. The Directors may call an extraordinary general meeting of the Company whenever they think fit.

Calling or Extraordinary General Meeting on requisition.

98. (a) The Board of Directors of the Company shall on the requisition of such number of members of the Company as is specified in clause (d) of this Article, forthwith proceed duly to call an Extraordinary general meeting of the company.
- (b) The requisition shall set out the matters for the consideration of which the meeting is to be called, shall be signed by the requisitionists, and shall be deposited at the registered office of the Company.
- (c) The requisition may consist of several documents, each signed by one or more requisitionists.
- (d) The number of members entitled to requisition a meeting in regard to any matter shall be such number of them as hold at the date of the deposit of the requisition not less than one tenth of such of the paid up share capital of the Company as at that date the right of voting in regard to that matter.
- (e) Where two or more distinct matters are specified in the requisition the provisions of clause (d) above, shall apply separately in regard to each such matter; and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that clause is fulfilled.
- (f) If the Board does not within twenty one days from the date of the deposit of a valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of those matters then on a day not more than forty five days from the date of the deposit of the requisition, the meeting may be called.
- (i) by the requisitionists themselves;
- (ii) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of such of the paid up share capital of the Company as is referred to in clause (d) above whichever is less.
- Explanation: For the purpose of this clause, the Board shall in the case of a meeting at which resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the meeting if they do not give such notice thereof as is required by sub-section (2) of Section 189 of the Act.
- (g) A meeting, called under clause (f) above by requisitionists or any of them:
- (I) shall be called in the same manner as nearly as possible as that in which meetings are to be called by the Board; but
- (II) shall not be held after the expiration of three months with in the date of the deposit of the requisition.
- Explanation: Nothing in clause (g) (II) above, shall be deemed to prevent a meeting only commenced before the expiry of the period of three months aforesaid, from adjourning to some day after the expiry of that period.
- (h) Where two or more persons hold any shares or interest in the Company jointly, requisitions, or a notice called a meeting, signed by one or some of them shall, for the purposes of this Article, have the same force and effect as if it had been signed by all of them.
- (i) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call a meeting shall be repaid to the requisitionists by the Company; and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

Length of notice for calling meeting

99. (a.) A general meeting of the Company may be called by giving not less than twenty-one days notice in writing.
 (b) A general meeting of the Company may be called after giving shorter notice than that specified in clause (a) above, if consent in accorded thereto:
- (i) in the case of an annual general meeting by all the members entitled to vote thereat; and
 - (ii) in the case of any other meeting, by members, of the Company holding not less than 95 (ninety five) per cent of such part of the paid up capital of the Company as gives a right to vote at the meeting:

Provided that where any members of the Company are entitled to vote only on some resolution or resolution to be moved at the meeting and not on the others, those members shall be taken into account for the purposes of this clause in respect of the former resolution or resolutions and not in respect of the latter.

Contents and manner of service of notice and persons on whom it is to be served

100. (a) Every notice of a meeting of the Company shall specify the place Contents and the day and hour of the meeting and shall contain a statement of the business to be transacted thereat.
- (b) Notice of every meeting of the Company shall be given:
- (i) to every member of the Company, in any manner authorised by subsections (1) to (4) of Section 53 of the Act;
 - (ii) to the persons entitled to a share in consequence of the death or insolvency of a member, by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignees of the insolvent, or by any like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred;
 - (iii) to the Auditor or Auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of any member or members of the Company and
 - (iv) to all the Directors of the Company.
- Provided that where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighborhood or the registered office of the Company under subsection (3) of Section 53 of the Act, the statement of material facts referred to in section 173 of the Act need not be annexed to the notice as required by that Section but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the company.
- (d) The Accidental omission to give notice to, or the non-receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings at the

Explanatory statement to be annexed to notice.

101. (A) For the purpose of this article:
- (i) in the case of an annual general meeting, all business to be transacted at the meeting shall be deemed special with the exception of business relating to
 - (a) the consideration of the accountants, balance sheet and the reports of the Board of Directors and auditors.
 - (b) the declaration of a dividend.
 - (c) the appointment of directors in the place of those retiring, and
 - (d) the appointment of and the fixing of the remuneration of the auditors, and
 - (ii) in the case of any other meetings, all business shall be deemed special.
- (B) where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each item of business including in particular the nature of the concern of interest, if any, therein of every Director, and the manager, if any.

Provided that where any item of special business as aforesaid to be transacted at a meeting of the Company relates, to or affects, any other Company, the extent of shareholding interest in that other Company of any such person shall be set out in circumstances specified in the provision to sub-section (2) of Section-173 of the Act.

- (C) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the documents can be inspected shall be specified in the statement aforesaid.

Quorum for meeting.

102. (a) five members personally present shall be the quorum for a meeting of the Company.

If quorum not present meeting to be dissolved or adjourned.

- (b) (i) If within half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, is called upon by requisition of members, shall stand dissolved.
- (ii) In any other case, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place, as the Board may determine.

Adjourned meeting to transact business.

- (c) If at the adjourned meeting also, a quorum is not present within half an hour from, the time appointed for holding the meeting, the members present shall be the quorum.

Resolution passed at adjourned meeting.

- (d) Where a resolution is passed at an adjourned meeting of the Company, the resolution shall, for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

Presence of quorum

103. (a) No business shall be transacted at any general meeting unless the requisite quorum be present at the commencement of the business.

Business confined to election of Chairman while chair vacant

- (b) No business shall be discussed or transacted at any general meeting except the election of a Chairman while the Chair is vacant

Chairman of general meeting

- (c) (i) The Chairman of the Board of Directors shall be entitled to take the chair at every general meeting. If there be no Chairman or if at any meeting he shall not be present within 15 (fifteen) minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of themselves, to be the Chairman and in default of their doing so, the members present shall choose one of the Directors to be the Chairman and if no Directors present be willing to take the chair, the members present shall choose one of themselves to be the Chairman.
- (ii) If at any meeting a quorum of members shall be present, and the Chair shall not be taken by the Chairman or Vice-Chairman of the board or by a Director at the expiration of 15 minutes from the time appointed for holding the meeting or if before the expiration of that time all the Directors shall decline to take the Chair, the members present shall choose one of their member to be the Chairman of the meeting.

Chairman with consent may adjourn the meeting

- (d) The Chairman with the consent of the meeting may adjourn any meeting from time to time and from place to place in the city, town or village where the registered office of the Company is situated.

Business at adjourned meeting

- (e) No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place

Notice of adjourned meeting.

- (f) When a meeting is adjourned only for thirty days or more, notice of the adjourned meeting shall be given as in the case of the original meeting.

In what case a poll taken with or without adjournment

- (g) Any poll duly demanded on the election of a chairman of a meeting or any question of adjournment shall be taken at the meeting forthwith, save as aforesaid, any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

Proxies

104. (a) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself. A member (and In case of joint holders or holders) shall not appoint more than one person as proxy. A proxy so appointed shall not have any right to speak at the meeting.

Provide that unless where the proxy is appointed by a body corporate a proxy shall not be entitled to vote except on a poll.

- (b) In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself, and that a proxy need not be a member.
- (c) The instrument appointing a proxy or any other document necessary to show the validity or otherwise relating to the appointment of a proxy shall be lodged with the COMPANY not less than 48 (forty-eight) hours before the meeting in order that the appointment may be effected thereat.
- (d) The instrument appointing a proxy shall:
 - (i) be in writing, and
 - (ii) be signed by an appointer or his attorney duly authorised in writing or, if the appointer is a body corporate, by under its seal or be signed by an officer or an attorney duly authorised by it.

Form of proxy

- (e) Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in usual common form or in such other form as the Directors may approve from time to time.
- (f) An instrument appointing a proxy, if in any of the forms set out in schedule IX to the act shall not be questioned on the ground that it fails to comply with any special requirements specified (or such instrument by these Articles.
- g. Every member entitled to vote at a meeting of the Company, or on any resolution to be moved thereat, shall be entitled during the period beginning 24 (twenty-four) hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged at any time during the business hours of the company, provided not less than 3 (three) day's notice in writing of the intention so to inspect is given to the Company.

VOTES OF MEMBERS**Restrictions on exercise of rights of members who have not paid calls etc.**

105. (a) No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.
- (b) Where the shares of the Company are held in trust, the voting power in respect of such shares shall be regulated by the provisions of Section 187 B of the Act

Restriction on exercise of voting right in other cases to be void.

106. A member is not prohibited from exercising his voting right on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 105.

Equal rights of shareholders

107. Any shareholder whose name is entered in the Register of members of the Company shall enjoy the same rights and be subject to the same liabilities as all other shareholders of the same class.

Voting to be by show of hands in first instance.

108. At any general meeting a resolution put to vote at the meeting shall unless a poll is demanded under Section 179 of the Act be decided on a show of hands.
109. (a) Subject to the provisions of the Act, upon show of hands every member entitled to vote and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.

No voting by Proxy on show of hands.

- (b) No member not personally present shall be entitled to vote on a show of hands unless such member is a body corporate present by a proxy or a by a representative duly authorised under Sections 187 or 187 A of the Act, in which case such proxy or representative may vote on a show of hands as if he were a member of the Company.

How members compos mentis and minor may vote

- (c) A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may, on poll vote by proxy; If any such committee or guardian may, on poll vote by proxy; If any member be a minor the vote in respect of his share or shares shall be by his guardians or any one of his guardians, if more than one, to be selected in case of dispute by the Chairman of the meeting.]

Votes in respect of shares of deceased or Insolvent members etc.

- (d) Subject to the provisions of the Act and other provisions of these Articles, any person entitled under the transmission clause to any shares may vote at any general meeting in respect hereof as if he was the registered holder of such shares, provided that at least 48 (forty-eight) hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposed to vote, he shall satisfy the Directors of his right to such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

Custody of Instrument

- (e) If any such instrument of appointment be confined to the object of appointing proxy or substitute for such time as the Directors may determine in the custody of the Company; if embracing other objects a copy thereof examined with the original, shall be delivered to the Company to remain the custody of the Company.

Validity of votes given by proxy notwithstanding death of members etc

- (f) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or of any power of attorney under which such proxy was signed or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, revocation or transfer shall have been received at the registered office of the Company before the meeting.

Time for objections for vote

- (g) No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote whether given personally or by an agent or proxy or representative not disallowed at such meeting or shall be deemed valid for all purpose or such meeting or poll whatsoever.

Chairman of any meeting to be the judge of any vote

- (h) The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Chairman's declaration of result of voting by show of hands to be conclusive

110. A declaration by the Chairman in pursuance of Section 177 of the Act that on a show of hands, a resolution has not been carried, either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.
111. (a) Before or on the declaration of the result of the voting on any resolution on a show of hands, poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him of a demand made in that behalf by any member or members present in person or by proxy and holding shares, in the Company which confer a power to vote on the resolution not being which confer a power to vote on the resolution, not being less than one tenth of the total voting power in respect of the resolution, or on which an aggregate sum not less than fifty thousand rupees has been paid.
- (b) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

Demand for poll not to prevent transaction of other business

- (c) The demand for a poll except on the question of the election of the Chairman and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

Time of taking poll

112. (a) A poll demanded on a question of adjournment shall be taken forthwith
- (b) A poll demanded on any other question (not being a question relating to the election of a Chairman which is provided for In Section 175 of the Act) shall be taken at such time not being later than 48 (forty eight) hours from the time when the demand was made, as the Chairman may direct.

Right of a member to use his votes differently

113. On a poll taken at a meeting of the Company a member or other person entitled to vote for him as the case may be, need not, if he votes, use, all his votes or cast in the same way all the votes he uses.

Scrutineers at poll

114. (a) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him
- (b) The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of scrutineer arising from such removal or from any other cause.
- (c) Of the two scrutineers appointed under this article, one shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed.

Manner of taking poll and result thereof

115. (a) Subject to the provisions of the Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.
- (b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Casting Vote

116. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to his own vote or votes to which he may be entitled as a member.

Representation of Body Corporate

117. A body corporate (whether a Company within the meaning of the Act or not) if it is a member or creditor (including a holder of debentures) of the Company may in accordance with the provisions of Section 187 of the Act authorize such person by a resolution of its Board of Directors as it thinks fit, to act as its representative at any meeting of the Company or of any class of members of the Company or at any meeting of creditors of the Company.

Representation of the President of India or Governors

118. (a) The President of India or the Governor of a state if he is a member of the Company may appoint such person as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of members of the Company in accordance with provisions of Section 187A of the Act or any other statutory provision governing the same.
- b) A person appointed to act as aforesaid shall for the purposes of the Act be deemed to be a member of such a Company and shall be entitled to exercise the same rights and powers (including the right to vote by proxy) as the President or as the case may be the Governor could exercise, as a member of the Company.

Public Trustee

- c) The Company shall observe the provisions of Section 187B of the Act, in regard to the Public Trustee.

Circulation of Members Resolution.

119. The Company shall comply with provisions of Section 188 of the Act, relating to circulation of members' resolutions.

Special notice

120. (a) Where by any provision contained in the Act or in these articles special notice is required (or any resolution, notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the meeting at which it is to be moved exclusive of the day on which the notice is served or deemed to be served and the day of the meeting. The Company shall immediately after the notice of the intention to move any such resolution has been received by it give its members notice of the resolution in the same manner as it gives notice of the meeting, or if that is not practicable, shall give them notice thereof either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents not less than seven days before the meeting.

Resolution requiring special notice

- (b) The Company shall comply with provisions of Section 190 of the Act relating to resolution requiring special notice.

Resolution passed at adjourned meeting.

121. The provisions of Section 191 of the Act shall apply to resolutions passed at an adjourned meeting of the Company, or of the holders of any class of shares in the Company and of the Board of Directors of the Company and the resolutions shall be deemed for all purposes as having been passed on the date on which in fact they were passed and shall not be deemed to have been passed on any earlier date.

Registration of resolution and agreement

122. The Company shall comply with the provisions of Section 192 of the Act relating to registration of certain resolutions and agreements.

Minutes at proceedings of general meeting and at Board and other meetings

123. (a) The Company shall cause minutes of all proceedings of general meetings, and of all proceedings of every meeting of its Board of Directors or of every Committee of the Board to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
- (b) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed.
- (i) In the case of minutes of proceedings of the Board or of a Committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting.

- (ii) in the case of minutes of proceedings of the general meeting by Chairman of the said meeting within the aforesaid period, of thirty days or in the event of the death or inability of that chairman within that period, by a Director duly authorised by the Board for the purpose.
- (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (e) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (f) In the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes shall also contain.
 - (i) the names of the Directors present at the meetings, and
 - (ii) in the case of each resolution passed at the meeting, the names of the Directors, If any, dissenting from or not concurring in the resolution-
- (g) Nothing contained in Clauses (a) to (d) hereof shall be deemed to require the Inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting:
 - (i) is, or could reasonably be regarded, as defamatory of any person,
 - (ii) is irrelevant or Immaterial to the proceedings; or
 - (iii) is detrimental to the Interests of the Company. The Chairman shall exercise an absolute discretion in regard to the Inclusion or no inclusion of any matter in the minutes on the grounds specified in this clause.
- (h) The minutes of meetings kept in accordance with the provision of Section 193 of the Act shall be evidence of the proceedings recorded therein.

Presumptions to be drawn where minutes are duly drawn and signed

124. Where minutes of the proceedings of any general meeting of the Company or of any meeting of its Board of Directors or of a Committee of the Board have been kept in accordance with the provisions of Section 193 of the Act then, until the contrary is proved, the meeting shall be deemed to have been duly called and held, and all proceedings thereat to have duly taken place and in particular all appointments of Directors or Liquidators made at the meeting shall be deemed to be valid and the minutes shall be evidence of the proceedings recorded therein.

Inspection of minutes books of general meeting

125. (a) The books containing the minutes of the proceedings of any general meeting of the Company shall:
- (i) be kept at the registered office of the Company, and
 - (ii) be open, during the business hours to the inspection of any member without charge, subject to such reasonable restrictions as the Company may, in general meeting impose so however that not less than two hours in each day are allowed for inspection.
- (b) Any member shall be entitled to be furnished, within seven days after he has made a request in that behalf to the Company, with a copy of any minutes referred to In Clause (a) above, on payment of thirty seven paise for every one hundred words or fractional part thereof required to be copied.
126. No document purporting to be a report of the proceedings of any general meeting of the Company shall be circulated or advertised at the expenses of the Company unless it includes the matters required by Section 193 of the Act to be contained in the Minutes of the proceedings of such meeting.

BOARD OF DIRECTORS

128. Until otherwise determined by the Company In general meeting, the number of Directors shall not be less than three and more than twelve.
129. (a) Subject to the provisions of the Act and within the overall limit prescribed under the Articles for the number of directors on the Board, the Board may appoint any Senior Executive of the Company as a whole time Director of the

Company for such period and upon such terms and conditions as the Board may decide. The Senior Executive so appointed shall be governed by the following provisions:

- (I) He shall be liable to retire by rotation as provided in the Act but shall be eligible for reappointment. His reappointment as a Director shall not constitute a break in his appointment as whole time Director.
 - (II) He shall be reckoned as Director for the purpose of determining and fixing the number of Directors, to retire by rotation
 - (III) He shall cease to be a Director of the Company on the happening of any event specified In Section 283 and 314(2C) of the Act. He shall cease to be a Director of the Company, If for any reason whatsoever, he ceases to hold the position of Senior Executive in the Company or ceases to be in the employment of the Company.
 - (iv) Subject to what is stated hereinabove he shall carry out and perform all such duties and responsibilities as may, from time to time, be conferred upon or entrusted to him by the Managing Directors and/or the Board, shall exercise such powers and Authorities subject to such restrictions and conditions and/or stipulations as the Managing Director/s and/or the Board, may, from time to time determine.
 - (v) His remuneration shall be fixed by the Board and shall be subject to the approval of the Company In general meeting and of the Central Government as may be required under the provisions of the Act.
- (b) Nothing contained In this Article shall be deemed to restrict or prevent the right of the Board to revoke, withdraw, alter, vary or modify all or any of such powers, authorities, duties and responsibilities conferred upon or vested in or entrusted to such Whole time Directors.

LOANS TO DIRECTORS ETC

149. The Company shall not without obtaining the previous approval of the Central Government in that behalf, directly or Indirectly make any loan to or give any guarantee or provide any security in connection with loan made by any other person to, or any other parson by -•

- (a) any Director of the Company or any partner or relative of any such Director:'
- (b) any firm in winch any such Director or relative is a partner;
- (c) any private company of which any such director is a Director or partner
- (d) any body corporate at a general meeting of which not less than twenty-five per cent of the total voting power may be exercised or controlled by any such Director, or by two or more, such Directors together; *or*
- (e) any body corporate, the Board of Directors, Managing Director or Manager whereof, is accustomed to act in accordance with the directions or instructions of the Board, or of any Director or directors of the Company.

Loans etc. to companions

150. The Company shall observe the restrictions Imposed on the Company In regard to making any loans, giving any guarantee or providing any security to the Companies or bodies corporate under the same management as provided in Section 370 of the Act.

151. No Director of the Company shall as a Director take any part in the discussion of or vote on any contract or arrangement entered into, or to be entered Into, by or on behalf of the Company, if he is in any way whether directly or indirectly concerned or interested in such contract or arrangement nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote and if he does vote It shall be void; PROVIDED that the Board of Directors or any of its number may vote on any contract of indemnity against any loss which it or any one or more of a number may suffer by reason of becoming or being sureties or surely for the Company. Nothing in this Article shall apply to any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company In which the interest of the Director aforesaid consists solely-

(i) in his being a Director of such company and the holder of. not more than shares of such number of value therein as is requisite to qualify him for the appointment as a Director thereof, he having been nominated as such Director by the Company.

(ii) in his being a member holding not more than two per cent of its paid up share capital.

This Article Is subject to the provisions of sub-section (2) of section 300 of the Act.

Register of contracts in which directors are interested

152. (i) The Company shall keep one or more Registers in which shall be entered separately particulars of all contracts and arrangements to which Sections, 297 and 299 of the Act applies including the following particulars to the extent they are applicable in each case, namely :-
- (a) the date of the contract or arrangement;
 - (b) the names of the parties thereto;
 - (c) the principal terms and conditions thereof;
 - (d) in the case of a contract to which Section 297 of the Act applies or In the case of a contract or arrangement to which subsection (2) of Section 299 of the Act applies the date on which It was placed before the Board;
 - (e) the names of the Directors voting for and against the contract or arrangement and the names of those remaining neutral.
- (II) Particulars of every such contract or arrangement to which Section 297 of the Act or as the case may be subsection (2) of Section 299 applies shall be entered in the relevant register aforesaid.
- (a) in the case of a contract or arrangement requiring the Board's approval within seven days (exclusive of public holidays) of the meeting of the Board at which the contract or arrangement is approved;
 - (b) In the case of any other contract or arrangement within seven days of the receipt at the Registered Office of the Company of the particulars of such other contract or arrangement or within thirty days of the date of such other contract or arrangement whichever Is later, and the Register shall be placed before the next meeting of the Board and shall then be signed by all the Directors present at the meeting.
 - (c) the register shall be kept at the registered office of the Company, and It shall be open to Inspection at such office, and extracts may be taken there from and copies thereof may be required by any member of the Company to the same extent, In the same manner, and on payment of the same fee as in the case of the Register of Members of the Company and the provisions of Section 163 of the Act shall apply accordingly.
- (iii) The Register aforesaid shall also specify, in relation to each Director of the Company, the names of the firms and bodies corporate of which notice has been given by him under subsection (3) of Section 299 of the Act.
- (iv) Nothing In clauses (i), (II) and (iii) shall apply to any contract or arrangement for the sale, purchase or supply of any goods, materials or services if the value, of such goods and materials or the cost of such services does not exceed rupees one thousand In the aggregate In any year.

POWER OF DIRECTOR

Certain powers to be exercised by the board

171. (a) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at meetings of the Board.
- (i) The Power to make calls on shareholders in respect of money unpaid on their shares;
 - (ii) The power to issue debenture;
 - (iii) The power to borrow moneys otherwise than on debentures;
 - (iv) The power to invest the funds of the Company, and

- (v) The power to make loans.

Provided that the Board may by resolution passed at the meeting, delegate to any Committee of Directors, the Managing Director, the Manager of any other principal officer of the Company or in the case of a branch office of the Company, a principal Officer of the branch office, the powers specified in sub clause (iii), (iv) and (v) to the extent specified in clauses (b), (c) and (d) respectively on such condition as the Board may prescribe.

- b) Every resolution delegating the power referred to in sub clause (iii) of clause (a) shall specify the total amount outstanding at any one time up to which moneys may be borrowed by the delegate.
- (c) Every resolution delegating the power referred to in sub clause (iv) of clause (a) shall specify the total amount up to which the funds of the Company may be invested and the nature of the investments while may be made by the delegate.

Restriction on power of board

- (d) Every resolution delegating the power referred to in sub clause (v) of clause (a) shall specify the total amount up to Which loans may be made by the delegates, the purpose for which the loans may be made and the maximum amount up to which loans may be made for each such purpose in Individual cases.
 - (e) Nothing in this article contained shall be deemed to affect the right of the Company in general meeting to impose restrictions and conditions on the exercise by the Board of any of the powers referred to in sub-clause (i), (ii), (iii), (iv) and (v) of clause (a) above.
172. (a) The Board of Directors of the Company shall not except with the consent of the Company in general meeting :-
- (i) sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking of the whole or substantially the whole of any such undertaking;
 - (ii) remit, or give time for the repayment of any debt, due by a Director;
 - (iii) invest, otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in sub clause (i) above, or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
 - (iv) borrow moneys, where the money to be borrowed, together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up Capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose; or
 - (v) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees an amounts the aggregate of which will in any financial, year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years, immediately preceding, whichever is greater.
- (I) the title of a buyer or other persons who buys or takes a lease of any such undertaking as is referred to in that sub clause in good faith and after exercising due care and caution, or
 - (II) the selling or leasing of any property of the Company where the ordinary business of the Company consists of, or comprises such selling or leasing.
- (c) Any resolution passed by the Company permitting any transaction such as is referred to in sub clause (a) (I) above, may attach such conditions to the permission as may be specified in the resolution, including conditions regarding the use, disposal or investment of the sale proceeds which may result from the transaction. Provided that this clause shall not be deemed to authorise the Company to effect any reduction in its capital except in accordance with the provisions contained in that behalf in the Act
 - (d) No debt incurred by the Company in excess of the limit imposed by sub clause (iv) of clause (a) above, shall be valid or effectual, unless the lender proves that he advanced the loan in good faith and without knowledge that the limit

imposed by that clause had been exceeded.

- (e) Due regard and compliance shall be observed in regard to matters dealt with by or in the Explanation contained in subsection (1) of Section 293 of the Act and in regard to the Ratios on the power of the Company contained in Section 293A of the Act.

General powers of the Company vested in Directors

173. Subject to the provisions of the Act, the management of the business of the Company shall be vested in the directors and the Directors may exercise all such powers and do all such acts and things as the Company is by the Memorandum of Association or otherwise authorised to exercise and do and not hereby or by the statute or otherwise directed or required to be exercised or done by the Company in General meeting, but subject nevertheless to the provisions of the Act and other Act and of the Memorandum of Association and these articles and to any regulations, not being inconsistent with the Memorandum of Association and these articles or the Act, from time to time made by the Company in general meeting provided that no such regulation shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

To invest Moneys

- (xix) Subject to the provisions of Section 292, 293, and 370 of the Act, to invest and deal with any of the moneys of the Company, not immediately required for the purpose thereof, upon such shares, securities, or investments (not being shares in this Company) and in such manner as they may think fit, and from time to time to vary or realise such investments;

MANAGING DIRECTORS

Power to appoint Managing or whole-time Director

175. (a) Subject to the provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its members as Managing Director or Managing Directors and/or whole time Directors and/or Special Director like Technical Director, Financial Director, etc. of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and the Board may by resolution vest in such Managing Director or Managing Directors/Whole time Director (s), Technical Director(s), Financial Director(s) and Special Director(s) such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of such Directors may be by way of monthly remuneration and/or fee for each meeting and/or participation in profits, or by any or all of those modes, or of any other mode not expressly prohibited by the Act.
- (b) The Directors may whenever they appoint more than one Managing Director, designate one or more of them as "Joint Managing Director" or "Joint Managing Directors" or "Deputy Managing Directors" as the case may be.

Appointment and payment of remuneration to Managing or whole-time Director

- (c) Subject to the provisions of Sections 198, 269, 309, 310 and 311 of the Act, the appointment and payment of remuneration to the above Director shall be subject to approval of the members in general meeting and of the Central Government.

What provisions they will be subject to.

- (d) Subject to the provisions of the Act and these Articles, the Managing Director or the Whole Time Director shall not, while he continues to hold that office, be subject to retirement by rotation under Article 129 but save as provided in Article 129 he shall be subject to the provisions of any contract between him and the Company, be subject to the same provisions as the resignation and removal as the other Directors of the Company and he shall impose fact and immediately cease to be a Managing Director or Whole Time Director if he cares to hold the office of Director from any cause provided that if at any time the number of Directors (Including Managing Director or Whole time Director) as are not subject to retirement by rotation shall exceed one third of the total number of the Directors for the time being, then such of the Managing Director or Whole Time Director or two

or more of them as the Directors may from time to time determine shall be liable to retirement by rotation in accordance with the Article 129 to the intent that the number of Directors not liable to retirement *by* rotation shall not exceed one third of the total number of Directors for be time being.

Powers and duties of managing and/ or whole time director

- (e) Subject to the superintendence, control and direction of the Board the day to day management of the Company shall be in the hands of the Managing Director/s and or Whole Time Director/s, if any, with Power to the Board to distribute such day to day management functions among such Director/s in any manner as deemed fit by the Board and subject to the provisions of the Act and these Articles the Board may by resolution vest any such Managing Director or Managing Directors or whole time Director or whole time Directors such of the power vested in the Board generally as it thinks fit and such powers may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as it may determine and they may subject to the provisions of the Act and these Articles confer such powers either collaterally with or to the exclusion of or in substitution for all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.

SEAL

The seal its custody and use

177. (a) The Directors shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new Seal In lieu thereof, and the Directors shall provide for the safe custody of the Seal for the time being and the Seal shall never ' be used except by or under the authority of the Directors or a Committee of the Directors previously given, and in the presence of one Director at the least, who shall sign every instrument to which the Seal is so affixed in his presence.
- (b) The Company shall also be at liability to have an official seal in accordance with section 50 of the Act for use in any territory, district or place outside India and such powers shall accordingly be vested in the Directors

INTEREST OUT OF CAPITAL

Interest may paid out of capital

178. Where any shares in the Company are issued for the purpose of raising money to defray the expenses of the construction of any work for or building, or the provisions of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of the share capital as is for the time being paid-up, for the period and at the rate and subject to the conditions and restrictions provided by Section 208 of the Act, and may charge the same to capital as part of the cost of construction of the work or building, of the provisions of Plant.

Dividend out of profits only

179. (i) No Dividend shall be declared or paid by the Company for any financial year except out of the profits of the Company for that year arrived at after providing for depreciation in accordance with the provisions of sub-clause
- (ii) or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with those provisions and remaining un distributed or out of both or out of moneys provided by the Central Government or State Government for the payment of dividend in pursuance of a Guarantee given by the Government and except after the transfer to the reserves of the Company of such percentage out of the profits for that year not exceeding ten per cent as may be prescribed or voluntarily such higher percentage in accordance with the rules as may be made by the Central Government in that behalf, PROVIDED HOWEVER whether owing to inadequacy or absence of profits in any year, the Company proposes to declare out of the accumulated profits earned by the Company in previous years and transferred by it to the reserves, such declaration of dividend shall not be made except in accordance with such rules as may be made by the Central Government in this behalf, and whether any such declaration is not in accordance with such rules, such declaration shall not be made except with the previous approval of the Central Government.
- (ii) The depreciation shall be provided either
- (a) to the extent specified in Section 350 of the Act; or
- (b) In respect of each item of a depreciable asset, for such an amount as is arrived at by dividing 95 per cent of the original cost thereof to the Company by the specified period in respect of such asset; or

- (c) on any other basis approved by the Central Government which has the effect of writing off by way of depreciation 95 per cent of the original cost of the Company such depreciable asset on the expiry of the specified period; or
- (d) as regards any other depreciable assets for which no rate of depreciation has been laid down by the Indian Income Tax Act, 1961 or the rules made there under on such basis as may be approved by the Central Government by any general order published in the Official Gazette or by any special order in the case of the Company.

Provided that where depreciation is provided for in the manner laid down in Clause (b) or Clause (c), then in the event of the depreciated assets being sold, discarded demolished or destroyed, the written down value thereof at the end of the financial year in which the asset is sold, discarded, demolished or destroyed shall be written off in accordance with the proviso to section 350 of the Act,

- (iii) No dividend shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up. bonus share or paying up any amount for the time being unpaid on any shares held by members of the Company.
- (iv) Nothing in this Article shall be deemed to affect in any manner the operation of Section 206 of the Act.
- (v) For the purposes of this Articles 'Specified period'¹ in respect of any depreciable asset shall mean the number of years at the end of which at least 95 per cent of the original cost of that asset to the Company will have been provided for by way of depreciation, if depreciation were to be calculated in accordance with the provisions of Section 350 of the Act.

Interim Dividend

- 180. The Board of 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

- 181. The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Capital paid up in advance and interest not to earn dividend.

- 182. Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying Interest, confer a right to dividend or to participate in profits.

Dividends in proportion to amount paid-up

- 183. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that It shall rank for dividends as from a particular date such share shall rank for dividend accordingly.

Treatment of dividend, offer of right and bonus etc. until completion of transfer a under Article 70

- 184. Where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the Company, if shall:
 - a) transfer the dividend in relation to such share to the special account referred to in Section 205A of the Companies Act, 1956 unless the Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer; and
 - b) Keep in abeyance in relation to such shares any offer of rights shares under Clause (a) of Sub-section (1) of Section 81 and may issue of fully paid up bonus shares in pursuance of Sub-section (3) of Section 205 of the Companies Act, 1956.

No member to receive dividend whilst indebted to the company and the company's right of reimbursement thereof

- 185 No member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares (or otherwise however, either alone or Jointly with any other person or persons) and the Board of Director may deduct from the interest or dividend payable to any member all such sums of money so due from him to the Company.

Effect of transfer of shares

186. A transfer of shares does not pass the right to any dividend declared thereon before the registration of the transfer.

Dividends how remitted

187. The dividend payable in cash may be paid by cheque or warrant sent through post direct to the registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders which is first named on the register of members or to such person and to such address as the holder or the joint holder may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay-slip or receipt lost in transmission or for any dividend lost, to the member or person entitled thereof by forged endorsement of any cheque or warrant or the fraudulent recovery of the dividend by any other means.

Notice of dividend

188. Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holder of share in the manner herein provided

Dividend to be paid within forty days

189. (i) The Company shall pay the dividend or send the warrant in respect thereof to the shareholder entitled to the payment of dividend, within forty-two days from the date of the declaration of the dividend unless -

- (a) Where the dividend could not be paid by reason of the operation of any law;
 - (b) where a shareholder has given directions regarding the payment of the dividend and these directions cannot be complied with;
 - (c) where there is a dispute regarding the right to receive the dividend; .
 - (d) where the dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder; or
 - (e) where for any other reasons, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.
- (ii) (a) where the dividend has been declared but not paid but the warrant in respect thereof has not been posted, within 42 days from the date of the declaration to any shareholder entitled to the payment thereof the Company, shall within 7 days from the date of expiry of the said period of 42 days transfer the total amount of dividend which remains unpaid or in relation to which no dividend has been posted within the said period of 42 days to a special account to be opened by the Company in that behalf in any scheduled Bank
- (b) any moneys transferred to the Unpaid Dividend Account of the Company in pursuance of sub-clause'(1) thereof which remains unpaid or- unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the General Revenue Account of the Central Government.
- (c) the Company shall when making any transfer under sub-clause (c) hereof to the General Revenue Account of the Central Government any unpaid or unclaimed dividend furnish to such officer as the Central government may appoint in this behalf a Statement in the prescribed form setting forth in respect of all sums included in such transfer, the nature of the sums, the names and last known addresses of the persons entitled to receive the sum, the amount to which each person is entitled and the nature of his claim thereto and such other particulars as may be prescribed.

"No unclaimed or unpaid dividend shall be forfeited by the Board; the dividends unclaimed until transferred to the Unpaid Dividend Account of the Company as aforesaid may not be deposited or otherwise used by the Board of directors for the benefit of the Company until claimed, or so transferred."

Dividend and call together

192. Any General Meeting declaring a dividend may on the recommendations of the Directors make a call on the Members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend; and the dividend may, if so arranged between the Company and members be set off against the calls.

CAPITALISATION

193. (a) Any general meeting may resolve that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account of any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realisation and where permitted by law, from the appreciation in value of any capital assets of the company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other fund of the Company or in the hands of the Company and available for dividend may be capitalised. Any such amount (excepting the amount standing to the credit of the Share Premium Account and/or the Capital Redemption Reserve Account) may be capitalised :

(i) by the issue and distribution as fully paid shares, debentures, debenture-stock, bonds or obligations of the Company, or

(ii) by crediting the shares of the Company which may have been issued and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share Premium Account may be applied in ;

- (1) paying up un-issued shares of the Company to be issued to members of the Company as fully paid bonus shares;
 - (2) in writing off the preliminary expenses of the Company;
 - (3) In writing off the expenses of, or the commission paid or discount allowed on any issue of shares or debentures of the Company; or
 - (4) in providing for the premium payable on the redemption of any redeemable preference share or of any debentures of the Company, provided further that any amount standing to the credit of the Capital Redemption Reserve Account shall be applied only in paying up un-issued shares of the company to be issued to the members of the Company as fully paid bonus shares
- (b) Such issue and distribution under Sub-clause (a) (I) above and, such payment to the credit of unpaid share capital sub-clause(a) (II) above shall be made to, among and in favour of the members of any class of them any of them entitled thereof and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (a) (I) or payment under sub-clause (a) (II) above shall be made on the footing that such members become entitled thereof as capital.
- (c) The Directors shall give effect to any such resolution and apply portion of the profits, General Reserve Fund or any other, fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture stock, bonds or other obligations of the Company so distributed under sub-clause (a) (I) above or(as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid-up under sub-clause above provided that no such distribution or payment shall be made unless recommended by directors and If so recommended such distribution and payment shall be accepted by such member as aforesaid in full satisfaction of their interest in the said capitalised sum.
- (d) For the purpose of giving effect to any such resolution the directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates or coupons and fix the value for distribution of any specific assets and may determine that such payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, fractional certificates or coupons, debentures, debenture-stock, bonds, or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, debenture, debenture-stock, bonds or other obligations and fractional certificates or coupons or otherwise as they may think fit,
- (e) Subject to the provisions of the Act and these Articles, in cases where some of the shares of the Company are fully paid and others are partly paid only, such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of unpaid liability thereon but so that as between the holders of fully paid shares, and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares shall be so applied prorata in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively.

- (f) When deemed requisite a proper contract shall be filed with the Registrar of companies in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.

WINDING UP

Distribution of Assets

219. (a) Subject to the provisions of the Act, if the Company shall be wound up and the assets available for distribution among the members as such shall be less than sufficient to repay the whole of the paid up capital such assets shall be distributed so that, as nearly, as may be, the losses shall be borne by the members in proportion to the Capital paid up, or which ought to have been paid up, at the commencement of winding up, on the shares, held by them respectively. And if in winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the Capital paid up at the commencement of the winding up the excess shall be distributed amongst the members In proportion to the Capital at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively.
- (b) But this clause will not prejudice the rights of the holders of shares issued upon special terms and conditions.

Distribution of specie or Kind

220. Subject to the provisions of the Act.,
- (a) if the Company shall be wound up whether voluntarily or otherwise, the liquidators may with the sanction of a special resolution and any other sanction required by the Act, divide amongst the contributories, In specie or kind the whole or any part of the assets of the Company, and may, with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them as the liquidators with the like sanction shall think fit.
- (b) If thought expedient, any such division may, subject to the provisions of the Act, be otherwise than In accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given (subject to the provisions of the Act) preferential or special rights or may be excluded altogether or In part but In case any division otherwise than In accordance with the legal rights of the contributories shall be determined or any contributory who would be prejudiced thereby shall have the right, If any to dissent and ancillary rights as If such determination were a special resolution passed pursuant to section 494 of the Act.
- (c) In case any shares to be divided as aforesaid involves a liability to calls or otherwise, any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution, by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and the Liquidators shall, if practicable act accordingly.

Rights of shareholders in case of sales

221. Subject to the provisions of the Act, a special resolution sanctioning a sale to any other Company duly passed may, In like manner as aforesaid, determine that any shares or other consideration receivable by the Liquidators be distributed amongst the members otherwise than In accordance with their existing rights and any such determination shall be binding upon all the members sublet to the rights of dissent, if any, if such right be given by the Act.

SECRECY CLAUSE

222. (a) Every Director, Manager, Auditor, Treasurer, Trustee, Member or a Committee, Officer, Servant, agent, accountant or other person employed In the business of the Company shall, if so required by the Director, before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge In the discharge of his duties except which required so to do be the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions In these presents contained.
- (b) No Member or other person (not being a Director) shall be entitled to visit or inspect any works of the Company without the permission of the Directors or to require discovery of or any information respecting any detail

of the Company's trading, or any matter which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.

SECTION X OTHER INFORMATION

LIST OF MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts not being contracts entered in the ordinary course of business carried on by the Company which are or may be deemed material contracts have been attached to the copy of this draft Red Herring Prospectus delivered to the Registrar of Companies, NCT of Delhi & Haryana at New Delhi for registration and also the documents for inspection referred to hereunder may be inspected at the Registered office of SPL Industries at 5/66 K.C. House 3rd Floor Padam Singh Road , Karolbagh, New Delhi – 110 005 between 11:00 am. to 5:00 p.m. on any working day from the date of the Draft Red Herring Prospectus until the date of closing of the Issue.

MATERIAL CONTRACTS

1. Memorandum of Understanding dated March 21, 2005 entered into with Karvy Investor Services Limited and UTI Securities Limited to act as the BRLMs & Co-BRLMs respectively to the Issue.
2. Memorandum of Understanding dated March 19, 2005 entered between Company and Karvy Computershare Private Limited as the Registrar to the Issue.
3. Escrow Agreement dated [●] between [●], [●] and [●]
4. Syndicate Agreement dated [●] between [●], [●] and [●]
5. Underwriting Agreement dated [●] between [●], [●] and [●]

DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of the Company as amended from time to time.
2. Certificate of Incorporation dated December 6, 1991 and Fresh Certificate of Incorporation upon change in name from Shivalik Prints Private Limited to SPL Industries Limited dated September 26, 1994.
3. Copy of the Resolution passed by the Board of Directors on January 2, 2005 authorising the Issue of Equity Shares.
4. Copy of the Special Resolution passed under Section 81(1A) on February 7, 2005, authorising the Issue of Equity Shares.
5. Copies of Resolutions of the Board dated January 12, 2005, for formation of the Company's Audit Committee, Remuneration Committee and Investor Grievances Committee
6. Copy of the Board Resolution passed in the meeting of the Board of Directors of the Company held on March 21, 2005 approving the Draft Red Herring Prospectus and authorising Director(s) / Officer(s) of the Company to make and sign the necessary changes in the draft Red Herring Prospectus.
7. Copies of the Statutory Auditors' report :
 - Report mentioned in the draft Red Herring Prospectus dated March 9, 2005
 - Report on tax benefits dated March 9, 2005
 - Certificate for significant developments after the last balance sheet March 22, 2005
8. Consent letters from the Directors, Company Secretary cum Compliance Officer, Statutory Auditors, Bankers to the Company, Book Running Lead Manager(s) to the Issue, Co-Book Running Lead Manager to the Issue, Registrar to the Issue, and the Legal Advisor to the Issue, to act in their respective capacities and for inclusion of their names in the Prospectus.
9. Copy of the Members' resolution passed on January 17, 2005 for appointment of Managing Director along with the copy of the agreement entered into between the Company and the Managing Director.
10. Sanction letter from IDBI dated September 1, 2004 and Term Loan agreement with IDBI dated September 10, 2004.

11. Collaboration Agreement dated February 1, 2004 entered between the Company and Nano-Tex Proprietary Technology.
12. Lease Deeds pertaining to (i) Plot no. 128, Sector 24 (ii) Plot no. 15, Sector 1 and (iii) Opp. Plot No. 84, sector 25, Village Khera, Faridabad.
13. High Court Order dated August 21, 2003, for Scheme of amalgamation of SPL Machines Private Limited with SPL Industries Limited
14. Due Diligence Certificate dated [●], issued by Book Running Lead Manager to the Issue, Karvy Investor Services Limited.
15. Legal Clearance Certificate dated March 22, 2005 given by M/s. Seth Dua and Associates, Legal Advisors to the Issue.
16. Memorandum of Understanding of Inter-se Allocation of responsibilities dated March 21, 2005 between the Book Running Lead Manager - Karvy Investor Services Ltd. and Co-Book Running Lead Manager UTI Securities Limited.
17. Copy of Tri-partite Agreement dated [●], entered into between CDSL, the Company and the Registrar to the issue M/s Karvy Computershare Private Limited.
18. Copy of Tri-partite agreement dated [●], 2004 entered into between NSDL, the Company and the Registrar to the issue M/s Karvy Computershare Private Limited.
19. Copies of the initial listing application dated [●] made to The National Stock Exchange of India Ltd. and The Stock Exchange, Mumbai.
20. Copies of Audited Annual Accounts of SPL Industries Ltd. for the last 5 Accounting Years i.e. F.Y. ended March 31, 2000, 2001, 2002, 2003, 2004 and for the period ended on December 31, 2004.
21. Letters from the National Stock Exchange of India Ltd. and The Stock Exchange, Mumbai dated [●], 2005 and [●], 2005 respectively granting permission to use their names in the Prospectus.
22. Certified true copy of the Resolution of SPL Industries Ltd. approving Draft Red Herring Prospectus
23. SEBI Observation letter no. [●] dated [●], 2005.

DECLARATION

No statement made in this Draft Red Herring Prospectus shall contravene any of the provisions of the Companies Act, 1956 and the Rules made thereunder. All the legal requirements connected with the said issue as also the guidelines, instructions, etc, issued by SEBI, Government or any other competent authority in this behalf have been duly complied with.

UNDERTAKING

We, the Directors of SPL Industries Ltd declare and confirm that no information/ material likely to have a bearing on the decision of the investors in respect of the equity shares offered in terms of this Draft Red Herring Prospectus has been suppressed / withheld and / or incorporated in the manner that would amount to mis-statement / mis-representation and in the event of it transpiring at any point of time till allotment/refund, as the case may be, that any information /material has been suppressed/ withheld and/or amounts to mis-statement / mis-representation, we undertake to refund the entire application monies to all the subscribers within seven days thereafter, without prejudice to the provisions of Section 63 of the Act.

Since the date of last financial statement disclosed in this Draft Red Herring Prospectus, there have been no circumstances that materially and adversely affects or is likely to affect the profitability of the Company or the value of its assets or its ability to pay off its liabilities within a period of next 12 months.

The Company accepts no responsibility for statements made otherwise than in the Prospectus or in the advertisements or any other materials issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

The Directors and Chief Financial Officer of the Company certify that all the disclosures made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS

Mr. H.R. Gupta
Managing Director

Mr. Vijay Jindal
Joint Managing Director

Mr. Praveen Garg
Wholetime Director

Mr. Mukesh Aggarwal
Wholetime Director

Mr. Pankaj Garg
Wholetime Director

Mr. Naresh Aggarwal
Independent Director

Mr. Suresh Aggarwal
Independent Director

Mr. Ram Babu Bansal
Independent Director

Mr. Y. Hari Shanker
Independent Director

Mr. Kailash B. Goel
Independent Director

SIGNED BY COMPLIANCE OFFICER

Mr. Pushpak Bansal
Chief Financial Officer

Place : New Delhi

Dated :